

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1146)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board of directors (the “**Board**”) of China Outfitters Holdings Limited (the “**Company**”) hereby announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022, together with the comparative figures for the previous period, as follows:

FINANCIAL HIGHLIGHTS

	For the six months ended		Changes
	30 June		
	2022	2021	
	<i>RMB million</i>	<i>RMB million</i>	
REVENUE	121.6	167.6	(27.4%)
Gross profit	75.8	117.7	(35.6%)
<i>Gross profit margin</i>	62.3%	70.2%	(7.9 p.p.t.)
Operating loss	(56.9)	(53.7)	+6.0%
<i>Operating loss margin</i>	(46.8%)	(32.0%)	+14.8 p.p.t.
Loss attributable to owners of the parent	(73.8)	(48.6)	+51.9%
Basic loss per share — <i>RMB cent</i>	(2.25)	(1.48)	+52.0%

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	<i>Notes</i>	2022 (Unaudited) <i>RMB'000</i>	2021 (Unaudited) <i>RMB'000</i>
REVENUE	5	121,597	167,561
Cost of sales		(45,821)	(49,900)
Gross profit		75,776	117,661
Other income and gains	6	6,024	8,623
Selling and distribution expenses		(94,739)	(157,189)
Administrative expenses		(23,371)	(26,037)
Impairment gains on financial assets, net		6	3,230
Other expenses	8	(20,559)	–
Operating loss		(56,863)	(53,712)
Finance income	7	3,616	6,340
Finance costs		(529)	(738)
Share of loss of:			
An associate		(243)	(600)
LOSS BEFORE TAX	8	(54,019)	(48,710)
Income tax expense	9	(19,833)	58
LOSS FOR THE PERIOD		(73,852)	(48,652)
Attributable to:			
Owners of the parent		(73,772)	(48,613)
Non-controlling interests		(80)	(39)
		(73,852)	(48,652)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For loss for the period	11	RMB(2.25) cents	RMB(1.48) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
LOSS FOR THE PERIOD	<u>(73,852)</u>	<u>(48,652)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	<u>16,254</u>	<u>(5,430)</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>16,254</u>	<u>(5,430)</u>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	<u>(639)</u>	<u>(8,104)</u>
Income tax effect	<u>123</u>	<u>1,889</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<u>(516)</u>	<u>(6,215)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>15,738</u>	<u>(11,645)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(58,114)</u>	<u>(60,297)</u>
Attributable to:		
Owners of the parent	<u>(58,043)</u>	<u>(60,258)</u>
Non-controlling interests	<u>(71)</u>	<u>(39)</u>
	<u>(58,114)</u>	<u>(60,297)</u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		30 June	31 December
		2022	2021
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB '000	RMB '000
NON-CURRENT ASSETS			
Property, plant and equipment		241,700	252,492
Investment properties		50,852	45,537
Right-of-use assets		46,393	63,651
Investment in an associate		6,582	6,530
Equity investments designated at fair value through other comprehensive income		30,645	32,134
Long-term prepayments		24,256	23,113
Other intangible assets		73,720	86,082
Deferred tax assets		84,284	105,810
		<hr/>	<hr/>
Total non-current assets		558,432	615,349
CURRENT ASSETS			
Inventories	<i>12</i>	221,847	224,298
Properties under development	<i>13</i>	211,784	190,195
Trade and bills receivables	<i>14</i>	30,253	38,960
Prepayments, other receivables and other assets		86,169	120,167
Financial assets at fair value through profit or loss	<i>15</i>	22,088	21,937
Structured bank deposits and deposits in financial institutes	<i>16</i>	264,854	306,900
Cash and cash equivalents and time deposit with original maturity of over three months	<i>17</i>	258,299	227,995
		<hr/>	<hr/>
Total current assets		1,095,294	1,130,452
CURRENT LIABILITIES			
Trade payables	<i>18</i>	17,753	15,782
Other payables and accruals		47,991	73,252
Lease liabilities		10,781	23,491
Tax payable		124,898	124,701
		<hr/>	<hr/>
Total current liabilities		201,423	237,226
NET CURRENT ASSETS			
		<hr/>	<hr/>
		893,871	893,226
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		1,452,303	1,508,575

