



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)

2019

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

190 Elgin Avenue
George Town
Grand Cayman
KY1-9005
Cayman Islands

Head office in the PRC

No. 9 Lane 1225
Tong Pu Road
Pu Tuo District
Shanghai, PRC

Principal place of business in Hong Kong

Room 1303, 13/F.
New East Ocean Centre
9 Science Museum Road
Tsim Sha Tsui East
Kowloon, Hong Kong

Website

www.cohl.hk

Hong Kong share registrar and transfer office

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

Principal banker

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		
	2019 (Unaudited)	2018 (Unaudited)	% change
Revenue (RMB million)	405.8	445.7	(9.0%)
Gross profit (RMB million)	318.1	333.1	(4.5%)
Operating profit (RMB million)	45.5	76.1	(40.2%)
Profit attributable to owners of the parent (RMB million)	30.7	57.2	(46.3%)
Earnings per share – Basic (RMB cents) ¹	0.90	1.67	(46.1%)
Gross profit margin	78.4%	74.7%	+3.7 p.p.t.
Operating profit margin	11.2%	17.1%	(5.9 p.p.t.)
Net profit margin	7.5%	13.1%	(5.6 p.p.t.)
Effective tax rate	41.7%	35.5%	+6.2 p.p.t.
	As at 30 June 2019 (Unaudited)	As at 31 December 2018 (Audited)	Change
Current ratio (times) ²	4.3	3.9	+0.4 times
Trade receivables turnover days (days) ³	46	47	(1 days)
Trade payables turnover days (days) ⁴	64	49	+15 days
Inventory turnover days (days) ⁵	454	330	+124 days

China Outfitters Holdings Limited

Key ratios:

1. Basic earnings per share = Profit 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 2019 was 3,423,945,000 versus 3,425,688,000 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



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 7 to 49, 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 2019 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 other 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

19 August 2019

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2019

	Notes	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
REVENUE	5	405,827	445,716
Cost of sales		(87,722)	(112,582)
Gross profit		318,105	333,134
Other income and gains	6	16,984	35,279
Selling and distribution expenses		(237,491)	(253,560)
Administrative expenses		(45,905)	(27,401)
Impairment losses on financial assets, net		(1,748)	(1,475)
Other expenses		(4,479)	(9,884)
Operating profit		45,466	76,093
Finance income	7	10,167	13,196
Finance costs		(789)	—
Share of profits and losses of:			
Joint ventures		(118)	1,537
An associate		(2,417)	(512)
PROFIT BEFORE TAX	8	52,309	90,314
Income tax expense	9	(21,757)	(32,076)
PROFIT FOR THE PERIOD		30,552	58,238
Attributable to:			
Owners of the parent		30,749	57,176
Non-controlling interests		(197)	1,062
		30,552	58,238
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For profit for the period	11	RMB0.90 cents	RMB1.67 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**For the six months ended 30 June 2019**

	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	30,552	58,238
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of financial statements	97	5,434
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	97	5,434
<i>Other comprehensive income/(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	6,214	(17,261)
Income tax effect	(1,643)	4,315
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	4,571	(12,946)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	4,668	(7,512)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	35,220	50,726
Attributable to:		
Owners of the parent	35,417	49,682
Non-controlling interests	(197)	1,044
	35,220	50,726

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**As at 30 June 2019**

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	270,300	255,315
Investment properties		47,471	48,724
Right-of-use assets		64,928	—
Prepaid land lease payments		—	40,368
Investment in joint ventures		37,074	37,129
Investment in an associate		11,672	14,039
Equity investments designated at fair value through other comprehensive income	14	32,772	26,172
Goodwill		72,123	72,123
Other intangible assets	12	119,874	124,889
Deferred tax assets		184,325	188,096
Total non-current assets		840,539	806,855
CURRENT ASSETS			
Inventories	15	221,792	220,751
Properties under development	16	163,219	145,438
Trade and bills receivables	17	92,284	113,166
Prepayments, other receivables and other assets	18	126,227	89,728
Dividend receivable		5,156	5,136
Structured bank deposits	19	155,504	101,958
Financial assets at fair value through profit or loss	20	138,000	225,000
Pledged deposits	21	—	4,911
Cash and cash equivalents	21	411,626	427,581
Total current assets		1,313,808	1,333,669

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

As at 30 June 2019

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
CURRENT LIABILITIES			
Trade and bills payables	22	29,205	36,548
Other payables and accruals	23	140,933	134,038
Tax payable		135,824	172,714
Total current liabilities		305,962	343,300
NET CURRENT ASSETS		1,007,846	990,369
TOTAL ASSETS LESS CURRENT LIABILITIES		1,848,385	1,797,224
NON-CURRENT LIABILITIES			
Other payables and accruals	23	6,340	—
Deferred tax liabilities		21,877	18,894
Total non-current liabilities		28,217	18,894
Net assets		1,820,168	1,778,330
EQUITY			
Equity attributable to owners of the parent			
Share capital	24	280,661	280,661
Shares held for share award scheme	26	(10,259)	(10,031)
Reserves		1,550,168	1,507,905
Non-controlling interests		1,820,570 (402)	1,778,535 (205)
Total equity		1,820,168	1,778,330

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the parent												
	Shares held for		Capital redemption reserve	Merger reserve	Acquisition reserve	Share option reserve	Fair value reserve	Statutory surplus reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	Share capital	Award Scheme											
	RMB'000 (note 24)	RMB'000 (note 26)	RMB'000	RMB'000	RMB'000	RMB'000 (note 25)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019 (audited)	280,661	(10,031)	543	389,848	(184,468)	853	(33,714)	62,536	21,924	1,250,383	1,778,535	(205)	1,778,330
Profit for the period	-	-	-	-	-	-	-	-	-	30,749	30,749	(197)	30,552
Other comprehensive income for the period:													
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	4,571	-	-	-	4,571	-	4,571
Exchange differences on translation of financial statements	-	-	-	-	-	-	-	-	97	-	97	-	97
Total comprehensive income for the period	-	-	-	-	-	-	4,571	-	97	30,749	35,417	(197)	35,220
Appropriations to statutory surplus reserve	-	-	-	-	-	-	-	2,822	-	(2,822)	-	-	-
Share award scheme arrangements	-	(228)	-	-	-	-	-	-	-	-	(228)	-	(228)
Equity-settled share option arrangements	-	-	-	-	-	6,846	-	-	-	-	6,846	-	6,846
At 30 June 2019 (unaudited)	280,661	(10,259)	543*	389,848*	(184,468)*	7,699*	(29,143)*	65,358*	22,021*	1,278,310*	1,820,570	(402)	1,820,168

* These components of equity comprise the consolidated reserves of RMB1,550,168,000 (31 December 2018: RMB1,507,905,000) in the interim condensed consolidated statement of financial position as at 30 June 2019.

