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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board of directors (the "**Board**") of China Outfitters Holdings Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021, together with the comparative figures for the previous year, as follows:

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2021	2020	
	RMB million	*RMB million*	*Changes*
REVENUE	**323.5**	727.8	(55.6%)
Gross profit	**194.6**	477.1	(59.2%)
Gross profit margin	***60.2%***	*65.6%*	*(5.4 p.p.t.)*
Operating loss	**(127.8)**	(76.3)	+67.5%
Operating loss margin	***(39.5%)***	*(10.5%)*	*+29.0 p.p.t.*
Loss attributable to owners of the parent	**(151.8)**	(122.2)	+24.2%
Basic loss per share — *RMB cent*	**(4.62)**	(3.68)	+25.5%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	**323,509**	727,755
Cost of sales		**(128,898)**	(250,689)
Gross profit		**194,611**	477,066
Other income and gains	5	**17,230**	21,437
Selling and distribution expenses		**(275,725)**	(409,338)
Administrative expenses		**(52,522)**	(59,562)
Impairment losses on financial assets, net		**(2,115)**	(2,673)
Other expenses		**(9,304)**	(103,187)
Operating loss		**(127,825)**	(76,257)
Finance income	6	**14,476**	15,894
Finance costs	7	**(2,041)**	(3,222)
Share of losses of:			
An associate		**(927)**	(1,613)
LOSS BEFORE TAX	8	**(116,317)**	(65,198)
Income tax expense	9	**(35,546)**	(54,456)
LOSS FOR THE YEAR		**(151,863)**	(119,654)
Attributable to:			
Owners of the parent		**(151,815)**	(122,154)
Non-controlling interests		**(48)**	2,500
		(151,863)	(119,654)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For loss for the year	11	**RMB(4.62) cents**	RMB(3.68) cents

Details of the dividend proposed and paid for the year are disclosed in note 10.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	2021	2020
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(151,863)**	(119,654)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**(11,110)**	(39,231)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(11,110)**	(39,231)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive (loss)/income:		
Changes in fair value	**(10,828)**	5,839
Income tax effect	**2,411**	(1,459)
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	**(8,417)**	4,380
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(19,527)**	(34,851)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(171,390)**	(154,505)
Attributable to:		
Owners of the parent	**(171,342)**	(157,005)
Non-controlling interests	**(48)**	2,500
	(171,390)	(154,505)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**252,492**	266,435
Investment properties		**45,537**	47,746
Right-of-use assets		**63,651**	79,797
Other intangible assets		**86,082**	92,273
Investment in an associate		**6,530**	7,662
Equity investments designated at fair value through other comprehensive income		**32,134**	42,962
Long-term prepayments	*12*	**23,113**	—
Deferred tax assets		**105,810**	142,115
Total non-current assets		**615,349**	678,990
CURRENT ASSETS			
Inventories	*13*	**224,298**	183,308
Properties under development	*14*	**190,195**	175,503
Trade and bills receivables	*15*	**38,960**	130,560
Prepayments and other receivables		**120,167**	113,982
Financial assets at fair value through profit or loss	*16*	**21,937**	213,456
Structured bank deposits	*16*	**306,900**	217,519
Cash and cash equivalents and time deposit with original maturity of over three months	*17*	**227,995**	271,293
Total current assets		**1,130,452**	1,305,621
CURRENT LIABILITIES			
Trade payables	*18*	**15,782**	24,210
Other payables and accruals		**73,252**	115,491
Lease liabilities		**23,491**	32,776
Tax payable		**124,701**	122,919
Total current liabilities		**237,226**	295,396
NET CURRENT ASSETS		**893,226**	1,010,225
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,508,575**	1,689,215

	Notes	**2021**	2020
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**4,164**	8,894
Deferred tax liabilities		**16,739**	22,560
Total non-current liabilities		**20,903**	31,454
Net assets		**1,487,672**	1,657,761
EQUITY			
Equity attributable to owners of the parent			
Share capital	*19*	**280,661**	280,661
Shares held for share award scheme		**(30,946)**	(30,946)
Reserves		**1,238,041**	1,405,976
		1,487,756	1,655,691
Non-controlling interests		**(84)**	2,070
Total equity		**1,487,672**	1,657,761