		30 June	31 December
		2022	2021
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities		3,053	4,164
Deferred tax liabilities		14,573	16,739
		<hr/>	<hr/>
Total non-current liabilities		17,626	20,903
		<hr/>	<hr/>
Net assets		1,434,677	1,487,672
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>19</i>	280,661	280,661
Shares held for share award scheme		(30,946)	(30,946)
Reserves		1,180,217	1,238,041
		<hr/>	<hr/>
		1,429,932	1,487,756
Non-controlling interests		4,745	(84)
		<hr/>	<hr/>
Total equity		1,434,677	1,487,672
		<hr/> <hr/>	<hr/> <hr/>

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, manufacturing, 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, and property development in the PRC. There has been no significant change in the Group’s principal activities during the six months period ended 30 June 2022 (the “**Relevant Period**”).

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the Relevant Period have 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 2021.

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 2021, 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 3	<i>Reference to the Conceptual Framework</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRSs 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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; and
- (b) the property development segment engaged in the business of the development of 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. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax 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.

Six months ended 30 June 2022	Apparel products and accessories RMB'000	Property development RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	121,597	–	121,597
Reconciliation:			
Elimination of intersegment sales			–
Revenue			<u>121,597</u>
Segment results	(46,685)	12	(46,673)
Reconciliation:			
Elimination of intersegment results			(5,193)
Interest income			3,616
Dividend income and unallocated gains			2,775
Corporate and other unallocated expenses			<u>(8,544)</u>
Loss before tax			<u><u>(54,019)</u></u>

30 June 2022 (unaudited)	Apparel products and accessories <i>RMB'000</i>	Property development <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	959,499	256,043	1,215,542
Reconciliation:			
Elimination of intersegment receivables			(262,421)
Elimination of capitalised interest expense			(24,655)
Corporate and other unallocated assets			<u>725,260</u>
Total assets			<u><u>1,653,726</u></u>
Segment liabilities	75,627	266,372	341,999
Reconciliation:			
Elimination of intersegment payables			(262,421)
Corporate and other unallocated liabilities			<u>139,471</u>
Total liabilities			<u><u>219,049</u></u>
Six months ended 30 June 2022	Apparel products and accessories <i>RMB'000</i>	Property development <i>RMB'000</i>	Total <i>RMB'000</i>
Other segment information			
Reversal of impairment of trade and bills receivables, net	(720)	–	(720)
Impairment of other intangible assets	12,225	–	12,225
Impairment of right-of-use assets	4,339	–	4,339
Depreciation and amortisation	24,983	–	24,983
Capital expenditure*	3,361	23,872	27,233

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

Six months ended 30 June 2021	Apparel products and accessories <i>RMB'000</i>	Property development <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue			
Sales to external customers	167,561	–	167,561
Reconciliation:			
Elimination of intersegment sales			<u>–</u>
Revenue			<u><u>167,561</u></u>
Segment results	(48,932)	(2)	(48,934)
Reconciliation:			
Elimination of intersegment results			(3,898)
Interest income			6,340
Dividend income and unallocated gains			4,291
Corporate and other unallocated expenses			<u>(6,509)</u>
Loss before tax			<u><u>(48,710)</u></u>
31 December 2021 (audited)	Apparel products and accessories <i>RMB'000</i>	Property development <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	1,012,111	214,470	1,226,581
Reconciliation:			
Elimination of intersegment receivables			(204,050)
Elimination of capitalised interest expense			(19,462)
Corporate and other unallocated assets			<u>742,732</u>
Total assets			<u><u>1,745,801</u></u>
Segment liabilities	107,085	213,654	320,739
Reconciliation:			
Elimination of intersegment payables			(204,050)
Corporate and other unallocated liabilities			<u>141,440</u>
Total liabilities			<u><u>258,129</u></u>

