



中國服飾控股有限公司
CHINA OUTFITTERS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1146)

2021
Interim Report

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CORPORATE INFORMATION

Executive directors

Mr. ZHANG Yongli
(Chairman & Chief Executive Officer)
Mr. SUN David Lee
Ms. HUANG Xiaoyun
(Chief Financial Officer)

Non-executive director

Mr. WANG Wei

Independent non-executive directors

Mr. KWONG Wilson Wai Sun
Mr. CUI Yi
Mr. YEUNG Chi Wai

Company secretary

Ms. LI Rita Yan Wing

Authorised representatives

Ms. HUANG Xiaoyun
Ms. LI Rita Yan Wing

Audit committee

Mr. KWONG Wilson Wai Sun
(Chairman)
Mr. CUI Yi
Mr. YEUNG Chi Wai

Remuneration committee

Mr. CUI Yi *(Chairman)*
Mr. ZHANG Yongli
Mr. KWONG Wilson Wai Sun

Nomination committee

Mr. ZHANG Yongli *(Chairman)*
Mr. YEUNG Chi Wai
Mr. KWONG Wilson Wai Sun

Registered office

One Nexus Way
Camana Bay
Grand Cayman
KY1-9005
Cayman Islands

Head office in the PRC

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Tong Pu Road
Pu Tuo District
Shanghai, PRC

Principal place of business in Hong Kong

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Tsim Sha Tsui East
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Website

www.cohl.hk

Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal bankers

The Hongkong and Shanghai
Banking Corporation Limited
China Merchants Bank,
Hong Kong Branch
China Construction Bank

Legal advisor

Herbert Smith Freehills LLP

Auditor

Ernst & Young,
Certified Public Accountants

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2021 (Unaudited)	2020 (Unaudited)	Change
Revenue (RMB million)	167.6	297.6	(43.7%)
Gross profit (RMB million)	117.7	200.4	(41.3%)
Operating loss (RMB million)	(53.7)	(33.9)	+58.4%
Loss attributable to owners of the parent (RMB million)	(48.6)	(45.4)	+7.0%
Loss per share – Basic (RMB cents) ¹	(1.48)	(1.37)	+8.0%
Gross profit margin	70.2%	67.3%	+2.9 p.p.t.
Operating loss margin	(32.0%)	(11.4%)	+20.6 p.p.t.
Net loss margin	(29.1%)	(14.7%)	+14.4 p.p.t.
Effective tax rate	0.1%	(71.2%)	+71.3 p.p.t.
	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)	Change
Current ratio (times) ²	4.9	4.4	+0.5 times
Trade receivables turnover days (days) ³	92	59	+33 days
Trade payables turnover days (days) ⁴	80	45	+35 days
Inventory turnover days (days) ⁵	667	341	+326 days

China Outfitters Holdings Limited

Key ratios:

1. Basic loss per share = Loss attributable to owners of the parent/weighted average number of ordinary shares (the weighted average number of shares in the six months ended 30 June 2021 was 3,282,916,000 versus 3,322,916,000 in the same period of last year)
2. Current ratio = Current assets/current liabilities
3. Trade receivables turnover days = Average of opening and closing balances on trade receivables/revenue for the period x 180 days
4. Trade payables turnover days = Average of opening and closing balances on trade payables/cost of sales for the period x 180 days
5. Inventory turnover days = Average of opening and closing balances on inventory/cost of sales for the period x 180 days

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

During the six months ended 30 June 2021 (the “**Relevant Period**”), with the impact of the COVID-19 pandemic on the macro-economy in China has significantly reduced, the growth rate of China’s Gross Domestic Product (“**GDP**”) was 12.7%. The growth rate of total retail sales of consumer products also increased by 23.0%. Particularly, retail sales achieved by the top 100 key and large-scale retailers increased by 22.5% in the Relevant Period.

Despite the recovery of the macro-economy and retail market, China Outfitters Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) reported a decrease in revenue by RMB130.0 million from RMB297.6 million in the six months ended 30 June 2020 to RMB167.6 million in the Relevant Period and an increase in loss attributable to owners of the parent by RMB3.2 million, or approximately 7.0%, from RMB45.4 million in the six months ended 30 June 2020 to RMB48.6 million in the Relevant Period.

FINANCIAL REVIEW

Revenue

We derive our revenue primarily from retail sales of our products to our end-consumers through self-operated retail points in department stores and shopping malls in major cities in the PRC, sales of products to third-party retailers who directly manage concession counters and retail stores in other cities in the PRC where we do not operate retail points and sales of products through online channels. Our revenue is stated at the net invoiced value of goods sold after trade discounts.

The total revenue of the Group was RMB167.6 million in the Relevant Period, representing a decrease by RMB130.0 million, or approximately 43.7%, as compared to RMB297.6 million in the six months ended 30 June 2020.

FINANCIAL REVIEW *(continued)*

Revenue *(continued)*

By sales channels

Revenue from sales of products through self-operated retail points decreased by RMB68.2 million, or approximately 31.6%, from RMB216.0 million in the six months ended 30 June 2020 to RMB147.8 million in the Relevant Period and accounted for approximately 88.2% (six months ended 30 June 2020: 72.6%) of the total revenue. Such decrease was mainly attributable to the decrease of sales of Jeep branded products as the Jeep licensing agreement was terminated on 31 December 2020. In terms of the retail channels, the revenue from outlet stores also decreased by RMB32.6 million, or approximately 41.7%, from RMB78.2 million in the six months ended 30 June 2020 to RMB45.6 million in the Relevant Period.

Revenue from sales of products to third-party retailers decreased by RMB41.5 million, or approximately 84.9%, from RMB48.9 million in the six months ended 30 June 2020 to RMB7.4 million in the Relevant Period and accounted for approximately 4.4% (six months ended 30 June 2020: 16.4%) of the total revenue. The decrease in revenue from sales of products to third-party retailers was mainly due to the decrease in number of retail points operated by third-party retailers from 286 at 30 June 2020 to 33 at 30 June 2021. The decrease in number of retail points was mainly attributable to the closure of Jeep branded stores by the third-party retailers due to the termination of Jeep licensing agreement.

Revenue from sales of products through online channels decreased by RMB20.3 million, or approximately 62.1%, from RMB32.7 million in the six months ended 30 June 2020 to RMB12.4 million in the Relevant Period and accounted for approximately 7.4% (six months ended 30 June 2020: 11.0%) of the total revenue. The decrease in revenue was primarily attributable to: (i) a decrease in sales from WeChat stores by RMB3.2 million, or approximately 54.2%, from RMB5.9 million in the six months ended 30 June 2020 to RMB2.7 million in the Relevant Period; (ii) a decrease in sales of products to online third-party retailers by RMB9.9 million, or approximately 81.8%, from RMB12.1 million in the six months ended 30 June 2020 to RMB2.2 million in the Relevant Period; (iii) a decrease in sales of product through our e-shops on Tmall.com and JD.com by RMB4.2 million, or approximately 45.2%, from RMB9.3 million in the six months ended 30 June 2020 to RMB5.1 million in the Relevant Period; and (iv) a decrease in sales from online discount platform such as VIP.com by RMB3.0 million, or approximately 55.6%, from RMB5.4 million in the six months ended 30 June 2020 to RMB2.4 million in the Relevant Period.