NOTES

1. CORPORATE AND GROUP 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 One Nexus Way, Camana Bay, 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 Group is principally engaged in the business of design, manufacture, marketing and sale of apparel products and accessories in the People's Republic of China (the "**PRC**", or "**China**" which excludes, for the purpose of this announcement, 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. The Group also engaged in the business of property development in the PRC. There has been no significant change in the Group's principal activities during the year.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IAS**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. These consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries and a trust (the "**Share Award Scheme Trust**"), a controlled special purpose entity, are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The Board has approved a share award scheme (the "**Share Award Scheme**") to provide incentives to employees of the Group and to retain and encourage employees for the continual operation and development of the Group. Pursuant to the rules of the Share Award Scheme, the Group has set up the Share Award Scheme Trust for the purpose of administering the Share Award Scheme and holding the award shares before they vest. As the Group has the power to govern the financial and operating policies of the Share Award Scheme Trust and derives benefits from the contributions of the employees, who have been awarded the awarded shares through their continued relationship with the Group, the Group is required to consolidate the Share Award Scheme Trust under IAS 27 (Revised) *Separate Financial Statements.*

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

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

The nature and the 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 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.

(b) Amendment to IFRS 16 issued in April 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 year.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) the apparel products and accessories segment engaged in the business of the design, manufacture, marketing and sale of apparel products and accessories in the PRC, with a focus on menswear;

(b) the property development segment engaged in the business of the development properties in the PRC.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit/loss before tax from continuing operations except that interest income, non-lease-related finance costs, dividend income, fair value gains/losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, cash and cash equivalents, equity investments at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2021	**Apparel products and accessories** *RMB'000*	**Property development** *RMB'000*	**Total** *RMB'000*
Segment revenue			
Sales to external customers	**323,509**	**—**	**323,509**
Reconciliation:			
Elimination of intersegment sales			**—**
Revenue from continuing operations			**323,509**
Segment results	**(112,374)**	**(4)**	**(112,378)**
Reconciliation:			
Elimination of intersegment results			**(9,434)**
Interest income			**14,476**
Dividend income and unallocated gains			**7,589**
Corporate and other unallocated expenses			**(16,570)**
Loss before tax from continuing operations			**(116,317)**
Segment assets	**1,012,111**	**214,470**	**1,226,581**
Reconciliation:			
Elimination of intersegment receivables			**(204,050)**
Elimination of capitalized interest expense			**(19,462)**
Corporate and other unallocated assets			**742,732**
Total assets			**1,745,801**

Year ended 31 December 2021	Apparel products and accessories *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Segment liabilities	**107,085**	**213,654**	**320,739**
Reconciliation:			
Elimination of intersegment payables			**(204,050)**
Corporate and other unallocated liabilities			**141,440**
Total liabilities			**258,129**
Other segment information			
Reversal of impairment of trade and bills receivables, net	**(4,180)**	**—**	**(4,180)**
Impairment of other intangible assets	**4,558**	**—**	**4,558**
Impairment of property, plant and equipment	**4,121**	**—**	**4,121**
Depreciation and amortisation	**66,210**	**—**	**66,210**
Capital expenditure*	**28,414**	**18,542**	**46,956**

* Capital expenditure consists of additions to property, plant and equipment, long-term prepayments, other intangible assets and properties under development.

Year ended 31 December 2020	Apparel products and accessories *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to external customers	727,755	—	727,755
Reconciliation:			
Elimination of intersegment sales			—
Revenue from continuing operations			727,755
Segment results	(68,960)	(138)	(69,098)
Reconciliation:			
Elimination of intersegment results			(3,451)
Interest income			15,894
Dividend income and unallocated gains			8,027
Corporate and other unallocated expenses			(16,570)
Loss before tax from continuing operations			(65,198)
Segment assets	1,054,795	187,929	1,242,724
Reconciliation:			
Elimination of intersegment receivables			(170,000)
Elimination of capitalized interest expense			(10,028)
Corporate and other unallocated assets			921,915
Total assets			1,984,611
Segment liabilities	164,262	187,109	351,371
Reconciliation:			
Elimination of intersegment payables			(170,000)
Corporate and other unallocated liabilities			145,479
Total liabilities			326,850

Year ended 31 December 2020	Apparel products and accessories *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Other segment information			
Impairment of trade and bills receivables, net	2,673	—	2,673
Impairment of goodwill	34,467	—	34,467
Impairment of other intangible assets	67,402	—	67,402
Depreciation and amortisation	88,537	—	88,537
Capital expenditure	26,013	6,380	32,393

Geographical information

(a) Revenue from external customers

	2021 *RMB'000*	2020 *RMB'000*
Taiwan	**4,664**	5,214
Hong Kong	—	693
Mainland China	**318,845**	721,848
	323,509	727,755