Six months ended 30 June 2021	Apparel products and accessories <i>RMB'000</i>	Property development <i>RMB'000</i>	Total <i>RMB'000</i>
Other segment information			
Reversal of impairment of trade and bills receivables, net	(3,295)	–	(3,295)
Depreciation and amortisation	30,184	–	30,184
Capital expenditure	263	7,944	8,207

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2022 (Unaudited) <i>RMB'000</i>	2021 (Unaudited) <i>RMB'000</i>
Taiwan	1,603	2,267
Mainland China	119,994	165,294
	121,597	167,561

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

(b) Non-current assets

	30 June 2022 (Unaudited) <i>RMB'000</i>	31 December 2021 (Audited) <i>RMB'000</i>
	Hong Kong	45,565
Mainland China	397,938	432,635
	443,503	477,405

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 interim period presented.

5. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Revenue from contracts with customers</i>		
Sale of goods	<u>121,597</u>	<u>167,561</u>

Revenue from contracts with customers

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Type of goods		
Sale of apparel and accessories	<u>121,597</u>	<u>167,561</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u>121,597</u>	<u>167,561</u>

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
<i>Sale of apparel and accessories</i>	<u>4,743</u>	<u>10,585</u>

(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:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other income		
Government subsidies*	3,249	2,835
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	2,010	1,733
Royalty income [#]	–	653
Warehousing logistics service income	–	807
External order processing income	–	35
Arrangement fees	–	2
	5,259	6,065
Other gains		
Fair value gains, net:		
Financial assets at fair value through profit or loss	363	2,234
Exchange gains, net	–	11
Others	402	313
	765	2,558
	6,024	8,623

* 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.

These represent the 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.

7. FINANCE INCOME

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Interest income on bank deposits	798	2,238
Interest income on structured bank deposits and investment income on wealth management products	2,186	3,943
Others	632	159
	<u>3,616</u>	<u>6,340</u>

8. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold	49,693	44,381
Depreciation of property, plant and equipment	8,735	8,439
Depreciation of investment properties	1,264	1,302
Depreciation of right-of-use assets	15,534	21,031
Amortisation of other intangible assets*	714	714
Employee benefit expenses (including Directors' remuneration):		
Wages and salaries	15,138	16,922
Equity-settled share option expense	219	1,126
Pension scheme contributions	1,616	1,556
	<u>16,973</u>	<u>19,604</u>
Outsourced labor costs	22,255	44,643
Loss from warehousing and logistics services**	716	—
Impairment of other intangible assets**	12,225	—
Impairment of right-of-use assets**	4,339	—
Reversal of impairment of trade and bills receivables, net***	(720)	(3,295)
Impairment of other receivables, net***	714	65
Fair value gains, net:		
Financial assets at fair value through profit or loss – wealth management products	(363)	(2,234)
Lease payments not included in the measurement of lease liabilities	18,123	28,773
(Reversal of write-down)/write-down of inventories to net realisable value#	(3,872)	5,519
Exchange differences, net	3,279	(11)
	<u>3,279</u>	<u>(11)</u>

- * The amortisation of other intangible assets is included in “Administrative expenses” in the interim condensed consolidated statement of profit or loss.
- ** The impairment of other intangible assets and right-of-use assets, loss from warehousing and logistics services are included in “Other expenses” in the interim condensed consolidated statement of profit or loss.
- *** The reversal of impairment of trade and bills receivables, impairment of other receivables are included in “Impairment gains on financial assets, net” in the interim condensed consolidated statement of profit or loss.
- # The reversal of write-down/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 months period ended 30 June 2021.

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB’000	RMB’000
Current – PRC		
Charge for the period	350	1,319
Deferred	19,483	(1,377)
	<hr/>	<hr/>
Total tax charge for the period	19,833	(58)
	<hr/> <hr/>	<hr/> <hr/>

