



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)

2022
Interim Report

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CORPORATE INFORMATION

Executive directors

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

Non-executive director

Mr. WANG Wei

Independent non-executive directors

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

Company secretary

Ms. LI Rita Yan Wing

Authorised representatives

Ms. HUANG Xiaoyun
Ms. LI Rita Yan Wing

Audit committee

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

Remuneration committee

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

Nomination committee

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

Registered office

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KY1-9005
Cayman Islands

Head office in the PRC

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Pu Tuo District
Shanghai, PRC

Principal place of business in Hong Kong

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Tsim Sha Tsui East
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Website

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Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Principal bankers

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

Legal advisor

Herbert Smith Freehills LLP

Auditor

Ernst & Young,
Certified Public Accountants

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2022 (Unaudited)	2021 (Unaudited)	Change
Revenue (RMB million)	121.6	167.6	(24.7%)
Gross profit (RMB million)	75.8	117.7	(35.6%)
Operating loss (RMB million)	(56.9)	(53.7)	+6.0%
Loss attributable to owners of the parent (RMB million)	(73.8)	(48.6)	+51.9%
Loss per share – Basic (RMB cents) ¹	(2.25)	(1.48)	+52.0%
Gross profit margin	62.3%	70.2%	(7.9 p.p.t.)
Operating loss margin	(46.8%)	(32.0%)	+14.8 p.p.t.
Net loss margin	(60.8%)	(29.1%)	+28.5 p.p.t.
Effective tax rate	n.a.	0.1%	n.a.
	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)	Change
Current ratio (times) ²	5.4	4.8	+0.6 times
Trade receivables turnover days (days) ³	51	95	(44) days
Trade payables turnover days (days) ⁴	66	57	+9 days
Inventory turnover days (days) ⁵	876	577	+299 days

China Outfitters Holdings Limited

Key ratios:

1. Basic loss per share = Loss attributable to owners of the parent/weighted average number of ordinary shares (the weighted average number of shares in the six months ended 30 June 2022 was 3,282,916,000 versus 3,282,916,000 in the same period of last year)
2. Current ratio = Current assets/current liabilities
3. Trade receivables turnover days = Average of opening and closing balances on trade receivables/revenue for the period x 180 days
4. Trade payables turnover days = Average of opening and closing balances on trade payables/cost of sales for the period x 180 days
5. Inventory turnover days = Average of opening and closing balances on inventory/cost of sales for the period x 180 days

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

During the six months ended 30 June 2022 (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 the People’s Republic of China (the “**PRC**” or “**China**” which excludes, for the purpose of this report, the Hong Kong Special Administrative Region of the PRC or Hong Kong the Macau Special Administrative Region of the PRC or Macau, and Taiwan) 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, China Outfitters Holdings Limited (the “**Company**”, and together with its subsidiaries, 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.

FINANCIAL REVIEW *(continued)*

Revenue *(continued)*

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.

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

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

	Six months ended 30 June			
	2022		2021	
	Revenue RMB million	% of total revenue	Revenue RMB million (reclassified)	% of total revenue (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 RMB million	% of total revenue	Revenue RMB million	% of total revenue
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%

FINANCIAL REVIEW *(continued)*

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.

FINANCIAL REVIEW *(continued)***Selling and distribution expenses** *(continued)*

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.

FINANCIAL REVIEW *(continued)*

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

FINANCIAL REVIEW *(continued)*

Working Capital Management *(continued)*

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.

FINANCIAL REVIEW *(continued)*

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

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
	RMB million	RMB million
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)
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
Cash and cash equivalents at the end of the period	258.3	118.7

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).

FINANCIAL REVIEW *(continued)*

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

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	258	40	298	310	45	355

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.

OPERATION REVIEW *(continued)*

Retail and distribution network *(continued)*

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.

OPERATION REVIEW *(continued)*

Business Digitalization *(continued)*

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.

Properties under Development

The Group's property development segment represents the properties under development which are situated at No.833, Shuiyun Road, China (Shanghai) Pilot Free Trade Zone Lin-Gang Special Area. The site area of the project is approximately 5,819 square meters and the floor area is approximately 11,637 square meters, which mainly includes commercial area of approximately 3,435 square meters and residential area of approximately 7,600 square meters.

The properties under development are indirectly wholly owned by the Company. As at 30 June 2022, the carrying amount of the properties under development is RMB211.8 million. The percentage of stage of completion of the project is approximately 99%. Currently, the Group is in the process of finalising the settlement of the main construction contract of the project and applying for the permit for advance sale of commodity houses from the relevant governmental authorities.