FINANCIAL REVIEW (continued)**Revenue** (continued)**By sales channels** (continued)

The table below sets forth the breakdown of our revenue contributed by sales made through our self-operated retail points, sales to third-party retailers and sales through online channels:

	Six months ended 30 June			
	2021		2020	
	Revenue RMB million	% of total revenue	Revenue RMB million	% of total revenue
Retail sales from self-operated retailers	147.8	88.2%	216.0	72.6%
Sales to third-party retailers	7.4	4.4%	48.9	16.4%
Sales through online channels	12.4	7.4%	32.7	11.0%
Total	167.6	100.0%	297.6	100.0%

By Brand

Revenue contributed from self-owned brands increased by RMB70.5 million, or approximately 2.8 times, from RMB25.4 million in the six months ended 30 June 2020 to RMB95.9 million in the Relevant Period. Percentage of revenue from self-owned brands over total revenue also increased from 8.5% in the six months ended 30 June 2020 to 57.2% in the Relevant Period.

The table below sets forth our revenue contributed by licensed brands and self-owned brands:

	Six months ended 30 June			
	2021		2020	
	Revenue RMB million	% of total revenue	Revenue RMB million	% of total revenue
Licensed brands	71.7	42.8%	272.2	91.5%
Self-owned brands	95.9	57.2%	25.4	8.5%
Total	167.6	100.0%	297.6	100.0%

FINANCIAL REVIEW *(continued)*

Cost of sales

Our cost of sales decreased by RMB47.3 million, or approximately 48.7%, from RMB97.2 million in the six months ended 30 June 2020 to RMB49.9 million in the Relevant Period. The decrease in cost of sales was primarily due to the decrease in cost of inventories sold by RMB47.9 million from RMB92.3 million in the six months ended 30 June 2020 to RMB44.4 million in the Relevant Period due to the decrease in revenue.

Gross profit and gross profit margin

Our gross profit decreased by RMB82.7 million, or approximately 41.3%, from RMB200.4 million in the six months ended 30 June 2020 to RMB117.7 million in the Relevant Period as a result of the decrease in revenue. Our overall gross profit margin increased by 2.9 percentage points from 67.3% in the six months ended 30 June 2020 to 70.2% in the Relevant Period. The increase in gross profit margin was mainly due to the increase in selling prices in the Relevant Period while in last year the selling prices were reduced to increase sales of Jeep branded inventories.

Other income and gains

Our other income and gains increased by RMB3.4 million, or approximately 65.4%, from RMB5.2 million in the six months ended 30 June 2020 to RMB8.6 million in the Relevant Period, which was primarily due to an increase in fair value gains by RMB2.2 million arising from the financial assets at fair value through profit or loss.

Selling and distribution expenses

Our selling and distribution expenses decreased by RMB35.5 million, or approximately 18.4%, from RMB192.7 million in the six months ended 30 June 2020 to RMB157.2 million in the Relevant Period.

Rents and concession fees for occupying concession counters within department stores and department store charges decreased by RMB14.7 million, or approximately 23.0%, from RMB63.9 million in the six months ended 30 June 2020 to RMB49.2 million in the Relevant Period, which was largely due to the decrease in revenue from self-operated retail points.

The labour and costs related to sales and marketing staff and outsourcing costs related to sales and marketing activities decreased from RMB50.4 million in the six months ended 30 June 2020 to RMB48.2 million in the Relevant Period. Such decrease was primarily attributable to the decrease in number of sales and marketing staff.

FINANCIAL REVIEW *(continued)*

Selling and distribution expenses *(continued)*

We incurred advertising and promotion expenses of RMB10.4 million (six months ended 30 June 2020: RMB5.2 million) during the Relevant Period for organizing promotion activities and spending on social media marketing to share our brand stories and product knowledge with our customers through WeChat, Weibo and mainstream websites such as Sina.com, Sohu.com etc.

Consumables and decoration fees for self-operated retail points increased from RMB15.7 million in the six months ended 30 June 2020 to RMB17.5 million in the Relevant Period which was primarily attributable to the store renovation costs related to the change of Jeep branded stores to MCS, SBPRC or Marina Yachting branded stores in the Relevant Period.

The other selling and distribution expenses, including freight and vehicle expenses, sample expenses, travelling expenses, office expenses and other operating expenses remained consistent during the both periods indicated.

Administrative expenses

The administrative expenses decreased by RMB1.3 million, or approximately 4.8%, from RMB27.3 million in the six months ended 30 June 2020 to RMB26.0 million in the Relevant Period. The decrease in administrative expenses was mainly due to a decrease in amortisation of share option expenses by RMB1.2 million.

Finance income

Our finance income decreased to RMB6.3 million in the Relevant Period as compared to that of RMB10.5 million in the six months ended 30 June 2020, representing a decrease by 40.0%. The decrease in finance income was mainly because the decrease in return rate on wealth management products in China and Hong Kong in the Relevant Period.

Loss before tax

As a result of the foregoing factors, loss before tax increased by RMB23.2 million, or approximately 91.0%, from RMB25.5 million in the six months ended 30 June 2020 to RMB48.7 million in the Relevant Period.

FINANCIAL REVIEW *(continued)*

Income tax expense

Income tax expense decreased by RMB18.2 million which was primarily due to (i) a decrease in current income tax by RMB5.9 million from RMB7.2 million in the six months ended 30 June 2020 to RMB1.3 million in the Relevant Period; and (ii) a decrease in deferred tax expense by RMB12.3 million due to the increase in deferred tax assets in relation to the inventory provisions.

Loss for the period

The Group reported a loss for the period of RMB48.7 million in the Relevant Period (six months ended 30 June 2020: a loss for the period of RMB43.6 million).

Loss attributable to owners of the parent

As a result of the foregoing, the loss attributable to owners of the parent increased by RMB3.2 million from RMB45.4 million in the six months ended 30 June 2020 to RMB48.6 million in the Relevant Period.

Working Capital Management

	30 June 2021	31 December 2020
Inventory turnover days	667	341
Trade receivables turnover days	92	59
Trade payables turnover days	80	45

The increase in inventory turnover days by 326 days was mainly because (i) an increase in turnover days of inventories aged within 1 year by 267 days due to the increase in procurement; and (ii) an increase in turnover days of inventories aged between 1 year to 3 years by 59 days due to the decrease in revenue.

The increase in trade receivables turnover days by 33 days was mainly because of the decrease of sales proportion from third-party retailers where payment in advance is required prior to the delivery of products.

The increase in trade payable turnover days by 35 days was mainly due to the increase in procurement of 2021 Spring/Summer products.

FINANCIAL REVIEW *(continued)***Liquidity, financial position and cash flows**

As at 30 June 2021, we had net current assets of approximately RMB979.7 million, as compared to RMB1,010.2 million as at 31 December 2020. The current ratio of our Group was 4.9 times as at 30 June 2021, as compared to that of 4.4 times as at 31 December 2020.

There was no undrawn banking facility as at 30 June 2021.

As at 30 June 2021, we had an aggregate cash and cash equivalents, time deposits with original maturity of over three months, structured bank deposits and financial assets at fair value through profit or loss and of approximately RMB695.1 million. The table below sets forth selected cash flow data from our consolidated statement of cash flows:

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
Net cash flows from operating activities	6.0	67.1
Net cash flows used in investing activities	(135.4)	(21.3)
Net cash flows used in financing activities	(22.5)	(34.2)
Net (decrease)/increase in cash and cash equivalents	(151.9)	11.6
Effect of foreign exchange rate changes, net	(0.7)	0.8
Cash and cash equivalents at the beginning of the period	271.3	95.9
Cash and cash equivalents at the end of the period	118.7	108.3

FINANCIAL REVIEW *(continued)*

Liquidity, financial position and cash flows *(continued)*

Operating activities

Net cash flows from operating activities decreased by RMB61.1 million, from RMB67.1 million in the six months ended 30 June 2020 to RMB6.0 million in the Relevant Period, which was primarily attributable to the decrease in cash flows before change in working capital by RMB55.2 million from a cash inflow of RMB34.2 million to a cash outflow of RMB21.0 million.

