



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)

2020
Interim Report

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CORPORATE INFORMATION

Executive directors

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

Non-executive director

Mr. WANG Wei

Independent non-executive directors

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

Company secretary

Ms. LI Rita Yan Wing

Authorised representatives

Ms. HUANG Xiaoyun
Ms. LI Rita Yan Wing

Audit committee

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

Remuneration committee

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

Nomination committee

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

Registered office

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Grand Cayman
KY1-9005
Cayman Islands

Head office in the PRC

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Pu Tuo District
Shanghai, PRC

Principal place of business in Hong Kong

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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 bankers

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

Legal advisor

Herbert Smith Freehills LLP

Auditor

Ernst & Young,
Certified Public Accountants

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2020 (Unaudited)	2019 (Unaudited)	% change
Revenue (RMB million)	297.6	405.8	(26.7%)
Gross profit (RMB million)	200.4	318.1	(37.0%)
Operating (loss)/profit (RMB million)	(33.9)	45.5	N/A
(Loss)/Profit attributable to owners of the parent (RMB million)	(45.4)	30.7	N/A
(Loss)/Earnings per share – Basic (RMB cents) ¹	(1.37)	0.90	N/A
Gross profit margin	67.3%	78.4%	(11.1 p.p.t.)
Operating profit margin	(11.4%)	11.2%	N/A
Net profit margin	(14.7%)	7.5%	N/A
Effective tax rate	(71.2%)	41.7%	N/A
	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)	Change
Current ratio (times) ²	4.4	3.8	+0.6 times
Trade receivables turnover days (days) ³	54	49	+5 days
Trade payables turnover days (days) ⁴	52	72	(20 days)
Inventory turnover days (days) ⁵	482	511	(29 days)

China Outfitters Holdings Limited

Key ratios:

1. Basic (loss)/earnings per share = (Loss)/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 2020 was 3,322,916,000 versus 3,423,945,000 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 45, 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 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“**IAS 34**”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Ernst&Young

Certified Public Accountants

Hong Kong

24 August 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2020

	Notes	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
REVENUE	5	297,588	405,827
Cost of sales		(97,209)	(87,722)
Gross profit		200,379	318,105
Other income and gains	6	5,242	16,984
Selling and distribution expenses		(192,739)	(237,491)
Administrative expenses		(27,299)	(45,905)
Impairment losses on financial assets, net		1,834	(1,748)
Other expenses		(21,323)	(4,479)
Operating (loss)/profit		(33,906)	45,466
Finance income	7	10,506	10,167
Finance costs		(1,252)	(789)
Share of losses of:			
Joint ventures		—	(118)
An associate		(818)	(2,417)
(LOSS)/PROFIT BEFORE TAX	8	(25,470)	52,309
Income tax expense	9	(18,137)	(21,757)
(LOSS)/PROFIT FOR THE PERIOD		(43,607)	30,552
Attributable to:			
Owners of the parent		(45,366)	30,749
Non-controlling interests		1,759	(197)
		(43,607)	30,552
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— For (loss)/profit for the period	11	RMB(1.37) cents	RMB0.90 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**For the six months ended 30 June 2020**

	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
(LOSS)/PROFIT FOR THE PERIOD	(43,607)	30,552
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	1,777	97
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	1,777	97
<i>Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:</i>		
Equity investments designated at fair value through other comprehensive (loss)/income:		
Changes in fair value	(1,348)	6,214
Income tax effect	(415)	(1,643)
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	(1,763)	4,571
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	14	4,668
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(43,593)	35,220
Attributable to:		
Owners of the parent	(45,352)	35,417
Non-controlling interests	1,759	(197)
	(43,593)	35,220

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**As at 30 June 2020**

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	264,613	270,795
Investment properties		45,025	46,306
Right-of-use assets		80,648	86,734
Investment in an associate		9,186	9,818
Equity investments designated at fair value through other comprehensive income	14	35,675	37,503
Goodwill	13	15,597	34,467
Other intangible assets	12	163,965	163,381
Deferred tax assets		177,350	189,324
Total non-current assets		792,059	838,328
CURRENT ASSETS			
Inventories	15	234,973	285,576
Properties under development	16	171,003	169,123
Trade and bills receivables	17	74,187	104,628
Prepayments, other receivables and other assets	18	114,853	109,069
Structured bank deposits	19	317,409	275,221
Financial assets at fair value through profit or loss	20	118,986	30,000
Cash and cash equivalents	21	276,425	386,610
Total current assets		1,307,836	1,360,227

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

As at 30 June 2020

	Notes	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
CURRENT LIABILITIES			
Trade payables	22	18,341	38,172
Other payables and accruals	23	114,057	131,119
Lease liabilities		32,255	40,098
Tax payable		132,850	146,528
Total current liabilities		297,503	355,917
NET CURRENT ASSETS		1,010,333	1,004,310
TOTAL ASSETS LESS CURRENT LIABILITIES		1,802,392	1,842,638
NON-CURRENT LIABILITIES			
Lease liabilities		9,852	7,409
Deferred tax liabilities		21,063	22,496
Total non-current liabilities		30,915	29,905
Net assets		1,771,477	1,812,733
EQUITY			
Equity attributable to owners of the parent			
Share capital	24	280,661	280,661
Shares held for share award scheme	26	(26,234)	(26,234)
Reserves		1,515,721	1,558,736
Non-controlling interests		1,770,148	1,813,163
		1,329	(430)
Total equity		1,771,477	1,812,733

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

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

* These components of equity comprise the consolidated reserves of RMB1,515,721,000 (31 December 2019: RMB1,558,736,000) in the interim condensed consolidated statement of financial position as at 30 June 2020.