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

For the six months ended 30 June 2018

	Attributable to owners of the parent													
	Share capital	Award Scheme	Shares held for Share redemption	Capital reserve	Merger reserve	Acquisition reserve	Share option reserve	Fair value reserve	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	RMB'000
	(note 24)	(note 26)				(note 25)								
At 1 January 2018 (audited)	280,661	(9,781)	543	389,848	(186,036)	14,014	(3,661)	60,988	8,774	1,177,738	1,733,088	705	1,733,793	
Profit for the period	-	-	-	-	-	-	-	-	-	57,176	57,176	1,062	58,238	
Other comprehensive income for the period:														
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	(12,946)	-	-	-	(12,946)	-	(12,946)	
Exchange differences on translation of financial statements	-	-	-	-	-	-	-	-	5,452	-	5,452	(18)	5,434	
Total comprehensive income for the period	-	-	-	-	-	-	(12,946)	-	5,452	57,176	49,682	1,044	50,726	
Appropriations to statutory surplus reserve	-	-	-	-	-	-	-	1,023	-	(1,023)	-	-	-	
Lapse of share options	-	-	-	-	-	(1,637)	-	-	-	1,637	-	-	-	
Acquisition of non-controlling interests	-	-	-	-	1,568	-	-	-	-	-	1,568	(1,568)	-	
At 30 June 2018 (unaudited)	280,661	(9,781)	543	389,848	(184,468)	12,377	(16,607)	62,011	14,226	1,235,528	1,784,338	181	1,784,519	

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2019

	Notes	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		52,309	90,314
Adjustments for:			
Depreciation of property, plant and equipment	8	8,122	6,877
Depreciation of investment properties	8	1,253	880
Depreciation of right-of-use assets	8	23,922	—
Amortisation of prepaid land lease payments	8	—	524
Amortisation of other intangible assets	8	786	786
Gains on disposal of property, plant and equipment		(191)	(118)
Reversal of write-down of inventories to net realisable value	8	(14,033)	(8,195)
Share of profits and losses of joint ventures		118	(1,537)
Share of loss of an associate		2,417	512
Fair value gains, net:			
Financial assets at fair value through profit or loss		—	(1,244)
Impairment of other intangible assets	8	4,479	2,206
Impairment of trade receivables, net	8	1,748	(1,025)
Impairment of other receivables, net	8	—	2,500
Equity-settled share option expense		6,846	—
Finance costs		789	—
Finance income	7	(10,167)	(13,196)
		78,398	79,284
Decrease in inventories		13,066	38,666
Increase in properties under development		(8,496)	(645)
Decrease in trade and bills receivables		19,134	23,293
Increase in prepayments, other receivables and other assets		(31,647)	(32,381)
Decrease in trade and bills payables		(7,343)	(1,268)
Decrease in other payables and accruals		(23,468)	(30,795)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*(continued)***For the six months ended 30 June 2019**

	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Cash generated from operations	39,644	76,154
PRC corporate income tax paid	(53,536)	(38,110)
Withholding tax paid	—	(10,301)
Net cash flows (used in)/from operating activities	(13,892)	27,743
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of items of property, plant and equipment	321	419
Purchase of items of property, plant and equipment	(23,116)	(47,634)
(Increase)/decrease in short term deposits with original maturity of over three months	(45,212)	606
Interest received from bank deposits	5,930	1,535
Interest received from structured bank deposits and wealth management products	3,340	8,280
(Increase)/decrease in structured bank deposits and financial assets at fair value through profit or loss	33,454	(198)
Proceeds from loan to a third-party entity	—	30,000
Dividends received from a joint venture	—	5,153
Loan to a joint venture	(2,000)	(3,541)
Net cash flows used in investing activities	(27,283)	(5,380)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*(continued)***For the six months ended 30 June 2019**

	Notes	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of shares for share award scheme		(228)	—
Principal portion of lease payments		(23,807)	—
Net cash flows used in financing activities		(24,035)	—
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		(65,210)	22,363
Effect of foreign exchange rate changes, net		218,204	127,389
		(868)	3,368
CASH AND CASH EQUIVALENTS AT END OF PERIOD		152,126	153,120
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	143,480	153,120
Time deposits	21	268,146	71,700
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	21	411,626	224,820
Less: Time deposits with original maturity of over three months		(259,500)	(71,700)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows		152,126	153,120

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

1. CORPORATE INFORMATION

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

The principal activity of the Company is investment holding. The Group is principally engaged in the business of design, manufacturing, marketing and sale of apparel products and accessories in the People’s Republic of China (the “PRC”, or Mainland China which excludes, for the purpose of this report, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan), with a focus on menswear. There has been no significant change in the Group’s principal activities during the six months ended 30 June 2019 (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 2018.

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 2018, except for the adoption of new and revised International Financial Reporting Standards ("IFRSs") effective as of 1 January 2019.

Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
IFRS 16	<i>Leases</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015–2017 Cycle</i>	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 *Leases*, Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* and IFRIC 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

(a) Adoption of IFRS 16

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(continued)

(a) **Adoption of IFRS 16** *(continued)*

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(continued)

(a) Adoption of IFRS 16 *(continued)*

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in other payables and accruals.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES*(continued)***(a) Adoption of IFRS 16** *(continued)*

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) RMB'000 (Unaudited)
Assets	
Increase in right-of-use assets	85,287
Decrease in prepaid land lease payments	(40,368)
Decrease in prepayments, other receivables and other assets	(1,049)
Increase in total assets	43,870
Liabilities	
Increase in other payables and accruals	43,870
Increase in total liabilities	43,870

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	49,407
Weighted average incremental borrowing rate as at 1 January 2019	4.52%
Discounted operating lease commitments as at 1 January 2019	43,870
Lease liabilities as at 1 January 2019	43,870

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(continued)

(a) Adoption of IFRS 16 (continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as properties under development, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "properties under development". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(continued)

(a) Adoption of IFRS 16 (continued)

Summary of new accounting policies (continued)

Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within "other payables and accruals"), and the movement during the period are as follow:

	Right-of-use assets			Lease Liabilities
	Prepaid land lease payments	Property	Subtotal	
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2019	41,417	43,870	85,287	43,870
Additions	—	3,563	3,563	3,563
Depreciation charge	(524)	(23,398)	(23,922)	—
Interest expenses	—	—	—	789
Payments	—	—	—	(23,807)
As at 30 June 2019	40,893	24,035	64,928	24,415

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(continued)

- (b)** Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information.
- (c)** IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

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

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

During the Relevant Period, the external revenue of the Group attributable to customers established in the PRC, the place of domicile of the Group's operating entities, amounted to RMB403,423,000, accounting for 99.4% of the total external revenue. Since the principal non-current assets held by the Group are located in the PRC, no geographical information is presented in accordance with IFRS 8.

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

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of goods	405,827	445,716

Revenue from contracts with customers

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

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Type of goods		
Sale of apparel and accessories	405,827	445,716
Timing of revenue recognition		
Goods transferred at a point in time	405,827	445,716

(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	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Government subsidies*	10,694	30,152
Arrangement fees [#]	114	41
Rental income, net	1,491	1,536
Sale of software	569	924
External order processing income	35	857
Sale of consumables, net	8	18
	12,911	33,528
Other gains		
Exchange gains, net	3,662	—
Fair value gains, net:		
Financial assets at fair value through profit or loss	—	1,244
Others	411	507
	4,073	1,751
	16,984	35,279

* 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 one-off fees paid by third-party retailers when they enter into initial retail agreements with the Group.