The board of directors of the Company (the "**Board**") expects the construction of the properties under development will be completed in the second half of 2022. When completion and the permit for advance sale of commodity houses is obtained, the properties are expected to be sold in the second half of 2022 and the first half of 2023 to recover funds. After sale of the properties, the Board expects that the Group will no longer engage in the property development business.

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.

OPERATION REVIEW *(continued)***Formation of Joint Venture Companies** *(continued)*

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.

OPERATION REVIEW *(continued)*

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).

OTHER INFORMATION DISCLOSURE OF INTERESTS

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

As at 30 June 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules, were as follows:

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

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

Notes:

- (1) The number of underlying shares represents the shares in which the Directors are deemed to be interested as a result of holding share options.
- (2) CEC Outfitters Limited, holding 839,748,000 shares (long position) of the Company, was wholly owned by Vinglory Holdings Limited ("Vinglory") and Vinglory was wholly owned by Mr. ZHANG Yongli.
- (3) The percentage is calculated based on the total number of issued shares of the Company as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2022, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or were otherwise notified to the Company:

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

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

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

Notes:

- (1.1) CEC Outfitters Limited, holding 839,748,000 shares (long position) of the Company, was wholly owned by Vinglory and Vinglory was wholly owned by Mr. ZHANG Yongli.
- (1.2) Mr. ZHANG Yongli held interests in a total of 12,028,000 shares (long position) of the Company, including 3,000,000 underlying shares interested as a result of holding share options.
- (2) Ms. HUANG Xiaoyun held interests in a total of 340,600,000 shares (long position) of the Company, including 20,000,000 underlying shares interested as a result of holding share options.
- (3) KKR China Apparel Limited, holding 285,366,000 shares (long position) of the Company, was owned as to 90% by KKR China Growth Fund L.P.. KKR Associates China Growth L.P. ("KKR Associates") was the general partner of KKR China Growth Fund L.P.. KKR China Growth Limited was the general partner of KKR Associates. KKR China Growth Limited was wholly owned by KKR Group Partnership L.P. (formerly known as KKR Fund Holdings L.P.). KKR Group Partnership L.P. was owned as to 69% by KKR Group Holdings Corp. and 31% by KKR Group Holdings L.P. (formerly known as KKR Holdings LP). KKR Group Holdings Corp. was wholly owned by KKR Group Co. Inc. (formerly known as KKR & Co. Inc.). KKR Group Holdings L.P. was owned as to 99% by KKR Group Co. Inc.. KKR & Co. Inc. (formerly known as KKR Aubergine Inc.) was the sole shareholder of KKR Group Co. Inc.. KKR Management LLP (formerly known as KKR Management LLC) was the general partner of KKR & Co. Inc.. Mr. KRAVIS Henry Roberts and Mr. ROBERTS George R. disclaimed any beneficial ownership interest in the shares held by KKR China Apparel Limited. The interest in 285,366,000 shares (long position) related to the same block of shares in the Company.
- (4) Mr. SHEN Chengjian held interests in 112,150,000 shares (long position) of the Company and his spouse Ms. XIAO Wenqing held 168,904,000 shares (long position) of the Company. Mr. Shen is deemed to be interested in the 168,904,000 shares held by Ms. Xiao and Ms. Xiao is deemed to be interested in the 112,150,000 shares held by Mr. Shen.
- (5) The percentage is calculated based on the total number of issued shares of the Company as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, no person, other than the Directors and chief executives of the Company, whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

The Company operates a Share Option Scheme for the purpose of providing incentives and rewards to eligible participants for their contribution to, and continuing efforts to promote the interests of, the Group. The Share Option Scheme was conditionally approved by the written resolutions of the shareholders passed on 25 November 2011. As at 30 June 2022, a total of 227,300,000 shares under the Share Option Scheme were granted at a consideration of HK\$1 paid by each participant.

Details of movements of the options during the six months ended 30 June 2022 are set out below:

Category of grantees	Name of director	Date of grant	Exercise price (HK\$)	Outstanding at 1.1.2022	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited during the period	Outstanding at 30.6.2022	Vesting and exercise period
Executive director	Mr. ZHANG Yongli	10 December 2018	0.2114	3,000,000	-	-	-	-	3,000,000	Note 1
Executive director	Mr. SUN David Lee	10 December 2018	0.2114	10,000,000	-	-	-	-	10,000,000	Note 1
Executive director	Ms. HUANG Xiaoyun	10 December 2018	0.2114	20,000,000	-	-	-	-	20,000,000	Note 1
Non-executive director	Mr. WANG Wei	10 December 2018	0.2114	3,000,000	-	-	-	-	3,000,000	Note 1
Independent non-executive director	Mr. KWONG Wilson Wai Sun	10 December 2018	0.2114	3,000,000	-	-	-	-	3,000,000	Note 1
Independent non-executive director	Mr. CUI Yi	10 December 2018	0.2114	3,000,000	-	-	-	-	3,000,000	Note 1
Independent non-executive director	Mr. YEUNG Chi Wai	10 December 2018	0.2114	3,000,000	-	-	-	-	3,000,000	Note 1
Consultant	-	10 December 2018	0.2114	10,000,000	-	-	-	-	10,000,000	Note 1
Employees in aggregate	-	10 December 2018	0.2114	174,800,000	-	-	-	2,500,000	172,300,000	Note 2

Note 1: The remaining of outstanding options as at 30 June 2022 was vested and became exercisable on 10 December 2020. All vested options shall be exercisable until 9 December 2023.