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

For the six months ended 30 June 2019

	Attributable to owners of the parent													
	Share capital	Shares held for Share		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
		Award Scheme	Share											
		RMB'000	RMB'000											
	(note 24)	(note 26)	RMB'000	RMB'000	RMB'000	RMB'000	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	

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before tax		(25,470)	52,309
Adjustments for:			
Depreciation of property, plant and equipment	8	8,199	8,122
Depreciation of investment properties	8	1,281	1,253
Depreciation of right-of-use assets	8	33,628	23,922
Amortisation of other intangible assets	8	786	786
Gains on disposal of property, plant and equipment		(35)	(191)
Write-down/(Reversal of write-down) of inventories to net realisable value	8	4,897	(14,033)
Share of losses of joint ventures		—	118
Share of loss of an associate		818	2,417
Impairment of goodwill	8	18,870	—
Impairment of other intangible assets	8	—	4,479
Impairment of trade receivables, net	8	(1,834)	1,748
Equity-settled share option expense		2,337	6,846
Finance costs		1,252	789
Finance income	7	(10,506)	(10,167)
		34,223	78,398
Decrease in inventories		41,718	13,066
Increase in properties under development		(3,501)	(8,496)
Decrease in trade and bills receivables		32,275	19,134
Increase in prepayments, other receivables and other assets		(3,779)	(31,647)
Decrease in trade payables		(19,830)	(7,343)
Increase/(Decrease) in other payables and accruals		5,657	(23,468)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*(continued)***For the six months ended 30 June 2020**

	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Cash generated from operations	86,763	39,644
PRC corporate income tax paid	(19,721)	(53,536)
Net cash flows from/(used in) operating activities	67,042	(13,892)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of items of property, plant and equipment	59	321
Purchase of items of property, plant and equipment	(2,957)	(23,116)
(Decrease)/increase in short term deposits with original maturity of over three months	122,554	(45,212)
Interest received from bank deposits	5,608	5,930
Interest received from structured bank deposits	5,021	3,340
Increase/(decrease) in structured bank deposits and financial assets at fair value through profit or loss	(131,174)	33,454
Loan to a third party	(19,519)	—
Repayment from a third party	18,000	—
Remaining cash consideration paid for the acquisition of subsidiaries in 2019	(18,858)	—
Loan to a joint venture	—	(2,000)
Net cash flows used in investing activities	(21,266)	(27,283)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*(continued)***For the six months ended 30 June 2020**

	Notes	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of shares for share award scheme		—	(228)
Principal portion of lease payments		(34,194)	(23,807)
Net cash flows used in financing activities		(34,194)	(24,035)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		11,582	(65,210)
Effect of foreign exchange rate changes, net		95,892	218,204
		787	(868)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		108,261	152,126
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	80,737	143,480
Time deposits	21	195,688	268,146
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	21	276,425	411,626
Less: Time deposits with original maturity of over three months		(168,164)	(259,500)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows		108,261	152,126

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

1. CORPORATE INFORMATION

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

The principal activity of the Company is investment holding. The 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 2020 (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 2019.

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 2019, except for the adoption of the following relevant revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

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

- (a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(continued)

- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

- (c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain lease payments for the leases of the Group's retail stores have been reduced or waived by the lessors as a result of the Covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the Covid-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB7,715,343 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(continued)

(d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any 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 RMB296,733,000, accounting for 99.2% 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	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of goods	297,588	405,827

Revenue from contracts with customers

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Type of goods		
Sale of apparel and accessories	297,588	405,827
Timing of revenue recognition		
Goods transferred at a point in time	297,588	405,827

(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	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Government subsidies*	2,909	10,694
Rental income, net	1,213	1,491
Royalty income#	679	—
Arrangement fees	53	114
External order processing income	19	35
Sale of software	—	569
Sale of consumables, net	—	8
	4,873	12,911
Other gains		
Exchange gains, net	—	3,662
Others	369	411
	369	4,073
	5,242	16,984

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

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

7. FINANCE INCOME

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income on bank deposits	2,093	5,930
Interest income on structured bank deposits and wealth management products	8,271	4,206
Others	142	31
	10,506	10,167

8. (LOSS)/PROFIT BEFORE TAX

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

		For the six months ended 30 June	
		2020	2019
Notes		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Cost of inventories sold		92,312	94,980
Depreciation:			
Property, plant and equipment	12	8,199	8,122
Investment properties		1,281	1,253
		9,480	9,375
Employee benefit expenses (including directors' remuneration):			
Wages and salaries		18,224	63,246
Equity-settled share option expense		2,337	6,846
Pension scheme contributions		787	6,369
		21,348	76,461
Outsourced labor costs		41,566	13,398
Depreciation of right-of-use assets		33,628	23,922
Variable lease payments not included in the measurement of lease liabilities		30,829	86,713
Amortisation of other intangible assets*	12	786	786
Impairment of other intangible assets		—	4,479
Impairment of goodwill [^]		18,870	—
Impairment of trade receivables, net		(1,834)	1,748
Write-down/(Reversal of write-down) of inventories to net realisable value [#]		4,897	(14,033)
Exchange differences, net		2,453	(3,662)

8. (LOSS)/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 goodwill is included in “Other expenses” in the interim condensed consolidated statement of profit or loss.