7. FINANCE INCOME

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Interest income on bank deposits	5,930	1,535
Interest income on structured bank deposits and wealth management products	4,206	11,247
Others	31	414
	10,167	13,196

8. PROFIT BEFORE TAX

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

		For the six months ended 30 June	
	Notes	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Cost of inventories sold		94,980	113,086
Depreciation:			
Property, plant and equipment	12	8,122	6,877
Investment properties		1,253	880
		9,375	7,757
Employee benefit expenses (including directors' remuneration):			
Wages and salaries		63,246	63,003
Equity-settled share option expense		6,846	—
Pension scheme contributions		6,369	7,362
		76,461	70,365
Depreciation of right-of-use assets		23,922	—
Variable lease payments and department store charges		86,713	117,843
Amortisation of prepaid land lease payments		—	524
Amortisation of other intangible assets*	12	786	786
Impairment of other intangible assets^	12	4,479	2,206
Impairment of financial assets, net: (Reversal of)/impairment of trade receivables, net		1,748	(1,025)
Impairment of financial assets included in prepayments, other receivables and other assets		—	2,500
Fair value gains, net:			
Financial assets at fair value through profit or loss		—	(1,244)
Reversal of write-down of inventories to net realisable value#		(14,033)	(8,195)
Exchange differences, net		(3,662)	7,620

8. PROFIT 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 is included in “Other expenses” in the interim condensed consolidated statement of profit or loss.

Reversal of 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 periods ended 30 June 2018.

	For the six months ended 30 June	
	2019	2018
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Current — PRC		
Charge for the period	16,612	22,530
Deferred	5,145	9,546
Total tax charge for the period	21,757	32,076

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 2018, respectively.

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

The calculation of basic earnings per share is based on the profit for the Relevant Period attributable to owners of the parent of RMB30,749,000 (six months ended 30 June 2018: RMB57,176,000) and the weighted average number of ordinary shares of 3,423,945,000 (six months ended 30 June 2018: 3,425,688,000) shares in issue during the Relevant Period.

No adjustment has been made to the basic earnings 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 earnings per share amounts presented.

The calculation of basic earnings per share is based on:

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the parent, used in the basic earnings per share calculation	30,749	57,176

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

	Number of shares	
	For the six months ended 30 June	
	2019	2018
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	(21,505,000)	(19,762,000)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	3,423,945,000	3,425,688,000

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 2019	255,315	124,889
Additions	23,116	—
Disposals	(130)	—
Depreciation and amortisation provided during the period	(8,122)	(786)
Impairment	—	(4,479)
Exchange realignment	121	250
Closing net book amount at 30 June 2019	270,300	119,874
Audited		
Opening net book amount at 1 January 2018	241,718	81,300
Additions	50,567	—
Acquisition from a subsidiary	82	43,994
Transferred to Investment Properties	(21,551)	—
Disposals	(716)	—
Depreciation and amortisation provided during the year	(16,277)	(1,572)
Impairment	—	(2,250)
Exchange realignment	1,492	3,417
Closing net book amount at 31 December 2018	255,315	124,889

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

As at 30 June 2019, one certificate of ownership in respect of a warehouse in Chengdu with net carrying amount of approximately RMB4,536,000 (31 December 2018: RMB4,714,000) has not been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

The Group classified the trademarks of “London Fog”, “Artful Dodger”, “Zoo York” and “MCS” as intangible assets with indefinite lives. The Group has performed impairment reviews of the carrying values of trademarks as at 30 June 2019 and 31 December 2018 based on a forecast of operating performance, cash flows and the key assumptions as detailed in note 13 below. Based on the result of the impairment test, the recoverable amount of the trademark of “London Fog” was RMB21,088,000 as at 30 June 2019. Accordingly, management had determined that there was an impairment of the trademark of “London Fog” and recognized an impairment charge of RMB4,479,000 (six months ended 30 June 2018: RMB2,206,000), which was recorded within other expenses in the interim condensed consolidated statement of profit or loss.

13. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES

Goodwill arising through business combination is allocated to the Group’s cash-generating units (the “Menswear cash-generating units”) for impairment testing.

The recoverable amount of the Menswear cash-generating units has been determined 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 Relevant Period, the discount rate applied to the cash flow projections is 19.0% (2018: 19.0%) and cash flows beyond the five-year period are extrapolated using a growth rate of 3% (2018: 3%) which does not exceed the projected long term average growth rate for the relevant industry in the Mainland China.

13. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES *(continued)*

The recoverable amount of the trademarks with indefinite lives has been determined 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 Relevant Period, the discount rates applied to the cash flow projection were 20.0% (2018: 20.0%) for London Fog, 24.0% (2018: 24.0%) for Zoo York, 27.0% (2018: 27.0%) for Artful Dodger and 19.2% (2018: 19.2%) for MCS and cash flows beyond the five-year period were extrapolated using a growth rate of 3% (2018: 3%) which does not exceed the projected long term average growth rate for the relevant industry in the Mainland China.

Assumptions were used in the value in use calculation of the Menswear cash-generating units and the trademarks with indefinite lives. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill and 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 units and the trademarks with indefinite lives.

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

14. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Listed equity investment, at fair value		
Guangdong Shaoneng Group Co., Ltd.	31,342	24,769
Unlisted equity investment, at fair value		
CCF Investment Limited	1,430	1,403
	32,772	26,172

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.

15. INVENTORIES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Raw materials	21,340	16,587
Work in progress	7,650	8,805
Finished goods	192,802	195,359
	221,792	220,751

16. PROPERTIES UNDER DEVELOPMENT

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Properties under development expected to be recovered:		
Within one year	163,219	145,438

The Group's properties under development are located in the PRC and situated on leasehold land with long term leases.

17. TRADE AND BILLS RECEIVABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables	102,365	121,475
Impairment of trade receivables	(10,181)	(8,432)
	92,184	113,043
Bills receivable	100	123
	92,284	113,166

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 normally ranges from 30 to 90 days. The Group grants a longer credit period to those long-standing customers with good payment history.

Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

17. TRADE AND BILLS RECEIVABLES *(continued)*

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables		
Within 60 days	78,010	103,588
61 to 90 days	5,332	3,738
91 to 180 days	4,931	2,042
181 to 360 days	3,911	3,675
	92,184	113,043
Bills receivable	100	123
	92,284	113,166

The bills receivable were due to mature within three months.

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Prepayments	46,540	46,040
Deposits and other receivables	79,687	43,688
	126,227	89,728

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

(continued)

Included in “Deposits and other receivables” as at 30 June 2019 and 31 December 2018 are amounts due from joint ventures amounting to RMB15,765,000 and RMB9,000,000, respectively, and amounts due from non-controlling shareholders amounting to RMB2,419,000 and RMB2,410,000, respectively.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default. As at 30 June 2019, the probability of default and the loss given default of prepayments and other receivables were estimated to be minimal.