Note 2: 63,850,000 of the outstanding options as at 30 June 2022 was vested and became exercisable on 10 December 2019, and another 63,850,000 of the outstanding options as at 30 June 2022 was vested and became exercisable on 10 December 2020, whereas 44,600,000 outstanding options became vested and exercisable on 10 December 2021 and 2022 in equal portions. All vested options shall be exercisable until 9 December 2023.

SHARE OPTION SCHEME *(continued)*

Details of the share options granted by the Company under the Share Option Scheme are set out on pages 64 and 65 of the interim report.

Save as disclosed above, no share option granted under the Share Option Scheme was exercised, forfeited, lapsed or cancelled during the six months ended 30 June 2022.

CORPORATE GOVERNANCE

Corporate governance practices

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board is of the view that throughout the six months ended 30 June 2022, 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.

DIRECTORS’ SECURITIES TRANSACTIONS

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

All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Code of Conduct for the six months ended 30 June 2022.

CHANGES OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B of the Listing Rules, the changes in information of a Director since the date of the 2021 annual report of the Company are set out below:

Name of Director	Detail of Changes
Yeung Chi Wai	Appointed as an independent non-executive director of Capital Estate Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 193), with effect from 1 April 2022

AUDIT COMMITTEE

The audit committee has discussed with the management regarding the risk management and internal control systems and financial reporting matters related to the preparation of the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2022. It has also reviewed the said unaudited interim condensed consolidated financial statements in conjunction with the Company's external auditors.

APPRECIATION

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

By Order of the Board
China Outfitters Holdings Limited

ZHANG Yongli

Chairman

Shanghai

22 August 2022



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

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 27 to 74, which comprises the condensed consolidated statement of financial position of China Outfitters Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as at 30 June 2022 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“**IAS 34**”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Ernst & Young

Certified Public Accountants

Hong Kong

22 August 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2022

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	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	13	30,645	32,134
Long-term prepayments	14	24,256	23,113
Other intangible assets	12	73,720	86,082
Deferred tax assets		84,284	105,810
Total non-current assets		558,432	615,349
CURRENT ASSETS			
Inventories	15	221,847	224,298
Properties under development	16	211,784	190,195
Trade and bills receivables	17	30,253	38,960
Prepayments, other receivables and other assets	18	86,169	120,167
Financial assets at fair value through profit or loss	19	22,088	21,937
Structured bank deposits and deposits in financial institutes	20	264,854	306,900
Cash and cash equivalents and time deposit with original maturity of over three months	21	258,299	227,995
Total current assets		1,095,294	1,130,452

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
As at 30 June 2022

	Notes	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
CURRENT LIABILITIES			
Trade payables	22	17,753	15,782
Other payables and accruals	23	47,991	73,252
Lease liabilities		10,781	23,491
Tax payable		124,898	124,701
Total current liabilities		201,423	237,226
NET CURRENT ASSETS			
		893,871	893,226
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,452,303	1,508,575
NON-CURRENT LIABILITIES			
Lease liabilities		3,053	4,164
Deferred tax liabilities		14,573	16,739
Total non-current liabilities		17,626	20,903
Net assets		1,434,677	1,487,672
EQUITY			
Equity attributable to owners of the parent			
Share capital	24	280,661	280,661
Shares held for share award scheme	26	(30,946)	(30,946)
Reserves		1,180,217	1,238,041
Non-controlling interests		1,429,932 4,745	1,487,756 (84)
Total equity		1,434,677	1,487,672