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2021 *RMB'000*	2020 *RMB'000*
Hong Kong	**44,770**	47,673
Mainland China	**432,635**	446,240
	477,405	493,913

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

No revenue from a single external customer amounted to 10% or more of the Group's revenue during the financial year presented.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers	**323,509**	727,755

Revenue from contracts with customers

(i) Disaggregated revenue information

	2021	2020
	RMB'000	*RMB'000*
Type of goods		
Sale of apparel and accessories	**323,509**	727,755
Timing of revenue recognition		
Goods transferred at a point in time	**323,509**	727,755

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2021	2020
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of apparel and accessories	**21,670**	13,380

(ii) Performance obligations

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

Sale of apparel and accessories

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.

	2021	2020
	RMB'000	*RMB'000*
Other income		
Government subsidies*	**7,931**	8,128
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	**4,845**	4,227
Royalty income^	**1,295**	1,099
Dividend income from equity investments at fair value through other comprehensive income	**629**	1,213
Sale of software	**368**	1,330
Sale of consumables, net	**47**	253
Consulting service income	**—**	2,600
	15,115	18,850
Other gains		
Exchange gain, net	**951**	2,001
Fair value gains, net:		
Financial assets at fair value through profit or loss	**646**	—
Others	**518**	586
	2,115	2,587
	17,230	21,437

* 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 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.

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

6. FINANCE INCOME

	2021	2020
	RMB'000	*RMB'000*
Interest income on bank deposits	**12,191**	4,907
Interest income on structured bank deposits and wealth management products	**1,920**	10,640
Others	**365**	347
	14,476	15,894

7. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest on lease liabilities	**2,041**	3,222

8. LOSS BEFORE TAX

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

	2021	2020
	RMB'000	*RMB'000*
Cost of inventories sold	**69,861**	240,210
Depreciation of property, plant and equipment	**17,092**	20,916
Depreciation of investment properties	**2,453**	2,406
Depreciation of right-of-use assets	**47,689**	66,032
Amortisation of other intangible assets	**1,429**	1,589
Auditor's remuneration	**2,303**	2,460
Employee benefit expenses (including Directors' remuneration):		
Wages and salaries	**32,366**	50,857
Equity-settled share option expense	**1,301**	4,245
Pension scheme contributions*	**3,106**	924
	36,773	56,026
Outsourced labour costs	**63,816**	72,551
Impairment of goodwill**	**—**	34,467
Impairment of other intangible assets**	**4,558**	67,402
Impairment of property, plant and equipment**	**4,121**	—
Fair value (gains)/losses, net:		
Financial assets at fair value through profit or loss — wealth management products	**(646)**	1,319
Dividend income from equity investments at fair value through other comprehensive income	**(629)**	(1,213)
(Reversal of impairment)/Impairment of trade and bills receivables, net***	**(4,180)**	2,673
Impairment of other receivables***	**6,295**	—
Lease payments not included in the measurement of lease liabilities	**44,078**	76,180
Write-down of inventories to net realisable value, net^	**59,037**	10,479
(Gain)/Loss on disposal of items of property, plant and equipment	**(129)**	79

* As at 31 December 2021, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2020: Nil).

** The impairment of goodwill, other intangible assets and property, plant and equipment are included in "Other expenses" in the consolidated statement of profit or loss.

*** The (reversal of impairment)/impairment of trade and bills receivables, impairment of other receivables are included in "Impairment losses on financial assets, net" in the consolidated statement of profit or loss.

^ The write-down of inventories to net realisable value is included in "Cost of sales" in the 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 year.

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 at a statutory rate of 25% on their respective taxable income for the year ended 31 December 2021.

	2021	2020
	RMB'000	*RMB'000*
Current – PRC		
Charge for the year	**2,651**	8,644
Deferred	**32,895**	45,812
Total tax charge for the year	**35,546**	54,456

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., statutory tax rate) to the effective tax rate, are as follows:

	2021		2020	
	RMB'000	%	*RMB'000*	%
Loss before tax	**(116,317)**		(65,198)	
Tax charge at the statutory tax rate	**(29,079)**	**25**	(16,300)	25
Entities subject to lower statutory income tax rates	**(1,242)**	**1**	5,583	(9)
Effect of withholding tax on distributable profits of certain PRC subsidiaries	**(5,700)**	**5**	248	—
Effect of withholding tax on service fees	**2,434**	**(2)**	80	—
Losses attributable to an associate	**232**	—	403	(1)
Adjustments in respect of current tax of previous periods	—	—	(2,174)	3
Tax losses utilised from previous periods	**(27,908)**	**24**	(7,314)	11
Tax losses not recognised	**50,234**	**(43)**	74,547	(114)
Deductible temporary differences not recognised	**46,575**	**(40)**	—	—
Others	—	—	(617)	1
Tax charge at the Group's effective tax rate	**35,546**	**(30)**	54,456	(84)

10. DIVIDENDS

The Board does not recommend to declare any final dividends for the year ended 31 December 2021 and 31 December 2020.