The write-down or 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 2019.

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current — PRC		
Charge for the period	7,182	16,612
Deferred	10,955	5,145
Total tax charge for the period	18,137	21,757

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 2019, respectively.

11. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic (loss)/earnings per share is based on the loss for the Relevant Period attributable to owners of the parent of RMB45,366,000 (six months ended 30 June 2019: the profit of RMB30,749,000) and the weighted average number of ordinary shares of 3,322,916,000 (six months ended 30 June 2019: 3,423,945,000) shares in issue during the Relevant Period.

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

The calculation of basic (loss)/earnings per share is based on:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
(Loss)/Profit attributable to owners of the parent, used in the basic (loss)/earnings per share calculation	(45,366)	30,749

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

	Number of shares	
	For the six months ended 30 June	
	2020	2019
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	(122,534,000)	(21,505,000)
Adjusted weighted average number of ordinary shares in issue used in the basic (loss)/earnings per share calculation	3,322,916,000	3,423,945,000

12. PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

	Property, plant and equipment	Other intangible assets
	RMB'000	RMB'000
Unaudited		
Opening net book amount at 1 January 2020	270,795	163,381
Additions	1,258	—
Disposals	(23)	—
Depreciation and amortisation provided during the period	(8,199)	(786)
Exchange realignment	782	1,370
Closing net book amount at 30 June 2020	264,613	163,965
Audited		
Opening net book amount at 1 January 2019	255,315	124,889
Additions	32,887	—
Acquisition from a subsidiary	—	43,015
Disposals	(754)	—
Depreciation and amortisation provided during the year	(17,230)	(1,572)
Impairment	—	(4,521)
Exchange realignment	577	1,570
Closing net book amount at 31 December 2019	270,795	163,381

As at 30 June 2020, one certificate of ownership in respect of a warehouse in Chengdu with net carrying amount of approximately RMB4,269,000 (31 December 2019: RMB4,448,000) has not been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

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

The Group classified the trademarks of “London Fog”, “Artful Dodger”, “Zoo York”, “MCS”, “Henry Cotton’s” and “Marina Yachting” as intangible assets with indefinite lives. The Group has performed impairment reviews of the carrying values of trademarks as at 30 June 2020 based on a value in use calculation using cash flow projections from financial budgets covering a five-year period approved by senior management. For the period ended 30 June 2020, the discount rates applied to the cash flow projection were 32.0% (2019: 32.0%) for “London Fog”, 30.0% (2019: 30.0%) for “Artful Dodger”, 38.0% (2019: 38.0%) for “Zoo York”, 18.0% (2019: 18.0%) for “MCS”, 18.0% (2019: 18.0%) for “Henry Cotton’s” and 18.0% (2019: 18.0%) for “Marina Yachting” and cash flows beyond the five-year period were extrapolated using a growth rate of 3% (2019:3.0%) which does not exceed the projected long term average growth rate for the relevant industry in Mainland China. Based on the result of the impairment test, management determined that there was no impairment of the trademarks (2019: impairment of the trademarks of “London Fog” of RMB4,521,000).

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 trademarks with indefinite lives to exceed their recoverable amounts, respectively.

13. IMPAIRMENT OF GOODWILL

Goodwill arising through business combination of menswear business 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% (2019: 19.0%) and cash flows beyond the five-year period are extrapolated using a growth rate of 3% (2019: 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. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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.

Based on the result of the impairment test, the recoverable amount of Menswear cash-generating units was lower than the carrying amount of Menswear cash-generating units. Accordingly, management had determined that there was an additional impairment of the goodwill and recognized an impairment charge of RMB18,870,000 (2019: RMB42,169,000), which was recorded within other expenses in the interim condense consolidated statement of profit or loss. The impairment was due to the decrease in recoverable amount of Menswear cash-generating units, taking account of the expiration of the Licensing Agreement of JEEP trademarks by the end of 31 December 2020.

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Listed equity investment, at fair value Guangdong Shaoneng Group Co., Ltd.	34,269	35,928
Unlisted equity investment, at fair value CCF Investment Limited	1,406	1,575
	35,675	37,503

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 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Raw materials	15,396	15,434
Work in progress	5,440	7,164
Finished goods	214,137	262,978
	234,973	285,576

16. PROPERTIES UNDER DEVELOPMENT

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Properties under development	171,003	169,123

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

17. TRADE AND BILLS RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables	81,860	114,746
Impairment of trade receivables	(8,284)	(10,118)
	73,576	104,628
Bills receivable	611	—
	74,187	104,628

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

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 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables		
Within 1 month	55,876	90,508
1 to 2 months	7,179	6,917
2 to 3 months	3,098	2,230
Over 3 months	7,423	4,973
	73,576	104,628
Bills receivable	611	—
	74,187	104,628

The bills receivable were due to mature within three months.