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the parent												
	Share capital RMB'000 (note 24)	Shares held for Share Award Scheme RMB'000 (note 26)	Capital redemption reserve RMB'000	Merger reserve RMB'000	Acquisition reserve RMB'000	Share option reserve RMB'000 (note 25)	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Non-controlling interests		Total equity RMB'000
											Total	interests	
											RMB'000	RMB'000	
At 1 January 2022 (audited)	280,661	(30,946)	543	389,848	(182,362)	20,037	(29,749)	66,280	(19,156)	992,600	1,487,756	(84)	1,487,672
Loss for the period	-	-	-	-	-	-	-	-	(73,772)	(73,772)	(80)	(73,852)	
Other comprehensive loss for the period:													
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	(516)	-	-	-	(516)	-	(516)
Exchange differences on translation of financial statements	-	-	-	-	-	-	-	-	16,245	-	16,245	9	16,254
Total comprehensive loss for the period	-	-	-	-	-	-	(516)	-	16,245	(73,772)	(58,043)	(71)	(58,114)
Equity-settled share option arrangements	-	-	-	-	-	219	-	-	-	-	219	-	219
Establishment of a not wholly-owned company	-	-	-	-	-	-	-	-	-	-	-	4,900	4,900
At 30 June 2022 (unaudited)	280,661	(30,946)	543*	389,848*	(182,362)*	20,256*	(30,265)*	66,280*	(2,911)*	918,828*	1,429,932	4,745	1,434,677

* These components of equity comprise the consolidated reserves of RMB1,180,217,000 (31 December 2021: RMB1,238,041,000) in the interim condensed consolidated statement of financial position as at 30 June 2022.

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

For the six months ended 30 June 2021

	Attributable to owners of the parent												
	Share capital	Shares held for Share Award Scheme	Capital redemption reserve	Merger reserve	Acquisition reserve	Share option reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 24)	(note 26)				(note 25)							
At 1 January 2021 (audited)	280,661	(30,946)	543	389,848	(184,468)	18,736	(21,332)	66,280	(8,046)	1,144,415	1,655,691	2,070	1,657,761
Loss for the period	-	-	-	-	-	-	-	-	-	(48,613)	(48,613)	(39)	(48,652)
Other comprehensive loss for the period:													
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	(6,215)	-	-	-	(6,215)	-	(6,215)
Exchange differences on translation of financial statements	-	-	-	-	-	-	-	-	(5,430)	-	(5,430)	-	(5,430)
Total comprehensive loss for the period	-	-	-	-	-	-	(6,215)	-	(5,430)	(48,613)	(60,258)	(39)	(60,297)
Equity-settled share option arrangements	-	-	-	-	-	1,126	-	-	-	-	1,126	-	1,126
At 30 June 2021 (unaudited)	280,661	(30,946)	543	389,848	(184,468)	19,862	(27,547)	66,280	(13,476)	1,095,802	1,596,559	2,031	1,598,590

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Notes	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(54,019)	(48,710)
Adjustments for:			
Depreciation of property, plant and equipment	8	8,735	8,439
Depreciation of investment properties	8	1,264	1,302
Depreciation of right-of-use assets	8	15,534	21,031
Amortisation of other intangible assets	8	714	714
(Gain)/Loss on disposal of property, plant and equipment		(77)	37
(Reversal of write-down)/Write-down of inventories to net realisable value	8	(3,872)	5,519
Share of loss of an associate		243	600
Fair value gains, net:			
Financial assets at fair value through profit or loss	8	(363)	(2,234)
Impairment of other intangible assets	8	12,225	–
Impairment of right-of-use assets		4,339	–
Reversal of impairment of trade and bills receivables, net	8	(720)	(3,295)
Impairment of other receivables, net	8	714	65
Equity-settled share option expense		219	1,126
Finance costs		529	738
Finance income	7	(3,616)	(6,340)
		(18,151)	(21,008)
Decrease/(Increase) in inventories		6,323	(8,451)
Increase in properties under development		(21,589)	(7,944)
Decrease in trade and bills receivables		9,425	92,427
Decrease/(Increase) in prepayments, other receivables and other assets		29,207	(9,449)
Increase/(Decrease) in trade payables		1,971	(3,865)
Decrease in other payables and accruals		(25,261)	(34,728)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*(continued)***For the six months ended 30 June 2022**

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Cash generated from operations	(18,075)	6,982
PRC corporate income tax paid	–	(988)
Net cash flows from operating activities	(18,075)	5,994
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of items of property, plant and equipment	81	248
Purchase of items of property, plant and equipment	(3,911)	(263)
Decrease/(Increase) in short term deposits with original maturity of over three months	100,000	(217,500)
Interest received from bank deposits	798	2,238
Interest received from structured bank deposits and investment income on wealth management products	350	5,551
Decrease in structured bank deposits and deposits in financial institutes and financial assets at fair value through profit or loss	42,258	74,310
Repayment of loan from third parties	22,100	–
Interest received from third parties	487	–
Net cash flows generated from/ (used in) investing activities	162,163	(135,416)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*(continued)***For the six months ended 30 June 2022**

	Notes	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payments		(16,815)	(22,547)
Net cash flows used in financing activities		(16,815)	(22,547)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		127,273	(151,969)
Effect of foreign exchange rate changes, net		127,995	271,293
		3,031	(649)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		258,299	118,675
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	196,437	111,800
Time deposits	21	61,862	224,375
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	21	258,299	336,175
Less: Time deposits with original maturity of over three months		-	(217,500)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows		258,299	118,675

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 7 March 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at 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 The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 9 December 2011 (the “**Listing Date**”).