19. STRUCTURED BANK DEPOSITS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Structured bank deposits, in licensed banks in Mainland China, at amortised cost	155,504	101,958

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

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Wealth management products, at fair value	138,000	225,000

As at 30 June 2019 and 31 December 2018, the above wealth management products measured at fair value were issued by banks and 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.

As at 30 June 2019, the wealth management products of RMB138,000,000 had a maturity period of 181 to 358 days from the date of subscription ranging from 23 January 2019 to 21 March 2019.

21. PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Cash and bank balances	143,480	130,983
Time deposits	268,146	301,509
	411,626	432,492
Less: Pledged deposits	—	(4,911)
Cash and cash equivalents	411,626	427,581

21. PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS*(continued)*

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in Hong Kong Dollar (“HK\$”), US Dollar (“US\$”) and EUR (“€”) amounted to RMB307,313,000, RMB9,410,000 and RMB91,000 respectively (31 December 2018: RMB310,400,000, RMB3,603,000 and RMB89,000, 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 7 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 AND BILLS PAYABLES

An ageing analysis of the trade payables as at 30 June 2019 and 31 December 2018, based on the invoice date, and the balances of bills payable, are as follows:

	30 June 2019 RMB’000 (Unaudited)	31 December 2018 RMB’000 (Audited)
Trade payables		
Within 30 days	18,589	26,873
31 to 90 days	7,290	3,639
91 to 180 days	1,567	1,136
Over 181 days	1,759	1,600
	29,205	33,248
Bills payable	—	3,300
	29,205	36,548

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

23. OTHER PAYABLES AND ACCRUALS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Other payables	48,384	36,821
Contract liabilities	44,733	47,336
Accruals	23,620	37,164
Lease liabilities	24,415	—
Other taxes payable	6,121	12,717
	147,273	134,038
Analysed into other payables and accruals:		
Current portion	140,933	134,038
Non-current portion	6,340	—
	147,273	134,038

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

**24. SHARE CAPITAL
Shares**

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Issued and fully paid:		
3,445,450,000 (31 December 2018: 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 2018.

Share Option Scheme

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

	Six months ended 30 June 2019		Six months ended 30 June 2018	
	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	273,000	—	—
Lapsed during the period	0.2114	(10,000)	—	—
At end of period	0.2114	263,000	—	—

The fair value of the share options under the Share Option Scheme granted was estimated at RMB22,720,000, during the Relevant Period, 10,000,000 share options became lapsed as two of the grantees resigned. The Company recognised a share option expenses of RMB6,846,000 in the Relevant Period (six months ended 30 June 2018: Nil).

No share option was exercised during the Relevant Period. As at 30 June 2019, the Company had 263,000,000 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 263,000,000 additional ordinary shares of the Company and additional share capital of HK\$26,300,000 (equivalent to RMB23,135,000) and share premium of HK\$29,298,200 (equivalent to RMB25,772,000) (before issue expenses).

At the date of approval of these interim condensed consolidated financial statements, the Company had 263,000,000 share options outstanding under the Share Option Scheme, which represented approximately 7.6% 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.

The Trustee purchased 1,248,000 shares of the Company at a total cost (including related transaction costs) of HK\$260,000 (equivalent to RMB228,000) during the Relevant Period (six months ended 30 June 2018: The Trustee did not purchase any shares of the Company).

The Board did not yet grant any shares to any employees from 4 November 2014 to 30 June 2019.

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 five years.

At 30 June 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within one year	5,431	5,236
In the second to fifth years, inclusive	10,897	12,515
	16,328	17,751

28. COMMITMENTS

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Contracted, but not provided for:		
Lands and buildings	40,804	47,725
	40,804	47,725

29. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties during the period:

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fees	1,417	1,370
Salaries, allowances and benefits in kind	2,185	2,402
Performance bonus	6,000	—
Equity-settled share option expense	3,420	—
Pension scheme contributions	89	130
Total compensation paid to key management personnel	13,111	3,902

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

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 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Financial assets				
Equity investments designated at fair value through other comprehensive income	32,772	26,172	32,772	26,172
Financial assets at fair value through profit or loss	138,000	225,000	138,000	225,000
	170,772	251,172	170,772	251,172

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

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

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

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

The Group invests in unlisted investments, which represent wealth management products issued by banks and securities companies in the PRC. 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.

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 2019

	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 at fair value through other comprehensive income-listed	31,342	—	—	31,342
Equity investments at fair value through other comprehensive income-unlisted	—	—	1,430	1,430
Financial assets at fair value through profit or loss	—	138,000	—	138,000
	31,342	138,000	1,430	170,772

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 2018

	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 at fair value through other comprehensive income-listed	24,769	—	—	24,769
Equity investments at fair value through other comprehensive income- unlisted	—	—	1,403	1,403
Financial assets at fair value through profit or loss	—	225,000	—	225,000
	24,769	225,000	1,403	251,172

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:

	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Equity investments at fair value through other comprehensive income-unlisted		
At 1 January	1,403	15,008
Total gains recognised in other comprehensive income	27	130
At 30 June	1,430	15,138

Liabilities measured at fair value

The Group did not have any financial liabilities measured at fair value as at 30 June 2019 and 31 December 2018.

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 2018: 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 19 August 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

Amid the continuous slowdown of China's macro-economy, demonstrated by the weakest Gross Domestic Product growth rate ("GDP") of 6.3% for the past 29 years since 1990, the Relevant Period continued to be difficult and challenging. The growth rate of total retail sales of consumer products decreased by 1.0 percentage point from 9.4% in the six months ended 30 June 2018 to 8.4% for the Relevant Period. Moreover, The growth rate of retail sales achieved by the top 100 key and large-scale retailers also decreased by 1.4 percentage points from 1.7% in the six months ended 30 June 2018 to 0.3% for the Relevant Period.

Confronted with the continuous slowdown in growth of the macro-economy and weak retail market sentiment, together with the impact of e-commerce on conventional retailers, the Group reported a decrease in revenue by 9.0% from RMB445.7 million in the six months ended 30 June 2018 to RMB405.8 million in the Relevant Period and a decrease in profit attributable to owners of the parent by 46.3% from RMB57.2 million in the six months ended 30 June 2018 to RMB30.7 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 RMB405.8 million in the Relevant Period, representing a decrease by RMB39.9 million, or approximately 9.0% as compared to RMB445.7 million in the six months ended 30 June 2018.

By sales channels

Revenue from sales of products through self-operated retail points decreased by RMB28.1 million, or approximately 8.2%, from RMB344.6 million in the six months ended 30 June 2018 to RMB316.5 million in the Relevant Period and accounted for approximately 78.0% (six months ended 30 June 2018: 77.3%) of the total revenue. The decrease in revenue was primarily due to the decrease in number of self-operated retail points as well as the decrease in same store sales by 11.1%. In terms of the retail channels, the revenue from outlet stores also decreased by RMB3.5 million, or approximately 3.1%, from RMB111.6 million in the six months ended 30 June 2018 to RMB108.1 million in the Relevant Period.