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 year attributable to ordinary equity holders of the parent of RMB151,815,000 (2020: RMB122,154,000) and the weighted average number of ordinary shares of 3,282,916,000 (2020: 3,316,441,507) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2021 and 31 December 2020 in respect of a dilution as the impact of the share options outstanding under the Share Option Scheme had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of basic loss per share is based on:

	2021	2020
	RMB'000	*RMB'000*
Losses		
Loss attributable to owners of the parent, used in the basic loss per share calculation	**(151,815)**	(122,154)

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue	**3,445,450,000**	3,445,450,000
Less: Weighted average number of shares purchased for the Share Award Scheme	**(162,534,000)**	(129,008,493)
Adjusted weighted average number of ordinary shares in issue used in the basic loss per share calculation	**3,282,916,000**	3,316,441,507

12. LONG-TERM PREPAYMENTS

	2021	2020
	RMB'000	*RMB'000*
Prepayments for purchase of properties	**16,088**	—
Prepayments for leasehold improvements*	**7,025**	—
	23,113	—

* These represent prepayments for leasehold improvements for the Group's properties held for self-use.

13. INVENTORIES

	2021	2020
	RMB'000	*RMB'000*
Raw materials	**8,697**	12,399
Work in progress	**3,527**	5,744
Finished goods	**212,074**	165,165
	224,298	183,308

14. PROPERTIES UNDER DEVELOPMENT

	2021	2020
	RMB'000	*RMB'000*
Properties under development	**190,195**	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.

15. TRADE AND BILLS RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**47,286**	142,454
Bills receivable	**285**	897
Impairment	**(8,611)**	(12,791)
	38,960	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 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.

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:

	2021	2020
	RMB'000	*RMB'000*
Within 1 month	**29,433**	98,553
1 to 2 months	**4,863**	19,893
2 to 3 months	**1,059**	5,370
Over 3 months	**3,605**	6,744
	38,960	130,560

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND STRUCTURED BANK DEPOSITS

	2021	2020
	RMB'000	*RMB'000*
Financial assets at fair value through profit or loss		
Wealth management products, at fair value	**21,937**	213,456
Structured bank deposits		
Structured bank deposits, in licensed banks in the PRC, at amortised cost	**306,900**	217,519

The above financial assets at fair value at 31 December 2021 were wealth management products issued by securities companies in the PRC. 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.

17. CASH AND CASH EQUIVALENTS AND TIME DEPOSIT WITH ORIGINAL MATURITY OVER THREE MONTHS

	2021	2020
	RMB'000	*RMB'000*
Cash and bank balances	**76,055**	253,214
Time deposits	**151,940**	18,079
	227,995	271,293
Less: Time deposit with original maturity of over three months	**(100,000)**	—
Cash and cash equivalents	**127,995**	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$**") United States Dollar ("**US$**") and Euro ("**€**") amounted to RMB31,276,000, RMB14,497,000 and RMB52,000, respectively (2020: RMB 17,809,000, 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.

18. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Trade payables		
Within 30 days	**11,385**	19,318
31 to 90 days	**1,983**	2,012
91 to 180 days	**476**	222
181 to 360 days	**1,938**	2,658
	15,782	24,210

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

19. SHARE CAPITAL

Shares

	2021	2020
	HK$'000	*HK$'000*
Issued and fully paid:		
3,445,450,000 (2020: 3,445,450,000) ordinary shares	**344,545**	344,545
Equivalent to RMB'000	**280,661**	280,661

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

During the year ended 31 December 2021, with the impact of the novel coronavirus ("**COVID-19**") pandemic on the macro-economy in China has significantly reduced, the growth rate of China's Gross Domestic Product ("**GDP**") was 8.1%. The growth rate of total retail sales of consumer products also increased by 12.5%. Particularly, retail sales achieved by the top 100 key and large-scale retailers increased by 8.2% in 2021.