The principal activity of the Company is investment holding. The Company and its subsidiaries (the “**Group**”) are principally engaged in the business of design, manufacturing, marketing and sale of apparel products and accessories in the People’s Republic of China (the “**PRC**”, or Mainland China which excludes, for the purpose of this report, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan), with a focus on menswear, and property development in the PRC. There has been no significant change in the Group’s principal activities during the six months ended 30 June 2022 (the “**Relevant Period**”).

2. BASIS OF PREPARATION

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(continued)

- (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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(continued)

(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.

4. OPERATING SEGMENT INFORMATION *(continued)*

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			121,597
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			(8,544)
Loss before tax			(54,019)

4. OPERATING SEGMENT INFORMATION (continued)

30 June 2022 (unaudited)	Apparel products and accessories RMB'000	Property development RMB'000	Total RMB'000
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			725,260
Total assets			1,653,726
Segment liabilities	75,627	266,372	341,999
Reconciliation:			
Elimination of intersegment payables			(262,421)
Corporate and other unallocated liabilities			139,471
Total liabilities			219,049
Six months ended 30 June 2022	Apparel products and accessories RMB'000	Property development RMB'000	Total RMB'000
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.

4. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2021	Apparel products and accessories RMB'000	Property development RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	167,561	–	167,561
Reconciliation:			
Elimination of intersegment sales			–
Revenue			167,561
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			(6,509)
Loss before tax			(48,710)

4. OPERATING SEGMENT INFORMATION (continued)

31 December 2021 (audited)	Apparel products and accessories RMB'000	Property development RMB'000	Total RMB'000
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			742,732
Total assets			1,745,801
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
Six months ended 30 June 2021	Apparel products and accessories RMB'000	Property development RMB'000	Total RMB'000
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

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
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	31 December
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Hong Kong	45,565	44,770
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:

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

Revenue from contracts with customers

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Type of goods		
Sale of apparel and accessories	121,597	167,561
Timing of revenue recognition		
Goods transferred at a point in time	121,597	167,561

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:

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

5. REVENUE (continued)**Revenue from contracts with customers** (continued)**(ii) Performance obligation**

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

Sale of products

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

6. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
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

6. OTHER INCOME AND GAINS *(continued)*

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

These represent the 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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
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
	3,616	6,340

8. LOSS BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of inventories sold		49,693	44,381
Depreciation of property, plant and equipment	12	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*	12	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
		16,973	19,604
Outsourced labor costs		22,255	44,643
Loss from warehousing and logistics services**		716	–
Impairment of other intangible assets**	12	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)

8. LOSS BEFORE TAX *(continued)*

- * The amortisation of other intangible assets is included in “Administrative expenses” in the interim condensed consolidated statement of profit or loss.
- ** The 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-month period ended 30 June 2021.

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

10. DIVIDEND

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Losses		
Loss attributable to owners of the parent, used in the basic loss per share calculation	(73,772)	(48,613)

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(continued)*

	Number of shares For the 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	(162,534,000)	(162,534,000)
Adjusted weighted average number of ordinary shares in issue used in the basic loss per share calculation	3,282,916,000	3,282,916,000

12. PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

	Property, plant and equipment RMB'000	Other intangible assets RMB'000
Unaudited		
Opening net book amount at 1 January 2022	252,492	86,082
Additions	2,768	-
Transfer to investment properties	(6,579)	-
Disposals	(4)	-
Depreciation and amortisation provided during the period	(8,735)	(714)
Impairment	-	(12,225)
Exchange realignment	1,758	577
Closing net book amount at 30 June 2022	241,700	73,720
Audited		
Opening net book amount at 1 January 2021	266,435	92,273
Additions	8,725	426
Transfer to investment properties	(244)	-
Disposals	(426)	-
Depreciation and amortisation provided during the year	(17,092)	(1,429)
Impairment	(4,121)	(4,558)
Exchange realignment	(785)	(630)
Closing net book amount at 31 December 2021	252,492	86,082

As at 30 June 2022, one certificate of ownership in respect of a warehouse in Chengdu with net carrying amount of approximately RMB3,606,000 (31 December 2021: RMB3,785,000) has not been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