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

	30 June 2020 RMB'000	31 December 2019 RMB'000
At beginning of period/year	10,118	8,432
Impairment losses, net	(1,834)	1,686
At end of period/year	8,284	10,118

17. TRADE AND BILLS RECEIVABLES *(continued)*

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

As at 30 June 2020

	Gross carrying amount (RMB'000)	Expected credit losses (RMB'000)	Expected credit loss rate
Individually assessed	372	372	100%
Based on provision matrix	81,488	7,912	9.71%
	81,860	8,284	
	Ageing as at 30 June 2020 Within one year	Over one year	Total
Expected credit loss rate	3.16%	100.00%	
Gross carrying amount (RMB'000)	75,978	5,510	81,488
Expected credit losses (RMB'000)	2,402	5,510	7,912

17. TRADE AND BILLS RECEIVABLES (continued)

As at 31 December 2019

	Gross carrying amount (RMB'000)	Expected credit losses (RMB'000)	Expected credit loss rate
Individually assessed	1,727	1,727	100%
Based on provision matrix	113,019	8,391	7.42%
	114,746	10,118	

	Ageing as at 31 December 2019		Total
	Within one year	Over one year	
Expected credit loss rate	2.19%	100.00%	
Gross carrying amount (RMB'000)	106,976	6,043	113,019
Expected credit losses (RMB'000)	2,348	6,043	8,391

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Prepayments	56,341	38,544
Deposits and other receivables	58,512	70,525
	114,853	109,069

Included in "Deposits and other receivables" as at 30 June 2020 and 31 December 2019 are amounts due from non-controlling shareholders amounting to RMB2,521,000 and RMB2,463,000, respectively.

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

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 2020, 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 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Structured bank deposits, in licensed banks in Mainland China, at amortised cost	317,409	275,221

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 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Wealth management products, at fair value	118,986	30,000

The above financial assets at fair value at 30 June 2020 were wealth management products issued by securities companies in PRC and Hong Kong. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

21. CASH AND CASH EQUIVALENTS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Cash and bank balances	80,737	90,464
Time deposits	195,688	296,146
Cash and cash equivalents	276,425	386,610

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 RMB188,562,000, RMB14,514,000 and RMB100,000 respectively (31 December 2019: RMB285,856,000, RMB9,694,000 and RMB71,000, 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 PAYABLES

An ageing analysis of the trade payables as at 30 June 2020 and 31 December 2019, based on the invoice date is as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade payables		
Within 30 days	7,183	32,629
31 to 90 days	5,007	376
91 to 180 days	553	281
Over 181 days	5,598	4,886
	18,341	38,172

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

23. OTHER PAYABLES AND ACCRUALS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Other payables	46,122	47,032
Contract liabilities	41,134	41,323
Accruals	20,706	32,851
Other taxes payable	6,095	9,913
	114,057	131,119

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

24. SHARE CAPITAL
Shares

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Issued and fully paid:		
3,445,450,000 (31 December 2019):		
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 2019.

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

	Six months ended 30 June 2020 Weighted average exercise price HK\$ per share	Number of options '000	Six months ended 30 June 2019 Weighted average exercise price HK\$ per share	Number of options '000
At beginning of period	0.2114	261,800	0.2114	273,000
Forfeited during the period	0.2114	(9,200)	0.2114	(10,000)
At end of period	0.2114	252,600	0.2114	263,000

25. SHARE OPTION SCHEME *(continued)*

The fair value of the share options under the Share Option Scheme granted was estimated at RMB22,720,000, during the Relevant Period, 9,200,000 share options became forfeited as two of the grantees resigned. The Company recognised a share option expenses of RMB2,337,000 in the Relevant Period (six months ended 30 June 2019: RMB6,846,000).

As at 30 June 2020, the Company had 252,600,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 252,600,000 additional ordinary shares of the Company and additional share capital of HK\$25,260,000 (equivalent to RMB23,073,494) and share premium of HK\$28,139,640 (equivalent to RMB25,703,873) (before issue expenses).

At the date of approval of these interim condensed consolidated financial statements, the Company had 252,600,000 share options outstanding under the Share Option Scheme, which represented approximately 7.3% of the Company's shares in issue as at that date.

26. SHARE AWARD SCHEME

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

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

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

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

26. SHARE AWARD SCHEME *(continued)*

No Purchase of shares of the company by the Trustee during the Relevant Period (six months ended 30 June 2019: 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)).

The Board did not yet grant any shares to any employees from 4 November 2014 to 30 June 2020.