Despite the recovery of the macro-economy and retail market, the Group reported a decrease in revenue by 55.6% from RMB727.8 million in 2020 to RMB323.5 million in 2021 and an increase in loss attributable to owners of the parent by 24.2% from RMB122.2 million in 2020 to RMB151.8 million in 2021.

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 RMB323.5 million in 2021, representing a decrease by RMB404.3 million, or approximately 55.6% as compared to RMB727.8 million in 2020.

By sales channel

Revenue from sales of products through self-operated retail points decreased by RMB272.9 million, or approximately 49.8%, from RMB548.5 million in 2020 to RMB275.6 million in 2021 and accounted for approximately 85.2% (2020: 75.4%) 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 channel, the revenue from outlet stores also decreased by RMB117.2 million, or approximately 56.3%, from RMB208.2 million in 2020 to RMB91.0 million in 2021.

Revenue from sales of products to third-party retailers decreased by RMB66.0 million, or approximately 73.4%, from RMB89.9 million in 2020 to RMB23.9 million in 2021 and accounted for approximately 7.4% (2020: 12.3%) 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 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 RMB65.4 million, or approximately 73.2%, from RMB89.4 million in 2020 to RMB24.0 million in 2021 and accounted for approximately 7.4% (2020: 12.3%) of the total revenue. The decrease in revenue was primarily attributable to (i) a decrease in sales of products through WeChat stores by RMB14.2 million, or approximately 69.6%, from RMB20.4 in 2020 to RMB6.2 million in 2021; (ii) a decrease in sales of product through our e-shops on mainstream e-commerce platform such as Tmall.com and JD.com by RMB27.4 million, or approximately 77.6%, from RMB35.3 million in 2020 to RMB7.9 million in 2021; (iii) a decrease in sales of products to online third-party retailers by RMB17.6 million, or approximately 77.5%, from RMB22.7 million in 2020 to RMB5.1 million in 2021; and (iv) a decrease in sales from online discount platform such as VIP.com by RMB6.2 million, or approximately 56.4%, from RMB11.0 million in 2020 to RMB4.8 million in 2021.

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:

	Year ended 31 December			
	2021		2020	
	Revenue RMB million	***% of total revenue***	*Revenue RMB million*	*% of total revenue*
Retail sales from self-operated retailers	**275.6**	**85.2%**	548.5	75.4%
Sales to third-party retailers	**23.9**	**7.4%**	89.9	12.3%
Sales through online channels	**24.0**	**7.4%**	89.4	12.3%
Total	**323.5**	**100.0%**	727.8	100.0%

By Brand

Revenue contributed from self-owned brands increased by RMB110.4 million, or approximately 1.6 times, from RMB69.8 million in 2020 to RMB180.2 million in 2021. Percentage of revenue from self-owned brands over total revenue also increased from 9.6% in 2020 to 55.7% in 2021.

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

	Year ended 31 December			
	2021		2020	
	Revenue RMB million	***% of total revenue***	*Revenue RMB million*	*% of total revenue*
Self-owned brands	**180.2**	**55.7%**	69.8	9.6%
Licensed brands	**143.3**	**44.3%**	658.0	90.4%
Total	**323.5**	**100.0%**	727.8	100.0%

Cost of sales

Our cost of sales decreased by RMB121.8 million, or approximately 48.6%, from RMB250.7 million in 2020 to RMB128.9 million in 2021. The decrease in cost of sales was primarily due to (i) a decrease in cost of inventories sold by RMB170.3 million from RMB240.2 million in 2020 to RMB69.9 million in 2021 due to the decrease in revenue; and partially offset by (ii) an increase in inventory provisions by RMB48.5 million due to the decrease in sales of aged inventories.

Gross profit and gross profit margin

Our gross profit decreased by RMB282.5 million, or approximately 59.2%, from RMB477.1 million in 2020 to RMB194.6 million in 2021. Our overall gross profit margin decreased by 5.4 percentage points from 65.6% in 2020 to 60.2% in 2021 which was mainly due to the increase in inventory provisions. Save for the provisions, our gross profit margin would have been 69.2% in 2021 as compared with 38.4% in 2020. The increase in gross profit margin excluding inventory provisions was mainly due to the increase in selling prices while in last year the selling prices were reduced for clearance of Jeep branded products.

Other income and gains

Our other income and gains decreased by RMB4.2 million, or approximately 19.6%, from RMB21.4 million in 2020 to RMB17.2 million in 2021, which was primarily due to the decrease in one-off consulting service income by RMB2.6 million and a decrease in foreign exchange gains by RMB1.1 million.