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

Revenue from sales of products to third-party retailers decreased by RMB5.9 million, or approximately 8.7%, from RMB67.9 million in the six months ended 30 June 2018 to RMB62.0 million in the Relevant Period and accounted for approximately 15.3% (six months ended 30 June 2018: 15.2%) of the total revenue. The decrease in revenue was primarily attributable to the decrease in number of retail points operated by third-party retailers which led to a decrease in sales orders from the third-party retailers.

Revenue from sales of products through online channels decreased by RMB5.9 million, or approximately 17.8%, from RMB33.2 million in the six months ended 30 June 2018 to RMB27.3 million in the Relevant Period and accounted for approximately 6.7% (six months ended 30 June 2018: 7.5%) of the total revenue. The decrease in revenue was primarily attributable to (i) a decrease in sales from online discount platform such as VIP.com by RMB2.8 million, or approximately 24.3%, from RMB11.5 million in the six months ended 30 June 2018 to RMB8.7 million in the Relevant Period; (ii) a decrease in sales of products to online third-party retailers by RMB2.3 million or approximately 16.9%, from RMB13.6 million in the six months ended 30 June 2018 to RMB11.3 million in the Relevant Period; and (iii) a decrease in sales of product through our e-shops on Tmall. com and JD.com by RMB0.8 million, or approximately 9.9%, from RMB8.1 million in the six months ended 30 June 2018 to RMB7.3 million in the Relevant Period.

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

	Six months ended 30 June			
	2019		2018	
	Revenue RMB million	% of total revenue	Revenue RMB million	% of total revenue
Retail sales from				
self-operated retailers	316.5	78.0%	344.6	77.3%
Sales to third-party retailers	62.0	15.3%	67.9	15.2%
Sales through online channels	27.3	6.7%	33.2	7.5%
Total	405.8	100.0%	445.7	100.0%

FINANCIAL REVIEW *(continued)*

Revenue *(continued)*

By Brand

Revenue contributed from self-owned brands decreased by RMB0.9 million, or approximately 1.9%, from RMB47.8 million in the six months ended 30 June 2018 to RMB46.9 million in the Relevant Period. Percentage of revenue from self-owned brands over total revenue increased from 10.7% in the six months ended 30 June 2018 to 11.6% in the Relevant Period.

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

	Six months ended 30 June			
	2019		2018	
	Revenue RMB million	% of total revenue	Revenue RMB million	% of total revenue
Licensed brands	358.9	88.4%	397.9	89.3%
Self-owned brands	46.9	11.6%	47.8	10.7%
Total	405.8	100.0%	445.7	100.0%

Cost of sales

Our cost of sales decreased by RMB24.9 million, or approximately 22.1%, from RMB112.6 million in the six months ended 30 June 2018 to RMB87.7 million in the Relevant Period. The decrease in cost of sales was primarily due to (i) a decrease in cost of inventories sold from RMB113.1 million in the six months ended 30 June 2018 to RMB95.0 million in the Relevant Period resulting from the decrease in sales; and (ii) a decrease in inventory provisions by RMB5.8 million as a result of our initiatives to reduce the level of aged inventories.

Gross profit and gross profit margin

Our gross profit decreased by RMB15.0 million, or approximately 4.5%, from RMB333.1 million in the six months ended 30 June 2018 to RMB318.1 million in the Relevant Period as a result of the decrease in sales. Our overall gross profit margin increased by 3.7 percentage points from 74.7% in the six months ended 30 June 2018 to 78.4% in the Relevant Period, which was primarily due to the decrease in inventory provisions. Save for the inventory provisions, our overall gross profit margin would have been 74.9% in the Relevant Period, which was largely consistent with the gross profit margin at 72.9% in the six months ended 30 June 2018.

FINANCIAL REVIEW *(continued)***Other income and gains**

Our other income and gains decreased by RMB18.3 million, or approximately 51.8%, from RMB35.3 million in the six months ended 30 June 2018 to RMB17.0 million in the Relevant Period, which was primarily due to a decrease in government subsidies by RMB19.5 million from RMB30.2 million in the six months ended 30 June 2018 to RMB10.7 million in the Relevant Period.

Selling and distribution expenses

Our selling and distribution expenses decreased by RMB16.1 million, or approximately 6.3%, from RMB253.6 million in the six months ended 30 June 2018 to RMB237.5 million in the Relevant Period.

Rents, concession fees and department store charges are comprised of depreciation of right-of-use assets of RMB22.9 million and variable lease payments and department store charges of RMB86.7 million, and mainly stand for rents and concession fees for occupying concession counters within department stores and department store charges. Rents, concession fees and department store charges decreased by RMB8.2 million, or approximately 7.0%, from RMB117.8 million in the six months ended 30 June 2018 to RMB109.6 million in the Relevant Period, which was largely due to the decrease in sales from self-operated retail points.

The labour costs related to sales and marketing staff and outsourcing costs related to sales and marketing activities increased from RMB53.2 million in the six months ended 30 June 2018 to RMB54.5 million in the Relevant Period. Such increase was primarily attributable to the increase in basic salary of the sales and marketing staff.

We incurred advertising and promotion expenses of RMB9.9 million (six months ended 30 June 2018: RMB15.7 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, toutiao.com and mainstream websites such as Sina.com, Sohu.com etc.

Consumables and decoration fees for self-operated retail points increased from RMB9.8 million in the six months ended 30 June 2018 to RMB12.0 million in the Relevant Period which was primarily attributable to the continuous upgrading of store image for our Jeep and Santa Barbara Polo & Racquet Club (“**SBPRC**”) stores.

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

FINANCIAL REVIEW *(continued)*

Administrative expenses

Administrative expenses increased by RMB18.5 million, or approximately 67.5%, from RMB27.4 million in the six months ended 30 June 2018 to RMB45.9 million in the Relevant Period. The increase in administrative expenses was mainly due to an increase in labour cost related to managerial staff and an amortisation of share option expenses by RMB13.8 million.

Impairment losses on financial assets, net

Impairment losses on financial assets mainly represented credit losses arising from trade receivables of RMB1.7 million (six months ended 30 June 2018: an impairment of other receivables of RMB2.5 million and a reversal of impairment of trade receivables of RMB1.0 million).

Other expenses

Other expenses mainly represented an impairment on trademark — London Fog of RMB4.5 million (six months ended 30 June 2018: RMB2.2 million).

Finance income

Our finance income decreased to RMB10.2 million in the Relevant Period as compared to that of RMB13.2 million in the six months ended 30 June 2018, representing a decrease by 22.7%. The Group has deposited bank deposits of RMB316.8 million in licensed banks in Hong Kong, which accounted for approximately 77.0% of the cash and cash equivalents balance as at 30 June 2019. As the bank interest rate in Hong Kong was lower than the bank interest rate in China, the finance income decreased in the Relevant Period.

Share of profits and losses of joint ventures

Share of profits and losses of joint ventures represented share of gains of a joint venture — Marina Yachting of RMB0.1 million and losses of a joint venture — Henry Cotton's of RMB0.2 million, respectively (six months ended 30 June 2018: share of losses of Henry Cotton's and Marina Yachting was RMB0.2 million and RMB0.2 million, respectively).

Profit before tax

As a result of the foregoing factors, our profit before tax decreased by RMB38.0 million, or approximately 42.1%, from RMB90.3 million in the six months ended 30 June 2018 to RMB52.3 million in the Relevant Period.