Investing activities

Net cash flows from investing activities of RMB135.4 million mainly represented an increase in short-term deposits with original maturity of over three months of RMB217.5 million and partially offset by a decrease in structured bank deposits and financial assets at fair value through profit or loss of RMB74.3 million.

Financing activities

Net cash flows used in financing activities mainly represented principal portion of lease payments of RMB22.5 million.

Pledge of group assets

As at 30 June 2021, no asset of our Group was pledged as a security for bank borrowings or any other financing facilities.

Capital commitments and contingent liabilities

As at 30 June 2021, the Group had capital commitments of approximately RMB25.1 million (31 December 2020: RMB34.5 million) and there were no significant contingent liabilities (31 December 2020: Nil).

Foreign exchange management

We conduct business primarily in Hong Kong and the PRC with most of our transactions denominated and settled in HK\$ and RMB. To minimise foreign-exchange risks, the Group has a hedging policy in place.

OPERATION REVIEW

Retail and distribution network

As at 30 June 2021, our sales network comprised a total of 410 self-operated retail points, consisting of concession counters, consignment stores and standalone stores, and 33 retail points operated by our third-party retailers.

The following table sets forth the number of our self-operated retail points and retail points operated by our third-party retailers in the PRC and Taiwan by brand as at 30 June 2021 and 31 December 2020:

Brand	As at 30 June 2021			As at 31 December 2020		
	Self-operated retail points	Retail points operated by third-party retailers	Total retail points	Self-operated retail points	Retail points operated by third-party retailers	Total retail points
SBPRC	144	9	153	155	10	165
London Fog	21	—	21	25	—	25
MCS	167	20	187	169	16	185
Zoo York	24	—	24	27	—	27
Barbour	13	3	16	13	2	15
Marina Yachting	41	1	42	45	2	47
Others	—	—	—	1	—	1
Total	410	33	443	435	30	465

Self-operated retail points

As at 30 June 2021, we had a network of 395 self-operated concession counters (31 December 2020: 420 self-operated concession counters). A majority of the concession counters are located within mainstream department stores in the first and second tier cities in China, including Parkson (百盛), Golden Eagle (金鷹), MOI (茂業), Intime (銀泰), Wangfujing (王府井) etc., among which a total of 133 were outlet stores as at 30 June 2021 (31 December 2020: 137 outlet stores).

As at 30 June 2021, we had a network of 15 standalone stores (31 December 2020: 15 stores) which were located in shopping malls within major cities in the PRC to ensure a steady flow of consumers as well as to enhance our sales and brand awareness.

OPERATION REVIEW *(continued)*

Retail and distribution network *(continued)*

Retail points operated by third party retailers

As at 30 June 2021, we had a total of 33 retail points that were operated by third-party retailers, which remained consistent as compared to that of 30 retail points as at 31 December 2020.

Online Channels

We primarily sell past season products through online channels which consisted of (1) online discount platforms such as VIP.com; (ii) online third-party retailers; (iii) our self-operated e-shops on mainstream online platforms such as Tmall.com, JD.com etc.; and (iv) our WeChat stores.

During the Relevant Period, we continued to participate in the just-in-time delivery program (the “**JIT Program**”) of VIP.com, which allows us to receive orders placed by customers on VIP.com and make direct distribution of the products to customers from our warehouse. We also actively developed new online third-party retailers for online retailing of our products.

Branding

The continuing implementation of a multi-brand strategy is critical to our sustainable expansion and growth. We believe that our multi-brand strategy will allow us capture more market segments, take advantage of a wider range of market opportunities and ultimately increase our overall market share in China’s menswear market. Our initiatives in brand portfolio diversification and building brand equity during the period included the following:

In the Relevant Period, the MCS 21 Spring Summer season advertising were shown on over 1,000 elevator TV displays in mainstream office buildings and shopping malls covering the first and second tier cities in China including Beijing, Shanghai, Chengdu etc.

The Group also sponsored apparel products of “MCS” and “Marina Yachting” for the TV drama “the Fifth Facade” (第五立面) during the Relevant Period.

OPERATION REVIEW *(continued)*

Business Digitalization

We developed an O2O system that is tailored to our retail network and allows our customers to make purchases on demand even if the desired item is out of stock at a particular location, which in turn both enhances customers' shopping experience and drives our sales. Sales contributed by the self-developed O2O system decreased by RMB15.0 million, or approximately 44.5%, from RMB33.7 million in the six months ended 30 June 2020 to RMB18.7 million in the Relevant Period.

We also launched our social network-based commerce and marketing program in collaboration with Weimob (微盟) and started to sell and deliver our products on WeChat in the form of WeChat Mini Programs and WeChat Official Accounts. Total revenue derived from the WeChat stores was RMB2.7 million in the Relevant Period (six months ended 30 June 2020: RMB5.9 million).

As our Customer Relationship Management (CRM) system has been online, we are also working on a customer loyalty program with an aim to further promote customer loyalty, encourage repeat purchases and cross-selling.

Outsourcing

In order to enable our management team to continuously focus on our core missions, we outsourced substantially all of our sales staff in self-operated retail points and the production workers in our manufacturing plant in Dezhou to a third-party outsourcing service company. As at 30 June 2021, approximately 1,334 sales representatives, store managers and production workers, were employees of the outsourcing service company (31 December 2020: 1,500).

Employee information

As at 30 June 2021, the Group had approximately 402 full-time employees (31 December 2020: 530). Staff costs, including Directors' remuneration, totalled RMB19.6 million in the Relevant Period (six months ended 30 June 2020: RMB21.3 million).

The Company also operated a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants for their contribution to, and continuing efforts to promote the interests of our Group. A total of 244,600,000 options under the Share Option Scheme that was granted to 91 participants (including 7 directors) remain outstanding as at 30 June 2021.

OPERATION REVIEW *(continued)*

Corporate Social Responsibility

Being a responsible corporate citizen is a core fundamental of our culture. During the period, we continued to participate in the sponsorship of an animal protection program organized by the Beijing Loving Animals Foundation (北京愛它動物保護公益基金) and the sponsorship of “I fly” (愛飛翔) training program for village school teachers organised by the Chinese Red Cross Foundation and Cui Yong Yuan Commonwealth Foundation (崔永元公益基金) for the purpose of supporting education in rural areas of China. A total donation of approximately RMB0.1 million was made by the Group to the above programs in the Relevant Period.

We are also looking for opportunities to reduce the consumption of paper, electricity and other resources in order to reduce the impact to the environment and set reduction targets as appropriate.

Prospects

Seamless Combining of the online and offline business through information technology and business digitalisation remains our first priority for the year ending 31 December 2021. Therefore, we will focus on the following initiatives in the second half of 2021:

- to encourage our sales staff and third-party retailers to use our O2O system as well as to sell products through our WeChat stores;
- to leverage of our customer loyalty program to increase interactions with customers and encourage repeat purchases;
- to develop new online and offline third-party retailers to expand the retail network; and
- stock clearance remains a priority of the Group in the second half of 2021 given the relatively high level of inventory.

Interim Dividends

The board of directors (the “**Board**”) does not recommend to declare any interim dividends for the Relevant Period (six months ended 30 June 2020: Nil).