Selling and distribution expenses

Our selling and distribution expenses decreased by RMB133.6 million, or approximately 32.6%, from RMB409.3 million in 2020 to RMB275.7 million in 2021.

Rents and concession fees for occupying concession counters within department stores and department store charges decreased by RMB64.1 million, or approximately 33.5%, from RMB191.3 million in 2020 to RMB127.2 million in 2021, which was largely due to decrease in revenue from self-operated retail points.

The labour costs related to sales and marketing staff and outsourcing costs related to sales and marketing activities decreased from RMB96.8 million in 2020 to RMB83.4 million in 2021 which was primarily attributable to the decrease in number of sales and marketing staff.

Consumables and decoration fees for self-operated retail points increased from RMB19.6 million in 2020 to RMB23.7 million in 2021 which was primarily attributable to the increase in number of retail points opened during the year and decoration fees incurred for change of Jeep store image to MCS store image for certain stores.

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 years indicated.

Administrative expenses

Our administrative expenses decreased by RMB7.1 million, or approximately 11.9%, from RMB59.6 million in 2020 to RMB52.5 million in 2021. The decrease in administrative expenses was mainly due to a decrease in amortisation of share option expenses by RMB2.9 million and a decrease in depreciation of property, plant and equipment by RMB3.3 million during the year.

Impairment losses on financial assets, net

These mainly represented impairment of other receivables of RMB6.3 million and partially offset by a reversal of credit losses arising from trade and bills receivables of RMB4.2 million (2020: an impairment of trade and bills receivables of RMB2.7 million).

Other expenses

Other expenses mainly included (1) impairment of property, plant and equipment of RMB4.1 million for the production facilities in our manufacturing plant in Dezhou; and (2) impairment on trademarks – Zoo York and Henry Cotton's of RMB1.8 million and RMB2.7 million, respectively. (2020: impairment on trademarks of Zoo York of RMB29.5 million, London Fog of RMB13.2 million, Henry Cotton's RMB12.2 million and Artful Dodger of RMB10.9 million, respectively). The impairment made on trademarks was mainly because the Group will focus on developing the business of MCS brand and Marina Yachting brand in recent years and less resources will be allocated to develop the business of other self-owned brands including Zoo York, London Fog, Henry Cotton's and Artful Dodger.

Finance income

Our finance income decreased to RMB14.5 million in 2021 as compared to that of RMB15.9 million in 2020, representing a decrease by 8.8%. The decrease in finance income was mainly due to (i) the decrease in balance of cash and cash equivalents; and (ii) the decrease in interest rate in short-term deposits as well as the decrease in return rate in wealth management products.

Share of losses of an associate

Share of losses of an associate represented share of losses of the associate – China Mingmen Investment Group Limited（中國名門投資集團有限公司）of RMB0.9 million (2020: RMB1.6 million).

Loss before tax

As a result of the foregoing factors, loss before tax increased by RMB51.1 million, or approximately 78.4%, from RMB65.2 million in 2020 to RMB116.3 million in 2021.

Income tax expense

Income tax expense decreased by RMB19.0 million, or approximately 34.9%, from RMB54.5 million in 2020 to RMB35.5 million in 2021, which was primarily due to (i) a decrease in current income tax by RMB5.9 million from RMB8.6 million in 2020 to RMB2.7 million in 2021 due to the decrease in profit before tax of certain PRC operating entities; and (ii) a decrease in deferred tax expense by RMB12.9 million from RMB45.8 million in 2020 to RMB32.9 million in 2021. The deferred tax expense charged during the year mainly represented net amount of reversal of deferred tax assets for deductible temporary differences arising from impairment of assets of RMB13.5 million and losses available for offsetting against future taxable profits of RMB17.6 million, as the Group does not expect to generate sufficient taxable income in future to utilise these temporary differences.

Loss for the year

The Group reported a loss for the year of RMB151.9 million in 2021 (2020: RMB119.7 million).

Loss attributable to owners of the parent

As a result of the foregoing, the loss attributable to owners of the parent increased by RMB29.6 million, or approximately 24.2%, from RMB122.2 million in 2020 to RMB151.8 million in 2021.