10. DIVIDEND

The Board does not recommend to declare any interim dividends or final dividends for Relevant Period and the year ended 31 December 2021, 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 RMB73,772,000 (six months ended 30 June 2021: the loss of RMB48,613,000) and the weighted average number of ordinary shares of 3,282,916,000 (six months ended 30 June 2021: 3,282,916,000) 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:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Losses		
Loss attributable to owners of the parent, used in the basic loss per share calculation	<u>(73,772)</u>	<u>(48,613)</u>
	Number of shares	
	Six months ended 30 June	
	2022	2021
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	<u>(162,534,000)</u>	<u>(162,534,000)</u>
Adjusted weighted average number of ordinary shares in issue used in the basic loss per share calculation	<u>3,282,916,000</u>	<u>3,282,916,000</u>

12. INVENTORIES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Raw materials	8,827	8,697
Work in progress	2,658	3,527
Finished goods	<u>210,362</u>	<u>212,074</u>
	<u>221,847</u>	<u>224,298</u>

13. PROPERTIES UNDER DEVELOPMENT

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Property under development	<u>211,784</u>	<u>190,195</u>

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.

14. TRADE AND BILLS RECEIVABLES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Trade receivables	38,146	47,286
Bills receivable	—	285
Impairment	<u>(7,893)</u>	<u>(8,611)</u>
	<u>30,253</u>	<u>38,960</u>

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.

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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 1 month	14,260	29,433
1 to 2 months	5,350	4,863
2 to 3 months	159	1,059
Over 3 months	<u>10,484</u>	<u>3,605</u>
	<u>30,253</u>	<u>38,960</u>

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
At beginning of period/year	8,611	12,791
Reversal of impairment losses, net	<u>(718)</u>	<u>(4,180)</u>
At end of period/year	<u>7,893</u>	<u>8,611</u>

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Wealth management products, at fair value	<u>22,088</u>	<u>21,937</u>

The above financial assets at fair value at 30 June 2022 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.

16. STRUCTURED BANK DEPOSITS AND DEPOSITS IN FINANCIAL INSTITUTES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Structured bank deposits and deposits in financial institutes, at amortised cost	264,854	306,900

The structured bank deposits and deposits in financial institutes have terms of less than one year and are denominated in RMB and Hong Kong Dollar.

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Cash and bank balances	196,437	76,055
Time deposits	61,862	151,940
	258,299	227,995
Less: Time deposits with original maturity of over three months	—	(100,000)
Cash and cash equivalents	258,299	127,995

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\$**”), Euro (“**€**”), and Macau Pataca (“**MOP\$**”) amounted to RMB24,947,000, RMB16,888,000, RMB29,000 and RMB262,000, respectively (31 December 2021: RMB31,276,000, RMB14,497,000, RMB52,000 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 ageing analysis of the trade payables as at 30 June 2022 and 31 December 2021, based on the invoice date, is as follows:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Trade payables		
Payables to third parties		
Within 30 days	14,876	11,343
31 to 90 days	27	1,983
91 to 180 days	336	476
Over 181 days	2,334	1,938
 Payable to a related party		
Within 30 days	<u>180</u>	<u>42</u>
	<u><u>17,753</u></u>	<u><u>15,782</u></u>

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

19. SHARE CAPITAL

Shares	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Issued and fully paid:		
3,445,450,000 (31 December 2021: 3,445,450,000) ordinary shares	<u><u>344,545</u></u>	<u><u>344,545</u></u>
 Equivalent to RMB'000	<u><u>280,661</u></u>	<u><u>280,661</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

During the Relevant Period, the widespread disruptions in social and economic activities arising from the rapid and continued spread of the Omicron Variant pandemic resulted in a decrease in total retail sales of consumer products in China by 13.2 percentage points from an increase of 12.5% in the six months ended 30 June 2021 to a decrease of 0.7% in the Relevant Period. In particular, retail sales achieved by the top 100 key and large-scale retailers decreased by 36.6 percentage points from an increase of 22.5% in the six months ended 30 June 2021 to a decrease of 14.1% in the Relevant Period.

In this extremely difficult time, the Group reported a decrease in revenue by RMB46.0 million from RMB167.6 million in the six months ended 30 June 2021 to RMB121.6 million in the Relevant Period and an increase in loss attributable to owners of the parent by RMB25.2 million from RMB48.6 million in the six months ended 30 June 2021 to RMB73.8 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 RMB121.6 million in the Relevant Period, representing a decrease by RMB46.0 million, or approximately 27.4%, as compared to RMB167.6 million in the six months ended 30 June 2021.