OTHER INFORMATION

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures

As at 30 June 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules, were as follows:

Long Positions in Ordinary Shares and Underlying Shares of the Company:

Name of director	Nature of interest	Number of Ordinary Shares Owned	Underlying Shares Interested (Note 1)	Percentage of the Company's Issued Share Capital (%)	
				Total	
Mr. ZHANG Yongli	Beneficial owner	9,028,000	3,000,000	12,028,000	0.35
	Corporate interest (Note 2)	839,748,000	-	839,748,000	24.37
Mr. SUN David Lee	Beneficial owner	452,000	10,000,000	10,452,000	0.30
Ms. HUANG Xiaoyun	Beneficial owner	320,600,000	20,000,000	340,600,000	9.89
Mr. Wang Wei	Beneficial owner	-	3,000,000	3,000,000	0.09
Mr. KWONG Wilson Wai Sun	Beneficial owner	-	3,000,000	3,000,000	0.09
Mr. CUI Yi	Beneficial owner	-	3,000,000	3,000,000	0.09
Mr. YEUNG Chi Wai	Beneficial owner	-	3,000,000	3,000,000	0.09

Notes:

- (1) The number of underlying shares represents the shares in which the Directors are deemed to be interested as a result of holding share options.
- (2) CEC Outfitters Limited, holding 839,748,000 shares (long position) of the Company, was wholly owned by Vinglory Holdings Limited ("Vinglory") and Vinglory was wholly owned by Mr. ZHANG Yongli.

Save as disclosed above, as at 30 June 2021, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSURE OF INTERESTS *(continued)***Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares**

As at 30 June 2021, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or were otherwise notified to the Company:

Long Position in Ordinary Shares and Underlying Shares of the Company:

Name	Notes	Nature of Interest	Number of Shares	Percentage of the Company's Issued Share Capital (Note 5)
Mr. ZHANG Yongli	(1)	Corporate interest	839,748,000	24.37
	(1)	Beneficial owner	12,028,000	0.35
Vinglory Holdings Limited	(1)	Corporate interest	839,748,000	24.37
CEC Outfitters Limited	(1)	Beneficial owner	839,748,000	24.37
Ms. HUANG Xiaoyun	(2)	Beneficial owner	340,600,000	9.89
Mr. KRAVIS Henry Roberts	(3)	Corporate interest	285,366,000	8.28
Mr. ROBERTS George R.	(3)	Corporate interest	285,366,000	8.28
KKR Management LLC	(3)	Corporate interest	285,366,000	8.28
KKR & Co. L.P.	(3)	Corporate interest	285,366,000	8.28
KKR Group Limited	(3)	Corporate interest	285,366,000	8.28
KKR Fund Holdings GP Limited	(3)	Corporate interest	285,366,000	8.28
KKR Group Holdings L.P.	(3)	Corporate interest	285,366,000	8.28
KKR Fund Holdings L.P.	(3)	Corporate interest	285,366,000	8.28
KKR China Growth Limited	(3)	Corporate interest	285,366,000	8.28
KKR SP Limited	(3)	Corporate interest	285,366,000	8.28
KKR Associates China Growth L.P.	(3)	Corporate interest	285,366,000	8.28
KKR China Growth Fund L.P.	(3)	Corporate interest	285,366,000	8.28
KKR China Apparel Limited	(3)	Beneficial owner	285,366,000	8.28
Mr. SHEN Chengjian	(4)	Beneficial owner	112,150,000	3.26
	(4)	Interest of spouse	168,904,000	4.90
Ms. XIAO Wenqing	(4)	Beneficial owner	168,904,000	4.90
	(4)	Interest of spouse	112,150,000	3.26
Ms. ZHANG Kailun		Beneficial owner	173,000,000	5.02

DISCLOSURE OF INTERESTS *(continued)***Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares** *(continued)*

Notes:

- (1.1) CEC Outfitters Limited, holding 839,748,000 shares (long position) of the Company, was wholly owned by Vinglory and Vinglory was wholly owned by Mr. ZHANG Yongli.
- (1.2) Mr. ZHANG Yongli held interests in a total of 12,028,000 shares (long position) of the Company, including 3,000,000 underlying shares interested as a result of holding share options.
- (2) Ms. HUANG Xiaoyun held interests in a total of 340,600,000 shares (long position) of the Company, including 20,000,000 underlying shares interested as a result of holding share options.
- (3) KKR China Apparel Limited, holding 285,366,000 shares (long position) of the Company, was owned as to 90% by KKR China Growth Fund L.P. KKR Associates China Growth L.P. ("**KKR Associates**") is the general partner of KKR China Growth Fund L.P. KKR SP Limited is the voting partner of KKR Associates while KKR China Growth Limited is the general partner of KKR Associates. KKR China Growth Limited was wholly owned by KKR Fund Holdings L.P. KKR Fund Holdings GP Limited is the general partner of KKR Fund Holdings L.P. KKR Group Holdings L.P. is the general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited. KKR Group Limited is the general partner of KKR Group Holdings L.P. KKR Group Limited was wholly owned by KKR & Co. L.P. while KKR Management LLC is the general partner of KKR & Co. L.P. Each of Mr. KRAVIS Henry Roberts and Mr. ROBERTS George R. is a designated member of KKR Management LLC. Mr. KRAVIS Henry Roberts and Mr. ROBERTS George R. disclaim any beneficial ownership interest in the shares held by KKR China Apparel Limited. The interest in 285,366,000 shares (long position) relates to the same block of shares in the Company.
- (4) Mr. SHEN Chengjian held interests in 112,150,000 shares (long position) of the Company and his spouse Ms. XIAO Wenqing held 168,904,000 shares (long position) of the Company. Mr. Shen is deemed to be interested in the 168,904,000 shares held by Ms. Xiao and Ms. Xiao is deemed to be interested in the 112,150,000 shares held by Mr. Shen.
- (5) The percentage is calculated based on the total number of issued shares of the Company as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, no person, other than the Directors and chief executives of the Company, whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

The Company operates a Share Option Scheme for the purpose of providing incentives and rewards to eligible participants for their contribution to, and continuing efforts to promote the interests of, the Group. The Share Option Scheme was conditionally approved by the written resolutions of the shareholders passed on 25 November 2011. As at 30 June 2021, a total of 244,600,000 shares under the Share Option Scheme were granted at a consideration of HK\$1 paid by each participant.

Details of movements of the options during the six months ended 30 June 2021 are set out below:

Category of grantees	Name of director	Date of grant	Exercise price (HK\$)	Outstanding at 1.1.2021	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited during the period	Outstanding at 30.6.2021	Vesting and exercise period
Executive director	Mr. ZHANG Yongli	10 December 2018	0.2114	3,000,000	-	-	-	-	3,000,000	Note 1
Executive director	Mr. SUN David Lee	10 December 2018	0.2114	10,000,000	-	-	-	-	10,000,000	Note 1
Executive director	Ms. HUANG Xiaoyun	10 December 2018	0.2114	20,000,000	-	-	-	-	20,000,000	Note 1
Non-executive director	Mr. WANG Wei	10 December 2018	0.2114	3,000,000	-	-	-	-	3,000,000	Note 1
Independent non-executive director	Mr. KWONG Wilson Wai Sun	10 December 2018	0.2114	3,000,000	-	-	-	-	3,000,000	Note 1
Independent non-executive director	Mr. CUI Yi	10 December 2018	0.2114	3,000,000	-	-	-	-	3,000,000	Note 1
Independent non-executive director	Mr. YEUNG Chi Wai	10 December 2018	0.2114	3,000,000	-	-	-	-	3,000,000	Note 1
Consultant	-	10 December 2018	0.2114	10,000,000	-	-	-	-	10,000,000	Note 1
Employees in aggregate	-	10 December 2018	0.2114	192,100,000	-	-	-	2,500,000	189,600,000	Note 2

Note 1: The remaining of outstanding options as at 30 June 2021 was vested and became exercisable on 10 December 2020. All vested options shall be exercisable until 9 December 2023.