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

The Group classified the trademarks of “London Fog”, “Artful Dodger”, “Zoo York”, “MCS”, “Henry Cotton’s” and “Marina Yachting” as intangible assets with indefinite lives. The Group has performed impairment reviews of the carrying values of trademarks as at 30 June 2022 based on a value in use calculation using cash flow projections from financial budgets covering a five-year period approved by senior management. For the period ended 30 June 2022, the discount rates applied to the cash flow projection were 18.0% (2021: 18.0%) for “London Fog”, 18.0% (2021: 18.0%) for “Artful Dodger”, 18.0% (2021: 18.0%) for “Zoo York”, 18.0% (2021:18.0%) for “MCS”, 18.0% (2021: 18.0%) for “Henry Cotton’s” and 18.0% (2021: 18.0%) for “Marina Yachting” and cash flows beyond the five-year period were extrapolated using a growth rate of 3.0% (2021:3.0%) which does not exceed the projected long term average growth rate for the relevant industry in Mainland China. Based on the result of the impairment test, the recoverable amounts of the trademarks of “Artful Dodger”, “Zoo York”, “Henry Cotton’s” and “Marina Yachting” were lower than their carrying amounts as at 30 June 2022. Accordingly, management determined that there was impairment of the trademarks of “Artful Dodger”, “Zoo York”, “Henry Cotton’s” and “Marina Yachting”, and recognised impairment of “Artful Dodger” of RMB1,309,000, “Zoo York” of RMB137,000, “Henry Cotton’s” of RMB1,917,000 and “Marina Yachting” of RMB8,474,000 respectively (2021: impairment of “Zoo York” of RMB1,824,000 and “Henry Cotton’s” of RMB2,734,000 respectively). Besides, the Group has performed impairment review of the carrying value of the licensing agreement of Maxim’s as at 30 June 2022 and determined that there was impairment of the licensing agreement of Maxim’s of RMB388,000 (2021: Nil).

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

Budgeted gross profit margins

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

Discount rates

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

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

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

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Listed equity investment, at fair value Guangdong Shaoneng Group Co., Ltd.	30,483	31,824
Unlisted equity investment, at fair value CCF Investment Limited	162	310
	30,645	32,134

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

14. LONG-TERM PREPAYMENTS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Prepayments for purchase of properties	16,558	16,088
Prepayments for leasehold improvements*	7,698	7,025
	24,256	23,113

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

15. INVENTORIES

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

16. PROPERTIES UNDER DEVELOPMENT

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Properties under development	211,784	190,195

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.

17. TRADE AND BILLS RECEIVABLES

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

17. TRADE AND BILLS RECEIVABLES *(continued)*

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 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
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	10,484	3,605
	30,253	38,960

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

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

17. TRADE AND BILLS RECEIVABLES (continued)

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

As at 30 June 2022

	Gross carrying amount (RMB'000)	Expected credit losses (RMB'000)	Expected credit loss rate
Individually assessed	234	234	100%
Based on provision matrix	37,912	7,659	20.2%
	38,146	7,893	
	Ageing as at 30 June 2022		Total
	Within one year	Over one year	
Expected credit loss rate	3.12%	100.00%	
Gross carrying amount (RMB'000)	31,229	6,683	37,912
Expected credit losses (RMB'000)	976	6,683	7,659

17. TRADE AND BILLS RECEIVABLES (continued)

As at 31 December 2021

	Gross carrying amount (RMB'000)	Expected credit losses (RMB'000)	Expected credit loss rate
Individually assessed	234	234	100%
Based on provision matrix	47,337	8,377	17.70%
	47,571	8,611	
	Ageing as at 31 December 2021		Total
	Within one year	Over one year	
Expected credit loss rate	2.77%	100.00%	
Gross carrying amount (RMB'000)	40,068	7,269	47,337
Expected credit losses (RMB'000)	1,108	7,269	8,377

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Note	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Prepayments		37,472	41,427
Deposits and other receivables		52,039	83,535
Deposit from a related party	29(b)	–	1,500
Prepayment to a related party	29(b)	3,692	–
		93,203	126,462
Impairment allowance		(7,034)	(6,295)
		86,169	120,167

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS*(continued)*

Included in deposits and other receivables are loans and related interest receivables from three third parties at amounts of RMB8,321,000 (31 December 2021: RMB16,434,000), RMB5,814,000 (31 December 2021: RMB5,553,000) and RMB nil (31 December 2021: RMB12,331,000), respectively, which are interest-bearing at 2.5%, 5.22% and 4.25% per annum, respectively. The loans are unsecured and repayable in one year.

The Group's loans to third parties are subject to approval by the executive committee or the board of directors, depending on the amount lent.

Except for the loans receivable and interest receivables from third parties, other receivables are unsecured, non-interest-bearing and repayment on demand.