By sales channels

Revenue from sales of products through self-operated retail points decreased by RMB46.8 million, or approximately 31.8%, from RMB147.4 million in the six months ended 30 June 2021 to RMB100.6 million in the Relevant Period and accounted for approximately 82.7% (six months ended 30 June 2021: 87.9%) of the total revenue. Such decrease was mainly attributable to the outbreak of the Omicron Variant pandemic during the Relevant Period in major cities in China. The lockdown measures taken in Shenzhen, Shanghai, Beijing, Jinan, Tianjin etc., caused a sharp decrease in customer flows in the department stores and shopping malls where our retail points operate. The revenue from outlet stores also decreased by RMB8.9 million, or approximately 19.5%, from RMB45.6 million in the six months ended 30 June 2021 to RMB36.7 million in the Relevant Period.

Revenue from sales of products to third-party retailers decreased by RMB0.2 million, or approximately 2.6%, from RMB7.8 million in the six months ended 30 June 2021 to RMB7.6 million in the Relevant Period and accounted for approximately 6.3% (six months ended 30 June 2021: 4.7%) of the total revenue.

Revenue from sales of products through online channels increased by RMB1.0 million, or approximately 8.1%, from RMB12.4 million in the six months ended 30 June 2021 to RMB13.4 million in the Relevant Period and accounted for approximately 11.0% (six months ended 30 June 2021: 7.4%) of the total revenue. The increase in revenue was primarily attributable to a mixed effect of: (i) an increase in sales from WeChat stores by RMB3.9 million, or approximately 1.4 times, from RMB2.7 million in the six months ended 30 June 2021 to RMB6.6 million in the Relevant Period; (ii) an increase in sales from online discount platform such as VIP.com by RMB0.3 million, or approximately 12.5%, from RMB2.4 million in the six months ended 30 June 2021 to RMB2.7 million in the Relevant Period; and partially offset by (iii) a decrease in sales of products to online third-party retailers by RMB0.2 million, or approximately 9.1%, from RMB2.2 million in the six months ended 30 June 2021 to RMB2.0 million in the Relevant Period; and (iv) a decrease in sales of product through our e-shops on Tmall.com and JD.com by RMB3.0 million, or approximately 58.8%, from RMB5.1 million in the six months ended 30 June 2021 to RMB2.1 million in the Relevant Period.

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			
	2022		2021	
	Revenue		Revenue	
	<i>RMB</i>	<i>% of total</i>	<i>RMB</i>	<i>% of total</i>
	<i>million</i>	<i>revenue</i>	<i>million</i>	<i>revenue</i>
			(reclassified)	(reclassified)
Retail sales from self-operated retail points	100.6	82.7%	147.4	87.9%
Sales to third-party retailers	7.6	6.3%	7.8	4.7%
Sales through online channels	13.4	11.0%	12.4	7.4%
Total	121.6	100.0%	167.6	100.0%

By Brand

Revenue contributed from self-owned brands decreased by RMB31.6 million, or approximately 33.0%, from RMB95.9 million in the six months ended 30 June 2021 to RMB64.3 million in the Relevant Period. Percentage of revenue from self-owned brands over total revenue also decreased from 57.2% in the six months ended 30 June 2021 to 52.9% in the Relevant Period.

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

	Six months ended 30 June			
	2022		2021	
	Revenue		Revenue	
	<i>RMB</i>	<i>% of total</i>	<i>RMB</i>	<i>% of total</i>
	<i>million</i>	<i>revenue</i>	<i>million</i>	<i>revenue</i>
Licensed brands	57.3	47.1%	71.7	42.8%
Self-owned brands	64.3	52.9%	95.9	57.2%
Total	121.6	100.0%	167.6	100.0%

Cost of sales

Our cost of sales decreased by RMB4.1 million, or approximately 8.2%, from RMB49.9 million in the six months ended 30 June 2021 to RMB45.8 million in the Relevant Period. The decrease in cost of sales was primarily due to a mixed effect of (i) a reversal of inventory provisions of RMB3.9 million in the Relevant Period (six months ended 30 June 2021: inventory provisions of RMB5.5 million); and (ii) an increase of cost of inventories sold by RMB5.3 million from RMB44.4 million in the six months ended 30 June 2021 to RMB49.7 million in the Relevant Period due to the stock clearance of Barbour waxed cotton jackets.