Note 2: 69,675,000 of the outstanding options as at 30 June 2021 was vested and became exercisable on 10 December 2019, and another 69,675,000 of the outstanding options as at 30 June 2021 was vested and became exercisable on 10 December 2020, whereas 50,250,000 outstanding options shall become vested and exercisable on 10 December 2021 and 2022 in equal portions. All vested options shall be exercisable until 9 December 2023.

SHARE OPTION SCHEME *(continued)*

Details of the share options granted by the Company under the Share Option Scheme are set out on pages 53 and 54 of the interim report.

Save as disclosed above, no share option granted under the Share Option Scheme was exercised, forfeited, lapsed or cancelled during the six months ended 30 June 2021.

CORPORATE GOVERNANCE

Corporate governance practices

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board is of the view that throughout the six months ended 30 June 2021, the Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules, with the exception of code provision A.2.1.

According to code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company deviates from this code provision because both the chairman and chief executive officer (“**CEO**”) positions of the Company are held by Mr. Zhang Yongli. The Board believes that vesting the roles of chairman and CEO in the same person provides the Group with strong and consistent leadership and allows for efficient business planning and decisions under the current situation.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has devised its own code of conduct regarding Directors’ dealings in the Company’s securities and securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company (the “**Code of Conduct**”) on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Code of Conduct for the six months ended 30 June 2021.

CHANGES OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B of the Listing Rules, the changes in information of a Director since the date of the 2020 annual report of the Company are set out below:

Name of Director	Detail of Changes
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WANG Wei	Appointed as a director of Tonghua Dongbao Pharmaceutical Co., Ltd. (「通化東寶藥業股份有限公司」), a company listed on the Shanghai Stock Exchange (stock code: 600867), with effect from 29 September 2020
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AUDIT COMMITTEE

The audit committee has discussed with the management regarding the risk management and internal control systems and financial reporting matters related to the preparation of the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2021. It has also reviewed the said unaudited interim condensed consolidated financial statements in conjunction with the Company's external auditors.

APPRECIATION

I would like to take this opportunity to thank our colleagues on the Board for their contribution and support throughout the challenging period, and our management and staff members of the Group for their hard work and loyal service. I would also like to express our sincere appreciation to our shareholders, customers and suppliers as well as our business partners for their continuing support.

By Order of the Board

China Outfitters Holdings Limited

ZHANG Yongli

Chairman

Shanghai

24 August 2021



REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF CHINA OUTFITTERS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 25 to 60, which comprises the condensed consolidated statement of financial position of China Outfitters Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as at 30 June 2021 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“**IAS 34**”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst&Young

Certified Public Accountants

Hong Kong

24 August 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2021

	Notes	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
REVENUE	5	167,561	297,588
Cost of sales		(49,900)	(97,209)
Gross profit		117,661	200,379
Other income and gains	6	8,623	5,242
Selling and distribution expenses		(157,189)	(192,739)
Administrative expenses		(26,037)	(27,299)
Impairment losses on financial assets, net		3,230	1,834
Other expenses		—	(21,323)
Operating loss		(53,712)	(33,906)
Finance income	7	6,340	10,506
Finance costs		(738)	(1,252)
Share of loss of:			
An associate		(600)	(818)
LOSS BEFORE TAX	8	(48,710)	(25,470)
Income tax expense	9	58	(18,137)
LOSS FOR THE PERIOD		(48,652)	(43,607)
Attributable to:			
Owners of the parent		(48,613)	(45,366)
Non-controlling interests		(39)	1,759
		(48,652)	(43,607)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For loss for the period	11	RMB(1.48) cents	RMB(1.37) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**For the six months ended 30 June 2021**

	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
LOSS FOR THE PERIOD	(48,652)	(43,607)
OTHER COMPREHENSIVE (LOSS)/INCOME		
<i>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of financial statements	(5,430)	1,777
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	(5,430)	1,777
<i>Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:</i>		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	(8,104)	(1,348)
Income tax effect	1,889	(415)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(6,215)	(1,763)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(11,645)	14
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(60,297)	(43,593)
Attributable to:		
Owners of the parent	(60,258)	(45,352)
Non-controlling interests	(39)	1,759
	(60,297)	(43,593)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	257,660	266,435
Investment properties		46,444	47,746
Right-of-use assets		62,398	79,797
Investment in an associate		6,979	7,662
Equity investments designated at fair value through other comprehensive income	13	34,858	42,962
Other intangible assets	12	91,299	92,273
Deferred tax assets		143,403	142,115
Total non-current assets		643,041	678,990
CURRENT ASSETS			
Inventories	14	186,240	183,308
Properties under development	15	183,447	175,503
Trade and bills receivables	16	41,426	130,560
Prepayments, other receivables and other assets	17	121,916	113,982
Financial assets at fair value through profit or loss	18	173,072	213,456
Structured bank deposits	19	185,827	217,519
Time deposits with original maturity of over three months	20	217,500	—
Cash and cash equivalents	20	118,675	271,293
Total current assets		1,228,103	1,305,621

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
As at 30 June 2021

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
CURRENT LIABILITIES			
Trade payables	21	20,345	24,210
Other payables and accruals	22	86,064	115,491
Lease liabilities		19,936	32,776
Tax payable		122,070	122,919
Total current liabilities		248,415	295,396
NET CURRENT ASSETS		979,688	1,010,225
TOTAL ASSETS LESS CURRENT LIABILITIES		1,622,729	1,689,215
NON-CURRENT LIABILITIES			
Lease liabilities		3,557	8,894
Deferred tax liabilities		20,582	22,560
Total non-current liabilities		24,139	31,454
Net assets		1,598,590	1,657,761
EQUITY			
Equity attributable to owners of the parent			
Share capital	23	280,661	280,661
Shares held for share award scheme	25	(30,946)	(30,946)
Reserves		1,346,844	1,405,976
Non-controlling interests		1,596,559	1,655,691
		2,031	2,070
Total equity		1,598,590	1,657,761

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent													
											Fair value reserve of financial assets at fair value			
	Shares held for		Capital redemption reserve	Merger reserve	Acquisition reserve	Share option reserve	through other comprehensive income	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity	
	Share capital	Award Scheme												
RMB'000 (note 23)	RMB'000 (note 25)	RMB'000	RMB'000	RMB'000	RMB'000 (note 24)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2021 (audited)	280,661	(30,946)	543	389,848	(184,468)	18,736	(21,332)	66,280	(8,046)	1,144,415	1,655,691	2,070	1,657,761	
Loss for the period	-	-	-	-	-	-	-	-	-	(48,613)	(48,613)	(39)	(48,652)	
Other comprehensive loss for the period:														
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	(6,215)	-	-	-	(6,215)	-	(6,215)	
Exchange differences on translation of financial statements	-	-	-	-	-	-	-	-	(5,430)	-	(5,430)	-	(5,430)	
Total comprehensive loss for the period	-	-	-	-	-	-	(6,215)	-	(5,430)	(48,613)	(60,258)	(39)	(60,297)	
Equity-settled share option arrangements	-	-	-	-	-	1,126	-	-	-	-	1,126	-	1,126	
At 30 June 2021 (unaudited)	280,661	(30,946)	543*	389,848*	(184,468)*	19,862*	(27,547)*	66,280*	(13,476)*	1,095,802*	1,596,559	2,031	1,598,590	