Management makes periodic collective assessments for other receivables and prepayments as well as individual assessment on the recoverability of other receivables and prepayments based on historical settlement records, past experience and other factors. As at 30 June 2022, a provision for impairment of RMB7,034,000 (31 December 2021: RMB6,295,000) for the above loans receivable and interest receivables was made with loss rates applied ranging from 8% to 100%.

The carrying amount of the remaining prepayments and other receivables that were neither past due nor impaired relates to other debtors for whom there was no recent history of default.

The movement in the loss allowance for impairment of prepayments and other receivables is as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
At beginning of year	6,295	–
Impairment losses, net	714	6,295
Exchange realignment	25	–
At end of year	7,034	6,295

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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.

20. STRUCTURED BANK DEPOSITS AND DEPOSITS IN FINANCIAL INSTITUTES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
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 HKD.

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cash and bank balances	196,437	76,055
Time deposits	61,862	151,940
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\$**”), US Dollar (“**US\$**”), EUR (“**€**”), and MOP (“**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.

22. 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:

	Note	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<hr/>			
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	29(b)	180	42
		17,753	15,782
<hr/>			

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

23. OTHER PAYABLES AND ACCRUALS

	Note	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<hr/>			
Contract liabilities		11,297	14,404
Other payables		25,316	40,155
Accruals		5,181	10,630
Other taxes payable		5,594	7,662
Payables to related parties	29(b)	603	401
		47,991	73,252
<hr/>			

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

24. SHARE CAPITAL Shares

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

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

Share Option

Details of the Company's Share Option schemes and the Share Options issued under the Schemes are included in note 25 to the financial statements.

25. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**"), approved by the written resolutions of the shareholders passed on 25 November 2011. The terms and conditions of the share option scheme is disclosed in the consolidated financial statements for the year ended 31 December 2021.

Share Option Scheme

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

	Six months ended 30 June 2022		Six months ended 30 June 2021	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At beginning of period	0.2114	229,800	0.2114	247,100
Forfeited during the period	0.2114	(2,500)	0.2114	(2,500)
At end of period	0.2114	227,300	0.2114	244,600

25. SHARE OPTION SCHEME *(continued)*

The fair value of the share options under the Share Option Scheme granted was estimated at RMB22,720,000, during the Relevant Period, 2,500,000 share options became forfeited as three of the grantees resigned. The Company recognised a share option expenses of RMB219,000 in the Relevant Period (six months ended 30 June 2021: RMB1,126,000).

As at 30 June 2022, the Company had 227,300,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 227,300,000 additional ordinary shares of the Company and additional share capital of HK\$22,730,000 (equivalent to RMB19,438,469) and share premium of HK\$25,321,220 (equivalent to RMB21,654,454) (before issue expenses).

At the date of approval of these interim condensed consolidated financial statements, the Company had 227,300,000 share options outstanding under the Share Option Scheme, which represented approximately 6.6% of the Company's shares in issue as at that date.

26. SHARE AWARD SCHEME

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

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

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

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

26. SHARE AWARD SCHEME *(continued)*

No Purchase of shares of the Company by the Trustee during the Relevant Period (six months ended 30 June 2021: Nil).

The Board did not yet grant any shares to any employees from 4 November 2014 to 30 June 2022.

27. OPERATING LEASE ARRANGEMENTS

As lessor

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

At 30 June 2022, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within one year	7,286	6,830
In the second to fifth years, inclusive	15,809	9,058
After five years	8,496	11,491
	31,591	27,379

28. COMMITMENTS

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
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Contracted, but not provided for:		
Buildings	12,347	27,705
Capital injection	400	–
	<hr/>	
	12,747	27,705
	<hr/>	

29. RELATED PARTY TRANSACTIONS**(a) Other transactions with related parties:**

- (i) During the period, the Group purchased product tags amounting to RMB211,000 (six months ended 30 June 2021: RMB228,000) from Wuxi Hengye Software Technology Co., Ltd. ("**Wuxi Hengye**"), whose key management personnel was Zhang Yongli, chairman and the chief executive officer of the Group. Sun Jing, the spouse of Zhang Yongli, is a minority shareholder and holds 21.7% equity interest in Wuxi Hengye. The purchases were made on mutually agreed terms.
- (ii) During the period, the Group provided rental services amounting to RMB222,000 (six months ended 30 June 2021: RMB111,000) to Wuxi Hengye. The rental services were made on mutually agreed terms.
- (iii) During the period, the Group purchased rental services amounting to RMB133,000 (six months ended 30 June 2021: RMB177,000) from Huang Xiaoyun, an executive director and the chief financial officer of the Group. The rental services were made on mutually agreed terms.