Working Capital Management

	31 December 2021	31 December 2020
Inventory turnover days	**577**	341
Trade receivables turnover days	**95**	59
Trade payables turnover days	**57**	45

The increase in inventory turnover days by 236 days was mainly because (i) an increase in turnover days of inventories aged within 1 year by 196 days from 208 days as at 31 December 2020 to 404 days as at 31 December 2021, which was primarily due to the increase in procurement in 2021; and (ii) an increase in turnover days of inventories aged between 1 year to 3 years by 40 days from 133 days as at 31 December 2020 to 173 days as at 31 December 2021, which was primarily due to the decrease in revenue of aged inventories.

The increase in trade receivables turnover days by 36 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 turnover days in trade payables remained consistent for the both years indicated.

Liquidity, financial position and cash flows

As at 31 December 2021, we had net current assets of approximately RMB893.2 million, as compared to RMB1,010.2 million as at 31 December 2020. The current ratio of our Group was 4.8 times as at 31 December 2021, as compared to that of 4.4 times as at 31 December 2020.

There was no undrawn banking facility as at 31 December 2021.

As at 31 December 2021, we had an aggregate financial asset at fair value through profit or loss, structured bank deposits and cash and cash equivalents of approximately RMB556.8 million (31 December 2020: RMB702.3 million). The table below sets forth selected cash flow data from our interim condense consolidated statement of cash flows:

	Year ended 31 December	
	2021	2020
	RMB million	*RMB million*
Net cash flows (used in)/from operating activities	**(72.6)**	127.3
Net cash flows (used in)/from investing activities	**(24.7)**	139.4
Net cash flows used in financing activities	**(47.6)**	(65.1)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(144.9)**	201.6
Effect of foreign exchange rate changes, net	**1.6**	(26.2)
Cash and cash equivalents at beginning of year	**271.3**	95.9
CASH AND CASH EQUIVALENTS AT END OF YEAR	**128.0**	271.3

Operating activities

Net cash flows from operating activities decreased by RMB199.9 million, from a cash inflow of RMB127.3 million in 2020 to a cash outflow of RMB72.6 million in 2021, which was primarily attributable (i) an increase in cash outflows from changes in inventories by RMB100.0 million due to the increase in procurement; and (ii) a decrease in the operating cashflows before changes in working capital by RMB115.7 million from RMB126.3 million in 2020 to RMB10.6 million in 2021.

Investing activities

Net cash flows from investing activities of RMB24.7 million mainly represented purchases of items of property, plant and equipment of RMB31.8 million during the year.

Financing activities

Net cash flows from financing activities mainly represented payment of the principal portion of lease payments of RMB47.6 million during the year.

Pledge of group assets

As at 31 December 2021, no asset of the Group was pledged as a security for bank borrowings or any other financing facilities.

Capital commitments and contingent liabilities

As at 31 December 2021, the Group had capital commitments of approximately RMB27.7 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 31 December 2021, our sales network comprised a total of 310 self-operated retail points, consisting of concession counters, consignment stores and standalone stores, and 45 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 Mainland China and Taiwan by brand as at 31 December 2021 and 31 December 2020:

	As at 31 December 2021			As at 31 December 2020		
Brand	**Self-operated retail points**	**Retail points operated by third-party retailers**	**Total retail points**	Self-operated retail points (reclassified)	Retail points operated by third-party retailers (reclassified)	Total retail points (reclassified)
SBPRC	**123**	**10**	**133**	155	10	165
MCS	**142**	**30**	**172**	169	16	185
Marina Yachting	**29**	**2**	**31**	45	2	47
London Fog	**3**	**—**	**3**	25	—	25
Zoo York	**8**	**—**	**8**	27	—	27
Others	**5**	**3**	**8**	14	2	16
Total	**310**	**45**	**355**	435	30	465

Self-operated retail points

As at 31 December 2021, we had a network of 296 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 Bailian（百聯）, Golden Eagle（金鷹）, MOI（茂業）, Intime（銀泰）, Inzone（銀座）, Wangfujing（王府井）etc., among which a total of 84 were outlet stores as at 31 December 2021 (31 December 2020: 137 outlet stores).

As at 31 December 2021, we had a network of 14 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.

Retail points operated by third party retailers

As at 31 December 2021, we had a total of 45 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 (i) 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 year, 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.

On 31 December 2021, the Group terminated its 8-year-cooperation with J Barbour & Sons Limited on the sale of Barbour branded products in the PRC. It's in line with the Group's strategy to shift its focus from operation of licensing brands to self-owned brands mainly including "MCS" and "Marina Yachting" in recent years. Our initiatives in building brand equity during the year included the following:

In 2021, 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 increased its brand presence by sharing brand stories and product knowledge with target audience through social media such as WeChat, Weibo, Xiaohongshu (小紅書) and Douyin (抖音).