* These components of equity comprise the consolidated reserves of RMB1,346,844,000 (31 December 2020: RMB1,405,976,000) in the interim condensed consolidated statement of financial position as at 30 June 2021.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the six months ended 30 June 2020

	Attributable to owners of the parent												
	Share capital	Shares held for Share Award Scheme	Capital redemption reserve	Merger reserve	Acquisition reserve	Share option reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 23)	(note 25)				(note 24)							
At 1 January 2020 (audited)	280,661	(26,234)	543	389,848	(184,468)	14,491	(25,712)	65,768	31,185	1,267,081	1,813,163	(430)	1,812,733
Loss for the period	-	-	-	-	-	-	-	-	-	(45,366)	(45,366)	1,759	(43,607)
Other comprehensive loss for the period:													
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	(1,763)	-	-	-	(1,763)	-	(1,763)
Exchange differences on translation of financial statements	-	-	-	-	-	-	-	-	1,777	-	1,777	-	1,777
Total comprehensive loss for the period	-	-	-	-	-	-	(1,763)	-	1,777	(45,366)	(45,352)	1,759	(43,593)
Appropriations to statutory surplus reserve	-	-	-	-	-	-	-	1,891	-	(1,891)	-	-	-
Equity-settled share option arrangements	-	-	-	-	-	2,337	-	-	-	-	2,337	-	2,337
At 30 June 2020 (unaudited)	280,661	(26,234)	543	389,848	(184,468)	16,828	(27,475)	67,659	32,962	1,219,824	1,770,148	1,329	1,771,477

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2021

	Notes	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(48,710)	(25,470)
Adjustments for:			
Depreciation of property, plant and equipment	8	8,439	8,199
Depreciation of investment properties	8	1,302	1,281
Depreciation of right-of-use assets	8	21,031	33,628
Amortisation of other intangible assets	8	714	786
Loss/(gain) on disposal of property, plant and equipment		37	(35)
Write-down of inventories to net realisable value	8	5,519	4,897
Share of loss of an associate		600	818
Fair value gains, net:			
Financial assets at fair value through profit or loss	8	(2,234)	—
Impairment of goodwill	8	—	18,870
Reversal of impairment of trade receivables, net	8	(3,295)	(1,834)
Impairment of other receivables, net	8	65	—
Equity-settled share option expense		1,126	2,337
Finance costs		738	1,252
Finance income	7	(6,340)	(10,506)
		(21,008)	34,223
(Increase)/decrease in inventories		(8,451)	41,718
Increase in properties under development		(7,944)	(3,501)
Decrease in trade and bills receivables		92,427	32,275
Increase in prepayments, other receivables and other assets		(9,449)	(3,779)
Decrease in trade payables		(3,865)	(19,830)
(Decrease)/increase in other payables and accruals		(34,728)	5,657

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*(continued)***For the six months ended 30 June 2021**

	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Cash generated from operations	6,982	86,763
PRC corporate income tax paid	(988)	(19,721)
Net cash flows from operating activities	5,994	67,042
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of items of property, plant and equipment	248	59
Purchase of items of property, plant and equipment	(263)	(2,957)
(Increase)/decrease in short term deposits with original maturity of over three months	(217,500)	122,554
Interest received from bank deposits	2,238	5,608
Interest received from structured bank deposits	5,551	5,021
Decrease/(increase) in structured bank deposits and financial assets at fair value through profit or loss	74,310	(131,174)
Loan to a third party	—	(19,519)
Repayment from a third party	—	18,000
Remaining cash consideration paid for the acquisition of subsidiaries in 2019	—	(18,858)
Net cash flows used in investing activities	(135,416)	(21,266)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*(continued)***For the six months ended 30 June 2021**

	Notes	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payments		(22,547)	(34,194)
Net cash flows used in financing activities		(22,547)	(34,194)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		(151,969)	11,582
Effect of foreign exchange rate changes, net		271,293	95,892
		(649)	787
CASH AND CASH EQUIVALENTS AT END OF PERIOD		118,675	108,261
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	111,800	80,737
Time deposits	20	224,375	195,688
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	20	336,175	276,425
Less: Time deposits with original maturity of over three months		(217,500)	(168,164)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows		118,675	108,261

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 7 March 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands. The address of its principal place of business is Room 1303, 13/F, New East Ocean Centre, 9 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 9 December 2011 (the “**Listing Date**”).

The principal activity of the Company is investment holding. The Company and its subsidiaries (the “**Group**”) are principally engaged in the business of design, manufacturing, marketing and sale of apparel products and accessories in the People’s Republic of China (the “**PRC**”, or Mainland China which excludes, for the purpose of this report, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan), with a focus on menswear. There has been no significant change in the Group’s principal activities during the six months ended 30 June 2021 (the “**Relevant Period**”).

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the Relevant Period has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and International Accounting Standard (“**IAS**”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

These interim condensed consolidated financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest-bearing bank and other borrowings.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(continued)

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendments did not have any impact on the financial position and performance of the Group as the Group did not have any rent concessions arising as a direct consequence of the covid-19 pandemic during the Relevant Period.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the business of design, manufacturing, marketing and sale of apparel products and accessories in the PRC, with a focus on menswear.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company (the “**Directors**”), who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, does not contain profit or loss information of each product line and the Directors reviewed the financial results of the Group as a whole reported under IFRSs. Therefore, the operation of the Group constitutes one single reportable segment. Accordingly, no operating segment is presented.

During the Relevant Period, the external revenue of the Group attributable to customers established in the PRC, the place of domicile of the Group’s operating entities, amounted to RMB165,294,000, accounting for 98.6% of the total external revenue. Since the principal non-current assets held by the Group are located in the PRC, no geographical information is presented in accordance with IFRS 8.

No revenue from a single external customer amounted to 10% or more of the Group’s revenue during the Relevant Period presented.

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of goods	167,561	297,588

Revenue from contracts with customers

(i) *Disaggregated revenue information for revenue from contracts with customers*

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Type of goods		
Sale of apparel and accessories	167,561	297,588
Timing of revenue recognition		
Goods transferred at a point in time	167,561	297,588

(ii) *Performance obligation*

Information about the Group's performance obligations is summarised below:

Sale of products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 90 days from delivery, except for third-party retailers, where payment in advance is normally required.

6. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Government subsidies*	2,835	2,909
Rental income, net	1,733	1,213
Royalty income#	653	679
Warehousing logistics service income	807	—
External order processing income	35	19
Arrangement fees	2	53
	6,065	4,873
Other gains		
Fair value gains, net:		
Financial assets at fair value through profit or loss	2,234	—
Exchange gains, net	11	—
Others	313	369
	2,558	369
	8,623	5,242

* These represent incentive subsidies provided by local governments as a measure to attract investments in these localities. The amounts of these subsidies are generally determined by reference to the value-added tax, corporate income tax, city maintenance and construction tax and other taxes paid by the Group's operating entities in these localities, but are subject to the government's further discretion.

These represent the brand licensing income received from third-party licensees for the use of the Group's trademarks on underwear products and household appliances in PRC.