Gross profit and gross profit margin

Our gross profit decreased by RMB41.9 million, or approximately 35.6%, from RMB117.7 million in the six months ended 30 June 2021 to RMB75.8 million in the Relevant Period as a result of the decrease in revenue. Our overall gross profit margin decreased by 7.9 percentage points from 70.2% in the six months ended 30 June 2021 to 62.3% in the Relevant Period. The decrease in gross profit margin was mainly due to the decrease in selling prices for the stock clearance of Barbour waxed cotton jackets during the sell-off period.

Other income and gains

Our other income and gains decreased by RMB2.6 million, or approximately 30.2%, from RMB8.6 million in the six months ended 30 June 2021 to RMB6.0 million in the Relevant Period, which was primarily due to an decrease in fair value gains by approximately RMB1.9 million arising from the changes in fair value of financial assets at fair value through profit or loss.

Selling and distribution expenses

Our selling and distribution expenses decreased by RMB62.5 million, or approximately 39.8%, from RMB157.2 million in the six months ended 30 June 2021 to RMB94.7 million in the Relevant Period.

Rents and concession fees for occupying concession counters within department stores and department store charges decreased by RMB16.3 million, or approximately 33.1%, from RMB49.2 million in the six months ended 30 June 2021 to RMB32.9 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 RMB48.2 million in the six months ended 30 June 2021 to RMB31.4 million in the Relevant Period. Such decrease was primarily attributable to the decrease in number of sales and marketing staff.

We incurred advertising and promotion expenses of RMB1.7 million (six months ended 30 June 2021: RMB10.4 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 decreased from RMB17.5 million in the six months ended 30 June 2021 to RMB8.2 million in the Relevant Period which was primarily attributable to the decrease in number of retail points opened during 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 RMB2.6 million, or approximately 10.0%, from RMB26.0 million in the six months ended 30 June 2021 to RMB23.4 million in the Relevant Period. The decrease in administrative expenses was mainly due to a decrease in amortisation of share option expenses by RMB0.9 million.

Other expenses

Other expenses mainly represented (i) impairment on trademarks – Marina Yachting of RMB8.5 million, Henry Cotton's of RMB1.9 million, Artful Dodger of RMB1.3 million and Zoo York of RMB0.1 million, respectively (six months ended 30 June 2021: Nil); (ii) an impairment of RMB4.3 million on right-of-use assets (six months ended 30 June 2021: Nil); and (iii) an exchange loss of RMB3.3 million arising from the depreciation of RMB against HK\$ in the Relevant Period.

Finance income

Our finance income decreased to RMB3.6 million in the Relevant Period as compared to that of RMB6.3 million in the six months ended 30 June 2021, representing a decrease by 42.9%. The decrease in finance income was mainly because the decrease in the balance of structured bank deposits as well as 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, the Group reported a loss before tax of RMB54.0 million in the Relevant Period (six months ended 30 June 2021: the loss of RMB48.7 million).

Income tax expense

Income tax expense increased by RMB19.9 million which was primarily represented reversal of deferred tax assets of RMB19.6 million for deductible temporary differences arising from impairment of assets, as the Group does not expect to generate sufficient taxable income in future to utilise these temporary differences.

Loss for the period

The Group reported a loss for the period of RMB73.9 million in the Relevant Period (six months ended 30 June 2021: the loss of RMB48.7 million).

Loss attributable to owners of the parent

As a result of the foregoing, the loss attributable to owners of the parent increased by RMB25.2 million, or approximately 51.9%, from RMB48.6 million in the six months ended 30 June 2021 to RMB73.8 million in the Relevant Period.