29. RELATED PARTY TRANSACTIONS *(continued)*

(b) Outstanding balances with related parties:

- (i) The Group had an outstanding balance of other payables of RMB40,000 (31 December 2021: RMB38,000) due to Sun Jing, the spouse of Zhang Yongli, the chairman and chief executive officer of the Group, which was related to the acquisition of Panland Investment Co., Ltd. and Artway Design Co., Ltd. in 2021. The balance is unsecured, interest-free and has no fixed terms of repayment.
- (ii) The Group had an outstanding balance of other payables of RMB10,000 (31 December 2021: RMB10,000) due to Huang Xiaoyun, an executive director and the chief financial officer of the Group, which was related to the acquisition of Panland Investment Co., Ltd. and Artway Design Co., Ltd. in 2021. The balance is unsecured, interest-free and has no fixed terms of repayment.
- (iii) The Group had an outstanding balance of trade payables of RMB180,000 (31 December 2021: RMB42,000) due to Wuxi Hengye, which was related to the Group's procurement of product tags from Wuxi Hengye. The balance is unsecured, interest-free and has no fixed terms of repayment.
- (iv) The Group had an outstanding deposit of other payables of RMB100,000 (31 December 2021: RMB50,000) due to Wuxi Hengye, which was related to the Group's provision of rental services to Wuxi Hengye. The balance is unsecured, interest-free and has no fixed terms of repayment.
- (v) The Group had an outstanding balance of other payables of RMB453,000 (31 December 2021: RMB303,000) due to Huang Xiaoyun, which was related to the Group's procurement of rental services from Huang Xiaoyun. The balance is unsecured, interest-free and has no fixed terms of repayment.
- (vi) The Group had an outstanding deposit of nil (31 December 2021: RMB1,500,000) due from Wuxi Hengye, which was related to the Group's procurement deposit of product tags from Wuxi Hengye. The balance is unsecured, interest-free and has no fixed terms of repayment.

29. RELATED PARTY TRANSACTIONS *(continued)***(b) Outstanding balances with related parties:** *(continued)*

(vii) The Group had a prepayment of RMB3,692,000 (31 December 2021: nil) related to the Group's procurement of products from a related party, which is the parent company of a non-controlling shareholder of a subsidiary of the Group.

(c) Compensation of key management personnel of the Group, including directors' remuneration, is as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fees	1,350	1,351
Salaries, allowances and benefits in kind	3,100	3,240
Equity-settled share option expense	3	1,126
Pension scheme contributions	122	131
Total compensation paid to key management personnel	4,575	5,848

29(a)(iii) constituted connected transactions as defined in Chapter 14A of the Listing Rules. The Company is of the view that the transaction was de minimis transaction and was therefore fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules ("**Fully Exempt CT**").

30. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Financial assets				
Equity investments designated at fair value through other comprehensive income	30,645	32,134	30,645	32,134
Financial assets at fair value through profit or loss	22,088	21,937	22,088	21,937
	52,733	54,071	52,733	54,071

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

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

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

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

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

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

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

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

Fair value hierarchy

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

Assets measured at fair value
As at 30 June 2022

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets Level 1 RMB'000 (Unaudited)	Significant observable inputs Level 2 RMB'000 (Unaudited)	Significant unobservable inputs Level 3 RMB'000 (Unaudited)	
Equity investments designated at fair value through other comprehensive income – listed	30,483	-	-	30,483
Equity investments designated at fair value through other comprehensive income – unlisted	-	-	162	162
Financial assets at fair value through profit or loss	-	22,088	-	22,088
	30,483	22,088	162	52,733

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

Fair value hierarchy *(continued)*

Assets measured at fair value *(continued)*

As at 31 December 2021

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets Level 1 RMB'000 (Audited)	Significant observable inputs Level 2 RMB'000 (Audited)	Significant unobservable inputs Level 3 RMB'000 (Audited)	
Equity investments designated at fair value through other comprehensive income – listed	31,824	–	–	31,824
Equity investments designated at fair value through other comprehensive income – unlisted	–	–	310	310
Financial assets at fair value through profit or loss	–	21,937	–	21,937
	31,824	21,937	310	54,071

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

Fair value hierarchy *(continued)*

Assets measured at fair value *(continued)*

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

	2022 RMB'000 (Unaudited)	2021 RMB'000 (Audited)
Equity investments designated at fair value through other comprehensive income – unlisted		
At 1 January	310	1,195
Total losses recognised in other comprehensive income	(148)	(885)
At end of period/year	162	310

Liabilities measured at fair value

The Group did not have any financial liabilities measured at fair value as at 30 June 2022 and 31 December 2021.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2021: Nil).

31. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements of the Group for the Relevant Period were approved and authorised for issue in accordance with a resolution of the Board on 22 August 2022.