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 2020, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within one year	5,388	5,654
In the second to fifth years, inclusive	10,166	9,133
After five years	7,666	—
	23,220	14,787

28. COMMITMENTS

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contracted, but not provided for:		
Buildings	35,051	41,750
	35,051	41,750

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 2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
Fees	1,460	1,417
Salaries, allowances and benefits in kind	2,953	2,185
Performance bonus	—	6,000
Equity-settled share option expense	2,337	3,420
Pension scheme contributions	47	89
Total compensation paid to key management personnel	6,797	13,111

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 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Financial assets				
Equity investments designated at fair value through other comprehensive income	35,675	37,503	35,675	37,503
Financial assets at fair value through profit or loss	118,986	30,000	118,986	30,000
	154,661	67,503	154,661	67,503

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

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 2020

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets Level 1 RMB'000 (Unaudited)	Significant observable inputs Level 2 RMB'000 (Unaudited)	Significant unobservable inputs Level 3 RMB'000 (Unaudited)	
Equity investments designated at fair value through other comprehensive income — listed	34,269	—	—	34,269
Equity investments designated at fair value through other comprehensive income — unlisted	—	—	1,406	1,406
Financial assets at fair value through profit or loss	—	118,986	—	118,986
	34,269	118,986	1,406	154,661

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 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 designated at fair value through other comprehensive income — listed	35,928	—	—	35,928
Equity investments designated at fair value through other comprehensive income — unlisted	—	—	1,575	1,575
Financial assets at fair value through profit or loss	—	30,000	—	30,000
	35,928	30,000	1,575	67,503

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

	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Equity investments designated at fair value through other comprehensive income — unlisted		
At 1 January	1,575	1,403
Total (losses)/gains recognised in other comprehensive income	(169)	27
At 30 June	1,406	1,430

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

Fair value hierarchy *(continued)*

Liabilities measured at fair value

The Group did not have any financial liabilities measured at fair value as at 30 June 2020 and 31 December 2019.

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 2019: 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 24 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

The Relevant Period have been some of the most difficult and challenging in living memory. The widespread disruptions in social and economic activities arising from the rapid and continued spread of the novel coronavirus (“**COVID-19**”) resulted in a decrease in China’s Gross Domestic Product (“**GDP**”) by 1.6%. The total retail sales of consumer products also decreased by 11.4% in the Relevant Period. Moreover, the retail sales achieved by the top 100 key and large-scale retailers also decreased by 27.0% in the Relevant Period.

In this extremely difficult times, the Group reported a decrease in revenue by 108.2 million from RMB405.8 million in the six months ended 30 June 2019 to RMB297.6 million in the Relevant Period and a loss attributable to owners of the parent of RMB45.4 million in the Relevant Period, as compared to a profit attributable to owners of the parent of RMB30.7 million in the corresponding period in 2019.

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 RMB297.6 million in the Relevant Period, representing a decrease by RMB108.2 million, or approximately 26.7%, as compared to RMB405.8 million in the six months ended 30 June 2019.

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

Revenue from sales of products through self-operated retail points decreased by RMB100.5 million, or approximately 31.8%, from RMB316.5 million in the six months ended 30 June 2019 to RMB216.0 million in the Relevant Period and accounted for approximately 72.6% (six months ended 30 June 2019: 78.0%) of the total revenue. Such decrease was mainly attributable to disruptions to the operations of department stores and shopping malls caused by the outbreak of COVID-19 since early 2020, which led to a significant decrease in the number of customers in the Group's stores, and thus resulting in a significant decrease in retail sales from our self-operated retail points. In terms of the retail channels, the revenue from outlet stores also decreased by RMB29.9 million, or approximately 27.7%, from RMB108.1 million in the six months ended 30 June 2019 to RMB78.2 million in the Relevant Period.

Revenue from sales of products to third-party retailers decreased by RMB13.1 million, or approximately 21.1%, from RMB62.0 million in the six months ended 30 June 2019 to RMB48.9 million in the Relevant Period and accounted for approximately 16.4% (six months ended 30 June 2019: 15.3%) of the total revenue.

Revenue from sales of products through online channels increased by RMB5.4 million, or approximately 19.8%, from RMB27.3 million in the six months ended 30 June 2019 to RMB32.7 million in the Relevant Period and accounted for approximately 11.0% (six months ended 30 June 2019: 6.7%) of the total revenue. The increase in revenue was primarily attributable to a mixed effect of: (i) the Group reported revenue of RMB5.9 million derived from its WeChat stores in the Relevant Period (six months ended 30 June 2019: Nil); (ii) an increase in sales of products to online third-party retailers by RMB0.8 million, or approximately 7.1%, from RMB11.3 million in the six months ended 30 June 2019 to RMB12.1 million in the Relevant Period; (iii) an increase in sales of product through our e-shops on Tmall.com and JD.com by RMB2.0 million, or approximately 27.4%, from RMB7.3 million in the six months ended 30 June 2019 to RMB9.3 million in the Relevant Period; and partially offset by (iv) a decrease in sales from online discount platform such as VIP.com by RMB3.3 million, or approximately 37.9%, from RMB8.7 million in the six months ended 30 June 2019 to RMB5.4 million in the Relevant Period.

FINANCIAL REVIEW *(continued)*

Revenue *(continued)*

By sales channels *(continued)*

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

	Six months ended 30 June			
	2020		2019	
	Revenue RMB million	% of total revenue	Revenue RMB million	% of total revenue
Retail sales from self-operated retailers	216.0	72.6%	316.5	78.0%
Sales to third-party retailers	48.9	16.4%	62.0	15.3%
Sales through online channels	32.7	11.0%	27.3	6.7%
Total	297.6	100.0%	405.8	100.0%

FINANCIAL REVIEW *(continued)***Revenue** *(continued)***By Brand**

Revenue contributed from self-owned brands decreased by RMB21.5 million, or approximately 45.8%, from RMB46.9 million in the six months ended 30 June 2019 to RMB25.4 million in the Relevant Period. Percentage of revenue from self-owned brands over total revenue also decreased from 11.6% in the six months ended 30 June 2019 to 8.5% in the Relevant Period.