Working Capital Management

	30 June 2022	31 December 2021
Inventory turnover days	876	577
Trade receivables turnover days	51	95
Trade payables turnover days	66	57

The increase in inventory turnover days by 299 days was mainly because of an increase in turnover days of inventories aged within 1 year by 186 days from 404 days at 31 December 2021 to 590 days at 30 June 2022 and an increase in turnover days of inventories aged between 1 year to 3 years by 67 days from 173 days at 31 December 2021 to 240 days at 30 June 2022 due to the decrease in revenue.

The decrease in trade receivables turnover days by 44 days was mainly because of the increase in sales proportion from sales to third-party retailers and sales through online channels where payment in advance is normally required.

The trade payables turnover days remained consistent for the both periods indicated.

Liquidity, financial position and cash flows

As at 30 June 2022, we had net current assets of approximately RMB893.9 million, as compared to RMB893.2 million as at 31 December 2021. The current ratio of our Group was 5.4 times as at 30 June 2022, as compared to that of 4.8 times as at 31 December 2021.

There was no undrawn banking facility as at 30 June 2022.

As at 30 June 2022, we had an aggregate cash and cash equivalents, structured bank deposits and deposits in financial institutes and financial assets at fair value through profit or loss of approximately RMB545.2 million. The table below sets forth selected cash flow data from our interim condensed consolidated statement of cash flows:

	Six months ended 30 June	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
Net cash flows (used in)/from operating activities	(18.1)	6.0
Net cash flows from/(used in) investing activities	162.2	(135.4)
Net cash flows used in financing activities	(16.8)	(22.5)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	127.3	(151.9)
Effect of foreign exchange rate changes, net	3.0	(0.7)
Cash and cash equivalents at the beginning of the period	128.0	271.3
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	258.3	118.7
	<hr/> <hr/>	<hr/> <hr/>

Operating activities

Net cash flows from operating activities decreased by RMB24.1 million, from a cash inflow of RMB6.0 million in the six months ended 30 June 2021 to a cash outflow of RMB18.1 million in the Relevant Period. The decrease in net cash flows from operating activities was primarily attributable to the increase in cash outflows of increase in properties under development of RMB21.6 million (six months ended 30 June 2021: RMB7.9 million).

Investing activities

Net cash flows from investing activities of RMB162.2 million mainly represented a decrease in short-term deposits with original maturity of over three months, structured bank deposits and deposits in financial institutes and financial assets at fair value through profit or loss of RMB142.3 million and repayment of loans from third parties of RMB22.1 million.

Financing activities

Net cash flows used in financing activities mainly represented principal portion of lease payments of RMB16.8 million.

Pledge of group assets

As at 30 June 2022, 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 2022, the Group had capital commitments of approximately RMB12.7 million (31 December 2021: RMB27.7 million) and there were no significant contingent liabilities (31 December 2021: Nil).

Foreign exchange management

We conduct business primarily in Hong Kong and the PRC with most of our transactions denominated and settled in Hong Kong dollars (“**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 2022, our sales network comprised a total of 258 self-operated retail points, consisting of concession counters, consignment stores and standalone stores, and 40 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 2022 and 31 December 2021:

Brand	As at 30 June 2022			As at 31 December 2021		
	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	108	11	119	123	10	133
MCS	122	27	149	142	30	172
Marina Yachting	22	2	24	29	2	31
London Fog	–	–	–	3	–	3
Zoo York	1	–	1	8	–	8
Others	5	–	5	5	3	8
Total	<u>258</u>	<u>40</u>	<u>298</u>	<u>310</u>	<u>45</u>	<u>355</u>

Self-operated retail points

As at 30 June 2022, we had a network of 249 self-operated concession counters (31 December 2021: 296 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 79 were outlet stores as at 30 June 2022 (31 December 2021: 84 outlet stores).

As at 30 June 2022, we had a network of 9 standalone stores (31 December 2021: 14 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 30 June 2022, we had a total of 40 retail points that were operated by third-party retailers, which remained consistent as compared to that of 45 retail points as at 31 December 2021.

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 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.

During the Relevant Period, the Group continued to increase 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) etc.