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

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 RMB53.8 million, or approximately 62.1%, from RMB86.7 million in 2020 to RMB32.9 million in 2021.

We also launched our social network-based commerce and marketing program in collaboration with Weimob 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 RMB6.2 million in 2021 (2020: RMB20.4 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.

Formation of a Joint Venture Company

On 13 December 2021, Guangdong Junrui Industrial Co., Ltd. (廣東君瑞實業有限公司, "**Guangdong Junrui**"), an indirect wholly-owned subsidiary of the Company entered into a cooperation framework agreement with Zhejiang Dianshi Technology Co., Ltd. (浙江典石科技有限公司, "**Dianshi Technology**") and Ningbo Meishan Free Trade Port Zone Xuanying Yunhao Investment Management Partnership LP (寧波梅山保稅港區宣映雲浩投資管理合夥企業(有限合夥), "**Xuanying Yunhao Partnership**"), pursuant to which the three parties agreed to establish a joint venture company. The Joint Venture Company will be principally engaged in the management and operation of children's clothing brands, including the establishment, incubation, agency and acquisition of brands, and provision of related supply chain finance and services from product planning and category planning to production, storage, delivery and sales channel promotion. Guangdong Junrui will hold 51% equity interest in the joint venture. Therefore, the joint venture will be an indirect non-wholly owned subsidiary of the Company upon incorporation.

Dianshi Technology is a limited company incorporated in the PRC and is principally engaged in the provision of community marketing services. Dianshi Technology is a subsidiary owned by Shenghua Lande Scitech Limited（浙江升華蘭德科技股份有限公司）, a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on GEM (stock code: 8106).

Xuanying Yunhao Partnership is a limited partnership established in the PRC, mainly engaged in, amongst others, the provision of a series of investment management services.

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 31 December 2021, approximately 1,171 sales representatives, store managers and production workers, were employees of the outsourcing service company (31 December 2020: 1,500).

Employee information

As at 31 December 2021, the Group had approximately 374 full-time employees (31 December 2020: 530). Staff costs, including Directors' remuneration, totalled RMB36.8 million in 2021 (2020: RMB56.0 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 229,800,000 options under the Share Option Scheme that was granted to 83 participants (including 7 directors) remained outstanding as at 31 December 2021.

Corporate Social Responsibility

Being a responsible corporate citizen, we continued to look 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

Notwithstanding the challenging and ever-changing market place, the Board is of the view that the Group has achieved steady progress in its strategic development and will focus on the following objectives and initiatives in 2022:

- to increase the average store sales of MCS, SBPRC and Marina Yachting stores by leveraging the Group's digital tools including O2O system, WeChat Stores and social media such as Xiaohongshu（小紅書）and Douyin（抖音）etc.;

- to continue to roll-out the customer loyalty program to increase interactions with customers and increase repeat purchases;

- to develop new online and offline third-party retailers to expand the retail network;

- to explore new businesses opportunities such as brand licensing, group purchases, consignment sales of non-apparel products on our WeChat stores etc; and

- stock clearance of aged inventories.

FINAL DIVIDENDS

The Board does not recommend to declare any final dividends in 2021 (2020: Nil).

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 (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 year ended 31 December 2021.

CORPORATE GOVERNANCE

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 year ended 31 December 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 (which has been re-numbered as code provision C.2.1 since 1 January 2022).

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 ("**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.

PURCHASE, REDEMPTION OR SALE OF SHARES OF THE COMPANY

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 consolidated financial statements for the year ended 31 December 2021. It has also reviewed the said consolidated financial statements.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, the consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This result announcement is published on the website of the Company at *www.cohl.hk* and Hong Kong Exchanges and Clearing Limited at *www.hkexnews.hk*. The 2021 Annual Report and the Notice of Annual General Meeting will be despatched to the shareholders of the Company and available on the same websites in due course.

APPRECIATION

Dedicated and loyal employees are our most valuable asset in this challenging and difficult year. We would like to take this opportunity to thank our colleagues on the Board and the staff members of the Group for their hard work, loyal service and contributions during the challenging year.

By Order of the Board
China Outfitters Holdings Limited
Zhang Yongli
Chairman

Shanghai, 21 March 2022

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Yongli, Mr. Sun David Lee and Ms. Huang Xiaoyun; the non-executive director is Mr. Wang Wei; and the independent non-executive directors are Mr. Kwong Wilson Wai Sun, Mr. Cui Yi and Mr. Yeung Chi Wai.