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

	Six months ended 30 June			
	2020		2019	
	Revenue RMB million	% of total revenue	Revenue RMB million	% of total revenue
Licensed brands	272.2	91.5%	358.9	88.4%
Self-owned brands	25.4	8.5%	46.9	11.6%
Total	297.6	100.0%	405.8	100.0%

Cost of sales

Our cost of sales increased by RMB9.5 million, or approximately 10.8%, from RMB87.7 million in the six months ended 30 June 2019 to RMB97.2 million in the Relevant Period. The increase in cost of sales was primarily due to an increase in inventory provisions by RMB18.9 million as a result of the decrease in sales of aged inventories as affected by the pandemic.

Gross profit and gross profit margin

Our gross profit decreased by RMB117.7 million, or approximately 37.0%, from RMB318.1 million in the six months ended 30 June 2019 to RMB200.4 million in the Relevant Period as a result of the decrease in revenue and increase in cost of sales. Our overall gross profit margin decreased by 11.1 percentage points from 78.4% in the six months ended 30 June 2019 to 67.3% in the Relevant Period. Save for the inventory provisions, our overall gross profit margin would have been 69.0% in the Relevant Period, as compared with the gross profit margin at 74.9% in the six months ended 30 June 2019. The decrease in gross profit margin was mainly due to the decrease in selling prices of our products.

FINANCIAL REVIEW *(continued)*

Other income and gains

Our other income and gains decreased by RMB11.8 million, or approximately 69.4%, from RMB17.0 million in the six months ended 30 June 2019 to RMB5.2 million in the Relevant Period, which was primarily due to (i) a decrease in government subsidies by RMB7.8 million from RMB10.7 million in the six months ended 30 June 2019 to RMB2.9 million in the Relevant Period; and (ii) a decrease in exchange gain by RMB3.7 million in the Relevant Period.

Selling and distribution expenses

Our selling and distribution expenses decreased by RMB44.8 million, or approximately 18.9%, from RMB237.5 million in the six months ended 30 June 2019 to RMB192.7 million in the Relevant Period.

Rents and concession fees for occupying concession counters within department stores and department store charges decreased by RMB21.8 million, or approximately 19.9%, from RMB109.6 million in the six months ended 30 June 2019 to RMB87.8 million in the Relevant Period, which was largely due to the decrease in revenue from self-operated retail points.

The labour and costs related to sales and marketing staff and outsourcing costs related to sales and marketing activities decreased from RMB54.5 million in the six months ended 30 June 2019 to RMB50.4 million in the Relevant Period. Such decrease was primarily attributable to the decrease in sales bonus of the sales and marketing staff.

We incurred advertising and promotion expenses of RMB5.2 million (six months ended 30 June 2019: RMB9.9 million) during the Relevant Period for organizing promotion activities and spending on social media marketing to share our brand stories and product knowledge with our customers through WeChat, Weibo and mainstream websites such as Sina.com, Sohu.com etc.

Consumables and decoration fees for self-operated retail points decreased from RMB12.0 million in the six months ended 30 June 2019 to RMB10.1 million in the Relevant Period which was primarily attributable to decrease in store opening in the Relevant Period as affected by the pandemic.

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

FINANCIAL REVIEW *(continued)***Administrative expenses**

The administrative expenses decreased by RMB18.6 million, or approximately 40.5%, from RMB45.9 million in the six months ended 30 June 2019 to RMB27.3 million in the Relevant Period. The decrease in administrative expenses was mainly due to (i) an decrease in labour cost related to managerial staff by RMB8.8 million; and (ii) a decrease of amortisation of share option expenses by RMB4.5 million.

Other expenses

Other expenses mainly represented (i) an impairment on goodwill of RMB18.9 million (six months ended 30 June 2019: Nil); and (ii) an exchange loss of RMB2.5 million (six months ended 30 June 2019: Nil) due to the depreciation of HK\$ against RMB in the Relevant Period.

Finance income

Our finance income was RMB10.5 million in the Relevant Period, which was consistent with that of RMB10.2 million in the six months ended 30 June 2019.

(Loss)/Profit before tax

As a result of the foregoing factors, the Group reported a loss before tax of RMB25.5 million in the Relevant Period, as compared with a profit before tax of RMB52.3 million in the six months ended 30 June 2019.

Income tax expense

Income tax expense decreased by RMB3.7 million, or approximately 17.0%, from RMB21.8 million in the six months ended 30 June 2019 to RMB18.1 million in the Relevant Period, which was primarily due to a mixed effect of (i) a decrease in current income tax by RMB9.4 million from RMB16.6 million in the six months ended 30 June 2019 to RMB7.2 million in the Relevant Period; and partially offset by (ii) an increase in deferred tax expense by RMB5.8 million from RMB5.1 million in the six months ended 30 June 2019 to RMB10.9 million in the Relevant Period.