FINANCIAL REVIEW *(continued)***Income tax expense**

Income tax expense decreased by RMB10.3 million, or approximately 32.1%, from RMB32.1 million in the six months ended 30 June 2018 to RMB21.8 million in the Relevant Period, which was primarily due to (i) a decrease in current income tax by RMB5.9 million from RMB22.5 million in the six months ended 30 June 2018 to RMB16.6 million in the Relevant Period arising from the decrease in profit before tax; and (ii) a decrease in deferred tax expense by RMB4.4 million from RMB9.5 million in the six months ended 30 June 2018 to RMB5.1 million in the Relevant Period.

Profit for the period

Profit for the period decreased by RMB27.6 million, or approximately 47.4%, from RMB58.2 million in the six months ended 30 June 2018 to RMB30.6 million in the Relevant Period. The net profit margin was 7.5% in the Relevant Period as compared with the net profit margin of 13.1% in the six months ended 30 June 2018. The decrease in net profit margin was largely due to the percentage of other income and gains over total revenue decreased from 7.9% in the six months ended 30 June 2018 to 4.2% in the Relevant Period and the percentage of administrative expenses over total revenue increased from 6.1% in the six months ended 30 June 2018 to 11.3% in the Relevant Period.

Profit attributable to owners of the parent

As a result of the foregoing, profit attributable to owners of the parent decreased by RMB26.5 million, or approximately 46.3%, from RMB57.2 million in the six months ended 30 June 2018 to RMB30.7 million in the Relevant Period.

Working Capital Management

	30 June 2019	31 December 2018
Inventory turnover days	454	330
Trade receivables turnover days	46	47
Trade payables turnover days	64	49

The increase in inventory turnover days by 124 days was mainly due to the increase in inventory turnover days of finished goods within one year by 82 days resulting from the increase in procurement of products.

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

FINANCIAL REVIEW *(continued)*

Liquidity, financial position and cash flows

As at 30 June 2019, we had net current assets of approximately RMB1,007.8 million, as compared to RMB990.4 million as at 31 December 2018. The current ratio of our Group was 4.3 times as at 30 June 2019, as compared to that of 3.9 times as at 31 December 2018.

There was no undrawn banking facility as at 30 June 2019.

As at 30 June 2019, we had an aggregate cash and cash equivalents, financial assets at fair value through profit or loss and structured bank deposits of approximately RMB705.1 million. The table below sets forth selected cash flow data from our interim condensed consolidated statement of cash flows:

	Six months ended 30 June	
	2019	2018
	RMB million	RMB million
Net cash flows from/(used in) operating activities	(13.9)	27.7
Net cash flows used in investing activities	(27.3)	(5.4)
Net cash flows used in financing activities	(24.0)	—
Net increase/(decrease) in cash and cash equivalents	(65.2)	22.3
Effect of foreign exchange rate changes, net	(0.9)	3.4
Cash and cash equivalents at the beginning of the period	218.2	127.4
Cash and cash equivalents at the end of the period	152.1	153.1

Operating activities

Net cash flows from operating activities decreased by RMB41.6 million, from a cash inflows of RMB27.7 million in the six months ended 30 June 2018 to a cash outflows of RMB13.9 million in the Relevant Period, which was primarily attributable to an increase in cash outflows from changes in working capital from RMB51.5 million in the six months ended 30 June 2018 to RMB92.3 million in the Relevant Period. The increase in cash outflows from changes in working capital was mainly due to the decrease in cash inflows from decrease in changes in inventories by RMB25.6 million and an increase in payment of CIT by RMB15.4 million in the Relevant Period.

FINANCIAL REVIEW *(continued)*

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

Investing activities

Net cash flows used in investing activities of RMB27.3 million mainly represented an increase in investment in purchases for properties of RMB21.9 million in the Relevant Period.

Financing activities

Net cash flows used in financing activities mainly represented principal portion of lease payments of RMB23.8 million.

Pledge of group assets

As at 30 June 2019, 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 2019, the Group had capital commitments of approximately RMB40.8 million (31 December 2018: RMB47.7 million) and there were no significant contingent liabilities (31 December 2018: 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.

FINANCIAL REVIEW *(continued)*

Use of proceeds from the IPO

The shares of the Company were listed on 9 December 2011 on the Stock Exchange. The total net proceeds from the IPO amounted to approximately HK\$803.9 million (equivalent to approximately RMB654.8 million), including the net proceeds from the partial exercise of the over-allotment option on 30 December 2011.

There was no material IPO proceeds used during the Relevant Period.

The table below sets forth the utilisation of the net proceeds from the IPO and the unused amount as at 30 June 2019. All the unused proceeds were deposited into licensed banks in the PRC and Hong Kong:

Use of fund raised

	Percentage to total amount	Net proceeds (HK\$ million)	Utilised amount as at 30 June 2019 (HK\$ million)	Unutilised amount as at 30 June 2019 (HK\$ million)
Licensing or acquisition of additional recognised international brands	47%	380.7	278.0	102.7
Expansion and enhancement of existing logistical system	24%	193.1	193.1	—
Settlement of shareholder's loan	19%	152.8	147.1	5.7
General working capital	10%	77.3	—	77.3
	100%	803.9	618.2	185.7

OPERATION REVIEW

Retail and distribution network

As at 30 June 2019, our sales network comprised a total of 569 self-operated retail points, consisting of concession counters, consignment stores and standalone stores, and 290 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 Hong Kong by brand as at 30 June 2019 and 31 December 2018:

Brand	As at 30 June 2019			As at 31 December 2018		
	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
Jeep	239	276	515	242	276	518
SBPRC	158	10	168	170	10	180
London Fog	46	—	46	49	—	49
MCS	36	4	40	32	4	36
Zoo York	41	—	41	39	—	39
Barbour	21	—	21	19	—	19
LINCS	9	—	9	10	—	10
Marina Yachting	17	—	17	11	—	11
Others	2	—	2	4	—	4
Total	569	290	859	576	290	866

Self-operated retail points

As at 30 June 2019, we had a network of 545 self-operated concession counters (31 December 2018: 557 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 181 were outlet stores as at 30 June 2019 (31 December 2018: 180 outlet stores).

As at 30 June 2019, we had a network of 24 standalone stores (31 December 2018: 19 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)*

Self-operated retail points *(continued)*

Faced with the challenging market conditions and evolving consumer behavior, we remained committed to our strategy for developing self-owned brands. The number of retail points of self-owned brands increased by 9 from 135 as at 31 December 2018 to 144 as at 30 June 2019.

Retail points operated by third party retailers

Under the current uncertain and ever-changing market conditions, our third-party retailers have become more conservative in placing orders and opening new stores. As at 30 June 2019, we had a total of 290 retail points that were operated by third-party retailers, representing a decrease by 14.7% as compared to that of 340 as at 30 June 2018.

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; and (iii) our self-operated e-shops on mainstream online platforms such as Tmall.com, JD.com etc.