7. FINANCE INCOME

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest income on bank deposits	2,238	2,093
Interest income on structured bank deposits and wealth management products	3,943	8,271
Others	159	142
	6,340	10,506

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cost of inventories sold		44,381	92,312
Depreciation of property, plant and equipment	12	8,439	8,199
Depreciation of investment properties		1,302	1,281
Depreciation of right-of-use assets		21,031	33,628
Amortisation of other intangible assets*	12	714	786
Employee benefit expenses (including Directors' remuneration):			
Wages and salaries		16,922	18,224
Equity-settled share option expense		1,126	2,337
Pension scheme contributions		1,556	787
		19,604	21,348
Outsourced labor costs		44,643	41,566
Impairment of goodwill		—	18,870
Reversal of impairment of trade receivables, net		(3,295)	(1,834)
Impairment of other receivables, net		65	—
Fair value gains, net:			
Financial assets at fair value through profit or loss — wealth management products		(2,234)	—
Lease payments not included in the measurement of lease liabilities		28,773	30,829
Write-down of inventories to net realisable value#		5,519	4,897
Exchange differences, net		(11)	2,453

8. LOSS BEFORE TAX *(continued)*

* The amortisation of other intangible assets is included in “Administrative expenses” in the interim condensed consolidated statement of profit or loss.

The write-down of inventories to net realisable value is included in “Cost of sales” in the interim condensed consolidated statement of profit or loss.

9. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company incorporated in the Cayman Islands and its subsidiary incorporated in the BVI are exempted from taxation.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Period.

In accordance with the relevant PRC income tax rules and regulations, the Group’s subsidiaries registered in the PRC are subject to Corporate Income Tax (“**CIT**”) at a statutory rate of 25% on their respective taxable income for the Relevant Period and the six-month period ended 30 June 2020.

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current — PRC		
Charge for the period	1,319	7,182
Deferred	(1,377)	10,955
Total tax charge for the period	(58)	18,137

10. DIVIDEND

The board of directors of the Company (the “**Board**”) does not recommend to declare any interim dividends or final dividends for Relevant Period and the year ended 31 December 2020, respectively.

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share is based on the loss for the Relevant Period attributable to owners of the parent of RMB48,613,000 (six months ended 30 June 2020: the loss of RMB45,366,000) and the weighted average number of ordinary shares of 3,282,916,000 (six months ended 30 June 2020: 3,322,916,000) shares in issue during the Relevant Period.

No adjustment has been made to the basic loss per share amounts presented for the Relevant Period in respect of a dilution as the share options under Share Option Scheme outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of basic loss per share is based on:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Loss attributable to owners of the parent, used in the basic loss per share calculation	(48,613)	(45,366)
	Number of shares For the six months ended 30 June	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue	3,445,450,000	3,445,450,000
Weighted average number of shares purchased for the Share Award Scheme	(162,534,000)	(122,534,000)
Adjusted weighted average number of ordinary shares in issue used in the basic loss per share calculation	3,282,916,000	3,322,916,000

12. PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

	Property, plant and equipment RMB'000	Other intangible assets RMB'000
Unaudited		
Opening net book amount at 1 January 2021	266,435	92,273
Additions	263	—
Disposals	(148)	—
Depreciation and amortisation provided during the period	(8,439)	(714)
Exchange realignment	(451)	(260)
Closing net book amount at 30 June 2021	257,660	91,299
Audited		
Opening net book amount at 1 January 2020	270,795	163,381
Additions	25,482	531
Transfer to investment properties	(3,846)	—
Disposals	(2,603)	—
Depreciation and amortisation provided during the year	(20,916)	(1,589)
Impairment	—	(67,402)
Exchange realignment	(2,477)	(2,648)
Closing net book amount at 31 December 2020	266,435	92,273

As at 30 June 2021, one certificate of ownership in respect of a warehouse in Chengdu with net carrying amount of approximately RMB3,912,000 (31 December 2020: RMB4,142,000) has not been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

12. PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS *(continued)*

The Group classified the trademarks of “London Fog”, “Artful Dodger”, “Zoo York”, “MCS”, “Henry Cotton’s” and “Marina Yachting” as intangible assets with indefinite lives. The Group has performed impairment reviews of the carrying values of trademarks as at 30 June 2021 based on a value in use calculation using cash flow projections from financial budgets covering a five-year period approved by senior management. For the period ended 30 June 2021, the discount rates applied to the cash flow projection were 32.0% (2020: 32.0%) for “London Fog”, 30.0% (2020: 30.0%) for “Artful Dodger”, 38.0% (2020: 38.0%) for “Zoo York”, 18.0% (2020: 18.0%) for “MCS”, 18.0% (2020: 18.0%) for “Henry Cotton’s” and 18.0% (2020: 18.0%) for “Marina Yachting” and cash flows beyond the five-year period were extrapolated using a growth rate of 3.0% (2020: 3.0%) which does not exceed the projected long term average growth rate for the relevant industry in Mainland China. Based on the result of the impairment test, management determined that there was no impairment of the trademarks (2020: impairment of the trademarks of “London Fog” of RMB13,225,000, “Artful Dodger” of RMB10,921,000, “Zoo York” of RMB29,537,000, “Henry Cotton’s” of RMB12,245,000, respectively).

Assumptions were used in the value in use calculation of the trademarks. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of the trademarks.

Budgeted gross profit margins

Budgeted gross profit margins are based on average values achieved historically. These are adjusted over the budget period in accordance with anticipated efficiency improvements and expected market developments.

Discount rates

The discount rates used are before tax and reflect specific risks relating to the Menswear cash-generating unit and the trademarks with indefinite lives.

In the opinion of the directors, any reasonably possible change in the key assumptions on which the recoverable amounts are based would not cause the carrying amounts of trademarks with indefinite lives to exceed their recoverable amounts, respectively.

13. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Listed equity investment, at fair value		
Guangdong Shaoneng Group Co., Ltd.	34,211	41,767
Unlisted equity investment, at fair value		
CCF Investment Limited	647	1,195
	34,858	42,962

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

14. INVENTORIES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Raw materials	12,452	12,399
Work in progress	3,617	5,744
Finished goods	170,171	165,165
	186,240	183,308

15. PROPERTIES UNDER DEVELOPMENT

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Properties under development	183,447	175,503

The Group's properties under development are located in the PRC and situated on leasehold land with long term leases. Properties under development are classified under current assets as they are expected to be realised in the Group's normal operating cycle.

16. TRADE AND BILLS RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	50,586	142,454
Bills receivable	336	897
Impairment	(9,496)	(12,791)
	41,426	130,560

The Group's trading terms with its customers are mainly on credit, except for third-party retailers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

16. TRADE AND BILLS RECEIVABLES *(continued)*

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance are as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 month	20,220	98,553
1 to 2 months	6,105	19,893
2 to 3 months	4,434	5,370
Over 3 months	10,667	6,744
	41,426	130,560

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
At beginning of period/year (Reversal of impairment losses)/ impairment losses, net	12,791 (3,295)	10,118 2,673
At end of period/year	9,496	12,791

16. TRADE AND BILLS RECEIVABLES *(continued)*

An impairment analysis is performed at each reporting date using a provision matrix or individually assessed to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade and bills receivables are written off if past due for more than one year and are not subject to enforcement activity.