(Loss)/Profit for the period

The Group reported a loss for the period of RMB43.6 million in the Relevant Period, as compared with a profit for the period of RMB30.6 million in the six months ended 30 June 2019.

(Loss)/Profit attributable to owners of the parent

As a result of the foregoing, the Group reported a loss attributable to owners of the parent of RMB45.4 million in the Relevant Period, as compared with a profit attributable to owners of the parent of RMB30.7 million in the six months ended 30 June 2019.

FINANCIAL REVIEW *(continued)*

Working Capital Management

	30 June 2020	31 December 2019
Inventory turnover days	482	511
Trade receivables turnover days	54	49
Trade payables turnover days	52	72

The decrease in inventory turnover by 29 days was mainly due to the decrease in inventory turnover days for inventories aged within one year resulting from the decrease in procurement of products in the Relevant Period.

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

Liquidity, financial position and cash flows

As at 30 June 2020, we had net current assets of approximately RMB1,010.3 million, as compared to RMB1,004.3 million as at 31 December 2019. The current ratio of our Group was 4.4 times as at 30 June 2020, as compared to that of 3.8 times as at 31 December 2019.

There was no undrawn banking facility as at 30 June 2020.

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

As at 30 June 2020, we had an aggregate cash and cash equivalents, financial assets at fair value through profit or loss and structured bank deposits of approximately RMB712.8 million. The table below sets forth selected cash flow data from our interim condensed consolidated statement of cash flows:

	Six months ended 30 June	
	2020 RMB million	2019 RMB million
Net cash flows from/(used in) operating activities	67.1	(13.9)
Net cash flows used in investing activities	(21.3)	(27.3)
Net cash flows used in financing activities	(34.2)	(24.0)
Net increase/(decrease) in cash and cash equivalents	11.6	(65.2)
Effect of foreign exchange rate changes, net	0.8	(0.9)
Cash and cash equivalents at the beginning of the period	95.9	218.2
Cash and cash equivalents at the end of the period	108.3	152.1

Operating activities

Net cash flows from operating activities increased by RMB81.0 million, from a cash outflows of RMB13.9 million in the six months ended 30 June 2019 to a cash inflows of RMB67.1 million in the Relevant Period, which was primarily attributable to (i) an increase in cash inflows from changes in inventories by RMB28.6 million due to decrease in procurement in products; and (ii) a decrease in payment of CIT by RMB33.8 million in the Relevant Period.

Investing activities

Net cash flows used in investing activities of RMB21.3 million mainly represented the payment of the remaining 70% of cash consideration of RMB18.9 million for the acquisition of 100% interest in Excel Win International Investment Limited for the “Henry Cotton’s” and “Marina Yachting” brands.

FINANCIAL REVIEW *(continued)*

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

Financing activities

Net cash flows used in financing activities mainly represented principal portion of lease payments of RMB34.2 million.

Pledge of group assets

As at 30 June 2020, 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 2020, the Group had capital commitments of approximately RMB35.1 million (31 December 2019: RMB41.8 million) and there were no significant contingent liabilities (31 December 2019: 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. As at 30 June 2020, the Group has not entered into any hedging transactions in an effort to reduce the Group’s exposure to foreign currency exchange risks. While the Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited.

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.

In the Relevant Period, an aggregate of HK\$37.2 million (equivalent to RMB33.7 million) was used for the acquisition of the remaining 50% equity interests in Henry Cotton’s and Marina Yachting business and payment of royalties to licensors for the licensed brands.

FINANCIAL REVIEW *(continued)***Use of proceeds from the IPO** *(continued)*

The table below sets forth the utilisation of the net proceeds from the IPO and there was no unused proceeds as at 30 June 2020:

Use of fund raised

	Percentage to total amount	Net proceeds (HK\$ million)	Utilised amount as at 30 June 2020 (HK\$ million)	Unutilised amount as at 30 June 2020 (HK\$ million)
Licensing or acquisition of additional recognised international brands	47%	380.7	380.7	—
Expansion and enhancement of existing logistical system	24%	193.1	193.1	—
Settlement of shareholder's loan	19%	152.8	152.8	—
General working capital	10%	77.3	77.3	—
	100%	803.9	803.9	—

OPERATION REVIEW

Retail and distribution network

As at 30 June 2020, our sales network comprised a total of 515 self-operated retail points, consisting of concession counters, consignment stores and standalone stores, and 286 retail points operated by our third-party retailers.

The following table sets forth the number of our self-operated retail points and retail points operated by our third-party retailers in the PRC and Taiwan by brand as at 30 June 2020 and 31 December 2019:

Brand	As at 30 June 2020			As at 31 December 2019		
	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	230	263	493	238	276	514
SBPRC	136	12	148	144	11	155
London Fog	45	—	45	42	—	42
MCS	32	10	42	36	9	45
Zoo York	29	—	29	34	—	34
Barbour	14	—	14	17	—	17
Marina Yachting	25	1	26	28	2	30
Others	4	—	4	4	—	4
Total	515	286	801	543	298	841

Self-operated retail points

As at 30 June 2020, we had a network of 495 self-operated concession counters (31 December 2019: 518 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 155 were outlet stores as at 30 June 2020 (31 December 2019: 158 outlet stores).