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 to capture more market segments, take advantage of a wider range of market opportunities and ultimately increase our overall market share in China’s menswear market. Our initiatives in brand portfolio diversification and building brand equity during the period included the following:

OPERATION REVIEW *(continued)*

Branding *(continued)*

Marina Yachting

During the Relevant Period, Marina Yachting provided apparel for the final competition of the 25th China Model Star Contest (第二十五屆中國模特之星大賽) in Hunan Province. We also continued to sponsor apparel for the Children Choir of Shanghai Poly Grand Theater (上海保利大劇院童聲合唱團).

Barbour

From April to July 2019, Barbour collaborated with Jaguar to introduce and present the British lifestyle and Barbour products to customers of Jaguar during its promotion events to launch the new Jaguar XEL model in Guangzhou, Shenzhen, Chengdu, Xi'an, Beijing, Tianjin, Suzhou and Shanghai.

In June 2019, Barbour collaborated with the renowned British contemporary artist Mr. Hayden Kays to launch a collaboration collection into the market. Mr. Kays was invited to celebrate the launch of the collaboration at Galeries Lafayette Shopping Mall in Shanghai at the end of June.

Brand Presentation Events

In March and April 2019, we held three brand presentation events in Shanghai, Changsha and Beijing to introduce and promote our brands including MCS, Henry Cotton's, Marina Yachting, Zoo York and Barbour to our customers and operators of shopping malls and department stores. Over 300 celebrities including Mr. Ethan Li (李東學先生), Mr. Rock Ji (紀煥博先生) and Ms. Lela Wang (王詩晴女士) were invited to the event in Beijing.

Fashion shows

In March 2019, we organised fashion shows for a number of our brands including MCS, Henry Cotton's, Marina Yachting and Barbour in Shanghai and a fashion show for Zoo York in Changsha during the 2019 Changsha Fashion Week.

Sponsorship of movies and TV shows

The movie "A Lifetime Treasure" (如珠如寶) and the TV drama "My Commissioned Lovers" (婚姻合夥人) which were sponsored by the Group were broadcasted during the Relevant Period.

OPERATION REVIEW *(continued)*

Business Digitalization

We developed an O2O system that is tailored to our retail network and allows our customers to make purchases on demand even if the desired item is out of stock at a particular location, which in turn both enhances customers' shopping experience and drives our sales. Sales contributed by the self-developed O2O system decreased by RMB4.4 million, or approximately 10.7%, from RMB41.1 million in the six months ended 30 June 2018 to RMB36.7 million in the Relevant Period.

We have launched our social network-based commerce and marketing program in collaboration with Weimob (微盟) and started to sell and deliver our products on WeChat in the form of WeChat Mini Programs and WeChat Official Accounts during the Relevant Period.

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

Design and product development

The local design team continues to keep abreast of the latest trends and developments in new designs, through our collaborations with the international design teams from Barbour in London, LINC'S in New York, Greg Norman in Sydney and Zoo York in Hong Kong.

Production and supply chain

Microchips with Radio Frequency Identification (RFID) technology have been implanted on product tags of our products. RFID reading devices have also been equipped in our logistic centers in Shanghai, Guangzhou and Dezhou during the Relevant Period to read and identify product information. The use of this new technology will significantly improve our operational efficiency, from product receiving, positioning, stocktaking to order fulfillment process, and accelerate the transforming of our warehousing system into a B2C logistics center for direct distribution of product to customers.

OPERATION REVIEW *(continued)*

Outsourcing

In order to enable our management team to continuously focus on our core missions, we outsourced certain of our sales staff in self-operated retail points and substantially all the production workers in our manufacturing plant in Dezhou to a third-party outsourcing service company during the Relevant Period. As a result of this arrangement, the outsourced sales staff and production workers who were formerly our employees became employees of the outsourcing service Company. As of 30 June 2019, approximately 759 sales representatives, store managers and production workers, were employees of the outsourcing service company.

Employee information

As at 30 June 2019, the Group had approximately 1,505 full-time employees. Staff costs, including Directors' remuneration, totalled RMB76.5 million in the Relevant Period (six months ended 30 June 2018: RMB70.4 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 263,000,000 options under the Share Option Scheme that was granted to 101 participants (including 7 directors) remain outstanding as at 30 June 2019.

Corporate Social Responsibility

Being a responsible corporate citizen is a core fundamental of our culture. During the period, we continued to participate in the sponsorship of “I fly” (愛飛翔) training program for village school teachers organised by the Chinese Red Cross Foundation and Cui Yong Yuan Commonwealth Foundation (崔永元公益基金) for the purpose of supporting education in rural areas of China. A total donation of approximately RMB0.2 million was made by the Group to the above program in the Relevant Period.

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

OPERATION REVIEW *(continued)*

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 2019. Therefore, we will focus on the following initiatives in the second half of 2019:

- launch our second phase social network-based commerce and marketing program namely “WeChat Store” (微商城) in collaboration with Weimob (微盟);
- continue to encourage our sales staff and third-party retailers to use our self-developed O2O system as well as the online product picture system and cross-brand product sales function in order to increase the conversion rate at retail points and accelerate the response to ultimate consumers’ demands for our products;
- roll out our customer loyalty program to increase interactions with customers and encourage repeat purchases;
- increase sales of aged inventories through factory outlets, bargain sales as well as online channels; and
- expand the retail network of our self-owned brands.

INTERIM DIVIDENDS

The Board does not recommend to declare any interim dividends for the Relevant Period (six months ended 30 June 2018: 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 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules, were as follows:

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

Name of director	Nature of interest	Number of Ordinary Shares Owned	Underlying Shares Interested (Note 1)	Percentage of the Company's Issued Share Capital	
				Total	(%)
Mr. ZHANG Yongli	Beneficial owner	9,028,000	3,000,000	12,028,000	0.35
	Corporate interest (Note 2)	839,748,000	-	839,748,000	24.37
Mr. SUN David Lee	Beneficial owner	452,000	10,000,000	10,452,000	0.30
Ms. HUANG Xiaoyun	Beneficial owner	190,600,000	20,000,000	210,600,000	6.11
Mr. Wang Wei	Beneficial owner	-	3,000,000	3,000,000	0.09
Mr. KWONG Wilson Wai Sun	Beneficial owner	-	3,000,000	3,000,000	0.09
Mr. CUI Yi	Beneficial owner	-	3,000,000	3,000,000	0.09
Mr. YEUNG Chi Wai	Beneficial owner	-	3,000,000	3,000,000	0.09

Notes:

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

Save as disclosed above, as at 30 June 2019, 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 2019, 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 7)
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
The Li Family (PTC) Limited	(2)	Trustee	463,316,000	13.45
Ms. LAM Lai Ming	(2)	Other	463,316,000	13.45
Mr. LI Gabriel	(2)	Other	463,316,000	13.45
YM Investment Limited	(3)	Corporate interest	463,316,000	13.45
Orchid Asia IV Investment, Limited	(3)	Corporate interest	454,162,000	13.18
Orchid Asia IV Group, Limited	(3)	Corporate interest	454,162,000	13.18
Orchid Asia IV Group Management, Limited	(3)	Corporate interest	454,162,000	13.18
OAIV Holdings, L.P.	(3)	Corporate interest	454,162,000	13.18
Orchid Asia IV, L.P.	(3)	Beneficial owner	454,162,000	13.18
Mr. KRAVIS Henry Roberts	(4)	Corporate interest	285,366,000	8.28
Mr. ROBERTS George R.	(4)	Corporate interest	285,366,000	8.28
KKR Management LLC	(4)	Corporate interest	285,366,000	8.28
KKR & Co. L.P.	(4)	Corporate interest	285,366,000	8.28
KKR Group Limited	(4)	Corporate interest	285,366,000	8.28
KKR Fund Holdings GP Limited	(4)	Corporate interest	285,366,000	8.28
KKR Group Holdings L.P.	(4)	Corporate interest	285,366,000	8.28
KKR Fund Holdings L.P.	(4)	Corporate interest	285,366,000	8.28
KKR China Growth Limited	(4)	Corporate interest	285,366,000	8.28
KKR SP Limited	(4)	Corporate interest	285,366,000	8.28
KKR Associates China Growth L.P.	(4)	Corporate interest	285,366,000	8.28
KKR China Growth Fund L.P.	(4)	Corporate interest	285,366,000	8.28
KKR China Apparel Limited	(4)	Beneficial owner	285,366,000	8.28
Ms. HUANG Xiaoyun	(5)	Beneficial owner	210,600,000	6.11
Mr. SHEN Chengjian	(6)	Beneficial owner	112,150,000	3.25
	(6)	Interest of spouse	168,904,000	4.90
Ms. XIAO Wenqing	(6)	Beneficial owner	168,904,000	4.90
	(6)	Interest of spouse	112,150,000	3.25
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) YM Investment Limited, holding 463,316,000 shares (long position) of the Company, was owned by The Li 2007 Family Trust with Mr. LI Gabriel and Ms. LAM Lai Ming as founders and The Li Family (PTC) Limited as trustee.
- (3) YM Investment Limited held interests in a total of 463,316,000 shares (long position) in the Company by virtue of its control over the following corporations, which held direct interests in the Company:
- (3.1) Orchid Asia IV, L.P. held 454,162,000 shares (long position) in the Company. Orchid Asia IV, L.P. was wholly owned by OAIV Holdings, L.P. which was in turn wholly owned by Orchid Asia IV Group Management, Limited. Orchid Asia IV Group Management, Limited was wholly owned by Orchid Asia IV Group, Limited which was in turn wholly owned by Orchid Asia IV Investment, Limited. Orchid Asia IV Investment, Limited was owned as to 92.61% by YM Investment Limited.
- (3.2) Orchid Asia IV Co-Investment, Limited held 9,154,000 shares (long position) in the Company. Orchid Asia IV Co-Investment Limited was a wholly owned subsidiary of YM Investment Limited.
- (4) KKR China Apparel Limited, holding 285,366,000 shares (long position) of the Company, was owned as to 90% by KKR China Growth Fund L.P. KKR Associates China Growth L.P. ("**KKR Associates**") is the general partner of KKR China Growth Fund L.P. KKR SP Limited is the voting partner of KKR Associates while KKR China Growth Limited is the general partner of KKR Associates. KKR China Growth Limited was wholly owned by KKR Fund Holdings L.P. KKR Fund Holdings GP Limited is the general partner of KKR Fund Holdings L.P. KKR Group Holdings L.P. is the general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings G.P. Limited. KKR Group Limited is the general partner of KKR Group Holdings L.P. KKR Group Limited was wholly owned by KKR & Co. L.P. while KKR Management LLC is the general partner of KKR & Co. L.P. Each of Mr. KRAVIS Henry Roberts and Mr. ROBERTS George R. is a designated member of KKR Management LLC. Mr. KRAVIS Henry Roberts and Mr. ROBERTS George R. disclaim any beneficial ownership interest in the shares held by KKR China Apparel Limited. The interest in 285,366,000 shares (long position) relates to the same block of shares in the Company.

DISCLOSURE OF INTERESTS *(continued)*

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

- (5) Ms. HUANG Xiaoyun held interests in a total of 210,600,000 shares (long position) of the Company, including 20,000,000 underlying shares interested as a result of holding share options.
- (6) 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.
- (7) The percentage is calculated based on the total number of issued shares of the Company as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, 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 Relevant Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except for the trustee of the Employees' Share Award Scheme adopted by the Board on 4 November 2014. Pursuant to the terms of the rules and trust deed of the Share Award Scheme, a total of 1,248,000 shares of the Company at a total consideration of about HK\$260,000 (equivalent to RMB228,000) were purchased on the Stock Exchange for the Relevant Period.

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 the end of the Relevant Period, a total of 263,000,000 shares under the Share Option Scheme were granted on 10 December 2018 to 101 participants, including 7 current Directors, at a consideration of HK\$1 paid by each participant.

Details of movements of the options during the Relevant Period are set out below:

Category of grantees	Name of director	Date of grant	Exercise price (HK\$)	Outstanding at 1.1.2019	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30.6.2019	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	218,000,000	-	-	-	10,000,000	208,000,000	Note 2

Note 1: Each half of the outstanding options as at 30 June 2019 shall become vested and exercisable on 10 December 2019 and 2020, respectively. All vested options shall be exercisable until 9 December 2023.

Note 2: 100,300,000 of the outstanding options as at 30 June 2019 shall become vested and exercisable on 10 December 2019 and 2020 in equal portions, whereas 107,700,000 outstanding options shall become vested and exercisable on 10 December 2019, 2020, 2021 and 2022 in equal portions. All vested options shall be exercisable until 9 December 2023.

Details of the share options granted by the Company under the Share Option Scheme are set out on page 42 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 Relevant Period.

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 Relevant Period, the Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules, with the exception of code provision A.2.1.

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

DIRECTORS’ SECURITIES TRANSACTIONS

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

All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Code of Conduct for the Relevant Period.

CHANGES OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B of the Listing Rules, the changes in information of Directors since the date of the 2018 annual report of the Company are set out below:

Name of Director	Details of Change
ZHANG Yongli	(i) Director's fee changed from RMB600,000 to HK\$1,200,000 and salary changed from RMB2,400,000 to HK\$2,640,000 per annum with effect from 1 January 2019. (ii) Received a performance bonus of RMB6,000,000.
HUANG Xiaoyun	Director's fee changed from RMB380,000 to HK\$498,000 and salary changed from RMB600,000 to HK\$960,000 per annum with effect from 1 January 2019.
SUN David Lee	Director's fee changed from RMB380,000 to HK\$498,000 per annum with effect from 1 January 2019.
WANG Wei	Director's fee changed from RMB180,000 to HK\$240,000 per annum with effect from 1 January 2019.
KWONG Wilson Wai Sun	Director's fee changed from RMB200,000 to HK\$264,000 per annum with effect from 1 January 2019.
CUI Yi	Director's fee changed from RMB200,000 to HK\$264,000 per annum with effect from 1 January 2019.
YEUNG Chi Wai	Director's fee changed from RMB200,000 to HK\$264,000 per annum with effect from 1 January 2019.

AUDIT COMMITTEE

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

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

19 August 2019