As at 30 June 2021

	Gross carrying amount (RMB'000)	Expected credit losses (RMB'000)	Expected credit loss rate
Individually assessed	298	298	100%
Based on provision matrix	50,624	9,198	18.17%
	50,922	9,496	
	Ageing as at 30 June 2021		Total
	Within one year	Over one year	
Expected credit loss rate	2.55%	100.00%	
Gross carrying amount (RMB'000)	42,511	8,113	50,624
Expected credit losses (RMB'000)	1,085	8,113	9,198

16. TRADE AND BILLS RECEIVABLES (continued)

As at 31 December 2020

	Gross carrying amount (RMB'000)	Expected credit losses (RMB'000)	Expected credit loss rate
Individually assessed	234	234	100%
Based on provision matrix	143,117	12,557	8.77%
	143,351	12,791	

	Ageing as at 31 December 2020		Total
	Within one year	Over one year	
Expected credit loss rate	2.90%	100.00%	
Gross carrying amount (RMB'000)	134,458	8,659	143,117
Expected credit losses (RMB'000)	3,898	8,659	12,557

17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Prepayments	57,423	58,761
Deposits and other receivables	64,493	55,221
	121,916	113,982

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default. As at 30 June 2021, the probability of default and the loss arose from given default of prepayments and other receivables were estimated to be minimal.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Wealth management products, at fair value	173,072	213,456

The above financial assets at fair value at 30 June 2021 were wealth management products issued by securities companies in the PRC and Hong Kong. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

19. STRUCTURED BANK DEPOSITS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Structured bank deposits, in licensed banks in Mainland China, at amortised cost	185,827	217,519

The structured bank deposits have terms of less than one year and are denominated in RMB.

20. CASH AND CASH EQUIVALENTS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Cash and bank balances	111,800	253,214
Time deposits	224,375	18,079
Less: Time deposits with original maturity of over three months	(217,500)	—
Cash and cash equivalents	118,675	271,293

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in Hong Kong Dollar (“**HK\$**”), US Dollar (“**US\$**”) and EUR (“**€**”) amounted to RMB130,265,000, RMB16,623,000 and RMB74,000 respectively (31 December 2020: RMB237,801,000, RMB14,288,000 and nil, respectively). The RMB is not freely convertible into other currencies, however, under the PRC’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between seven days and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The bank balances and short-term deposits are deposited with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

An ageing analysis of the trade payables as at 30 June 2021 and 31 December 2020, based on the invoice date is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables		
Within 30 days	16,488	19,318
31 to 90 days	391	2,012
91 to 180 days	374	222
Over 181 days	3,092	2,658
	20,345	24,210

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 45 days.

22. OTHER PAYABLES AND ACCRUALS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contract liabilities	16,742	32,271
Other payables	44,296	45,414
Accruals	19,473	27,804
Other taxes payable	5,553	10,002
	86,064	115,491

The other payables are non-interest-bearing and are due within one year.

23. SHARE CAPITAL

Shares

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Issued and fully paid: 3,445,450,000 (31 December 2020: 3,445,450,000) ordinary shares	344,545	344,545
Equivalent to RMB'000	280,661	280,661

There was no movement of issued share capital during the Relevant Period.

Share Option

Details of the Company's Share Option schemes and the Share Options issued under the Schemes are included in note 24 to the financial statements.

24. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**"), approved by the written resolutions of the shareholders passed on 25 November 2011. The terms and conditions of the share option scheme is disclosed in the consolidated financial statements for the year ended 31 December 2020.

Share Option Scheme

A summary of option movements during the Relevant Period is presented below:

	Six months ended 30 June 2021		Six months ended 30 June 2020	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At beginning of period	0.2114	247,100	0.2114	261,800
Forfeited during the period	0.2114	(2,500)	0.2114	(9,200)
At end of period	0.2114	244,600	0.2114	252,600

24. SHARE OPTION SCHEME *(continued)*

The fair value of the share options under the Share Option Scheme granted was estimated at RMB22,720,000, during the Relevant Period, 2,500,000 share options became forfeited as three of the grantees resigned. The Company recognised a share option expenses of RMB1,126,000 in the Relevant Period (six months ended 30 June 2020: RMB2,337,000).

As at 30 June 2021, the Company had 244,600,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 244,600,000 additional ordinary shares of the Company and additional share capital of HK\$24,460,000 (equivalent to RMB20,352,677) and share premium of HK\$27,248,440 (equivalent to RMB22,672,882) (before issue expenses).

At the date of approval of these interim condensed consolidated financial statements, the Company had 244,600,000 share options outstanding under the Share Option Scheme, which represented approximately 7.1% of the Company's shares in issue as at that date.

25. SHARE AWARD SCHEME

The Company adopted a share award scheme (the "**Share Award Scheme**"), approved by the resolutions of the Board passed on 4 November 2014.

The specific purposes and objectives of the Share Award Scheme are to:

- (a) recognise the contributions by certain employees and to give incentives to them in order to retain them for the continual operation and development of the Group; and
- (b) attract suitable personnel for further development of the Group.

To facilitate the implementation of the Share Award Scheme, a trust Deed is entered into by the Group and South Zone Holding Limited (the "**Trustee**") pursuant to which the Trustee shall purchase and hold shares for the benefit of certain employees of the Group and in such manner as the Board may determine from time to time.

25. SHARE AWARD SCHEME *(continued)*

No Purchase of shares of the Company by the Trustee during the Relevant Period (six months ended 30 June 2020: Nil).

The Board did not yet grant any shares to any employees from 4 November 2014 to 30 June 2021.

26. OPERATING LEASE ARRANGEMENTS**As lessor**

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to five years.

At 30 June 2021, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within one year	6,922	4,684
In the second to fifth years, inclusive	11,455	8,482
After five years	10,383	8,264
	28,760	21,430

27. COMMITMENTS

The Group had the following capital commitments at the end of the Relevant Period:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contracted, but not provided for:		
Buildings	25,110	34,545
	25,110	34,545

28. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group, including Directors' remuneration, is as follows:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Fees	1,351	1,460
Salaries, allowances and benefits in kind	3,240	2,953
Equity-settled share option expense	1,126	2,337
Pension scheme contributions	131	47
Total compensation paid to key management personnel	5,848	6,797

None of the transactions with related parties as described above falls under the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules.

29. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Financial assets				
Equity investments designated at fair value through other comprehensive income	34,858	42,962	34,858	42,962
Financial assets at fair value through profit or loss	173,072	213,456	173,072	213,456
	207,930	256,418	207,930	256,418

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, structured bank deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments and other receivables, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the value of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices.

29. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The Group invests in unlisted investments, which mainly represent wealth management products issued by securities companies in the PRC and Hong Kong. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value As at 30 June 2021

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets Level 1 RMB'000 (Unaudited)	Significant observable inputs Level 2 RMB'000 (Unaudited)	Significant unobservable inputs Level 3 RMB'000 (Unaudited)	
Equity investments designated at fair value through other comprehensive income – listed	34,211	–	–	34,211
Equity investments designated at fair value through other comprehensive income – unlisted	–	–	647	647
Financial assets at fair value through profit or loss	–	173,072	–	173,072
	34,211	173,072	647	207,930

29. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

Assets measured at fair value *(continued)*

As at 31 December 2020

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets Level 1 RMB'000 (Audited)	Significant observable inputs Level 2 RMB'000 (Audited)	Significant unobservable inputs Level 3 RMB'000 (Audited)	
Equity investments designated at fair value through other comprehensive income — listed	41,767	—	—	41,767
Equity investments designated at fair value through other comprehensive income — unlisted	—	—	1,195	1,195
Financial assets at fair value through profit or loss	—	213,456	—	213,456
	41,767	213,456	1,195	256,418

The movements in fair value measurements within Level 3 during the period are as follows:

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Equity investments designated at fair value through other comprehensive income — unlisted		
At 1 January	1,195	1,575
Total losses recognised in other comprehensive income	(548)	(169)
At 30 June	647	1,406

29. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

Liabilities measured at fair value

The Group did not have any financial liabilities measured at fair value as at 30 June 2021 and 31 December 2020.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2020: Nil).

30. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements of the Group for the Relevant Period were approved and authorised for issue in accordance with a resolution of the Board on 24 August 2021.