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 RMB10.3 million, or approximately 55.1%, from RMB18.7 million in the six months ended 30 June 2021 to RMB8.4 million in the Relevant Period.

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 from WeChat stores increased by RMB3.9 million, or approximately 1.4 times, from RMB2.7 million in the six months ended 30 June 2021 to RMB6.6 million in the Relevant Period.

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 Joint Venture Companies

On 20 June 2022, 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 an investment and cooperation agreement with Shanghai Pancoat Trading Co., Ltd. (上海盼酷貿易有限公司, “**Shanghai Pancoat**”), pursuant to which the both parties agreed to establish a joint venture company namely Shanghai Hongmeng Culture Development Co., Ltd. (上海紅盟文化發展有限公司, “**Shanghai Hongmeng**”). Shanghai Hongmeng is principally engaged in the design, manufacturing, marketing and sale of apparels, children’s wear, accessories, daily necessities etc. under the “**Pancoat Wonderland**” (「盼酷樂園系列」) brand and investment. Guangdong Junrui held 60% equity interests in Shanghai Hongmeng and Shanghai Hongmeng is an indirect non-wholly owned subsidiary of the Company upon incorporation.

Shanghai Pancoat is a limited company incorporated in the PRC and is principally engaged in the design, manufacturing, marketing and sale of apparels and accessories and brand licensing business.

On 4 July 2022, Shanghai Hongmeng entered into an investment and cooperation agreement with Shanghai Jegoplay Culture Development Group Co., Ltd. (上海季高文化發展集團有限公司, “**Shanghai Jegoplay**”), pursuant to which the both parties agreed to establish a joint venture company namely Shanghai Jegoplay Hongmeng Culture Development Co., Ltd. (上海季高紅盟文化發展有限公司, “**Jegoplay Hongmeng**”). Jegoplay Hongmeng will be principally engaged in the building and operation of theme parks. Shanghai Hongmeng will hold 40% equity interests in Jegoplay Hongmeng and Jegoplay Hongmeng will be an associate of the Company upon incorporation.

Shanghai Jegoplay is a limited company incorporated in the PRC and is principally engaged in the management and operation of theme parks and planning and organization of cultural and artistic activities.

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 2022, approximately 1,041 sales representatives, store managers and production workers were employees of the outsourcing service company (31 December 2021: 1,171).

Employee information

As at 30 June 2022, the Group had approximately 350 full-time employees (31 December 2021: 374). Staff costs, including Directors’ remuneration, totalled RMB17.0 million in the Relevant Period (six months ended 30 June 2021: RMB19.6 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 227,300,000 options under the Share Option Scheme that was granted to 81 participants (including 7 directors) remain outstanding as at 30 June 2022.

Corporate Social Responsibility

Being a responsible corporate citizen is a core fundamental of our culture. We looked 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 2022. Therefore, we will focus on the following initiatives in the second half of 2022:

- to encourage our sales staff and third-party retailers to use our O2O system as well as to increase sales proportion from online channels including WeChat stores, live streaming ecommerce etc.;
- 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 2022 given the relatively high level of inventory.

INTERIM DIVIDENDS

The Board does not recommend to declare any interim dividends for the Relevant Period (six months ended 30 June 2021: 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 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 Relevant Period.

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 Relevant Period, 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 C.2.1.

According to code provision C.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.

PURCHASE, REDEMPTION OR SALE OF SHARES OF THE COMPANY

During the Relevant Period, 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 unaudited interim condensed consolidated financial statements for the Relevant Period. It has also reviewed the said unaudited interim condensed consolidated financial statements in conjunction with the Company’s external auditors.

REVIEW OF THE INTERIM RESULTS ANNOUNCEMENT BY AUDITORS

The unaudited interim results of the Group for the Relevant Period have been reviewed by the Group’s auditors, Ernst & Young, 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.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results 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 Interim Report for the Relevant Period containing all the information required by Appendix 16 to the Listing Rules 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. I would like to take this opportunity to thank our colleagues on behalf of the Board for their contribution and support, and our management and staff members of the Group for their hard work and loyal service throughout the challenging period. 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, 22 August 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.