As at 30 June 2020, we had a network of 20 standalone stores (31 December 2019: 25 stores) which were located in shopping malls within major cities in the PRC to ensure a steady flow of consumers as well as to enhance our sales and brand awareness.

OPERATION REVIEW *(continued)***Retail and distribution network** *(continued)***Retail points operated by third party retailers**

As at 30 June 2020, we had a total of 286 retail points that were operated by third-party retailers, which remained consistent as compared to that of 298 retail points as at 31 December 2019.

Online channels

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

During the Relevant Period, we continued to participate in the just-in-time delivery program (the “**JIT Program**”) of VIP.com, which allows us to receive orders placed by customers on VIP.com and make direct distribution of the products to customers from our warehouse. We also actively developed new online third-party retailers for online retailing of our products and increased sales from our self-operated e-shops on online platforms such as Tmall.com, JD.com etc. during the period. The Group also derived revenue of RMB5.9 million from its self-developed WeChat stores in the Relevant Period.

Branding

The continuing implementation of a multi-brand strategy is critical to our sustainable expansion and growth. We believe that our multi-brand strategy will allow us capture more market segments, take advantage of a wider range of market opportunities and ultimately increase our overall market share in China's menswear market.

On 31 December 2020, the Group will terminate its 18-year-cooperation with FCA US LLC on the licensing of JEEP branded menswear products. Accordingly, the Board has decided to make major adjustments to the Group's future business strategy and shift its focus from operation of licensing brands to self-owned brands, such as “MCS”, “Marina Yachting”, “Henry Cotton's”, “London Fog” and “Zoo York”. The Group also plans to invest more resources to promote and develop of its self-owned brands.

In the Relevant Period, the Group sponsored apparel products of “MCS”, “Marina Yachting” and “Zoo York” for the movie “One Day” (「相愛一天」).

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 RMB3.0 million, or approximately 8.2%, from RMB36.7 million in the six months ended 30 June 2019 to RMB33.7 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. Total revenue derived from the WeChat stores was RMB5.9 million in the Relevant Period.

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

The impact of COVID-19 on the operation of the Group

The outbreak of COVID-19 imposed an adverse impact on the business operations of the Group. More than 70% of the retail points of the Group have been closed since late January and resumed operation in March due to the nationwide lockdown. Moreover, disruptions to the operations of department stores and shopping malls caused by the outbreak of COVID-19 led to a significant decrease in customer flows in the retail points of the Group. Therefore, there was minimal sales generated in February and March and market sentiment remained weak throughout the first half of 2020.

In view of the difficult and challenging situation, the Group accelerated collection of account receivables from department stores to preserve cash. The Group also controlled expenditures to reduce costs, such as applying for deductions on concession fees from department stores and applying for royalties reduction from licensors etc. Moreover, the Group encouraged all employees to use the WeChat stores to sell products online.

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. As at 30 June 2020, approximately 1,662 sales representatives, store managers and production workers, were employees of the outsourcing service company.

Employee information

As at 30 June 2020, the Group had approximately 628 full-time employees. Staff costs, including Directors' remuneration, totalled RMB21.3 million in the Relevant Period (six months ended 30 June 2019: RMB76.5 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 252,600,000 options under the Share Option Scheme that was granted to 97 participants (including 7 directors) remain outstanding as at 30 June 2020.

Corporate social responsibility

Being a responsible corporate citizen, we continued to look for opportunities to reduce the consumption of paper, electricity and other resources in order to reduce the impact to the environment and set reduction targets as appropriate.

Prospects

We will focus on the following initiatives in the second half of 2020:

- stock clearance will be the first priority of the Group in the second half of 2020 given the expiration of Jeep Licensing Agreement at the end of 2020;
- to transfer the retail points now operating Jeep brand to our self-owned brands will be another major objective in the second half of 2020;
- to encourage our sales staff and third-party retailers to use our O2O system as well as to sell products through our WeChat stores; and
- to leverage of our customer loyalty program to increase interactions with customers and encourage repeat purchases.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

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

As at 30 June 2020, 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	Capital
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 (longing 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 2020, 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 2020, 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	269,336,000	7.82
Ms. LAM Lai Ming	(2)	Other	269,336,000	7.82
Mr. LI Gabriel	(2)	Other	269,336,000	7.82
YM Investment Limited	(3)	Corporate interest	269,336,000	7.82
Orchid Asia IV Investment, Limited	(3)	Corporate interest	264,048,000	7.66
Orchid Asia IV Group, Limited	(3)	Corporate interest	264,048,000	7.66
Orchid Asia IV Group Management, Limited	(3)	Corporate interest	264,048,000	7.66
OAIV Holdings, L.P.	(3)	Corporate interest	264,048,000	7.66
Orchid Asia IV, L.P.	(3)	Beneficial owner	264,048,000	7.66
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 interests in a total of 269,336,000 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 269,336,000 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 264,048,000 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 5,288,000 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 2020.

Save as disclosed above, as at 30 June 2020, 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.

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 1.1.2020	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited during the period	Outstanding at 30.6.2020	Vesting and exercise period
Executive director	Mr. ZHANG Yongji	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	206,800,000	-	-	-	9,200,000	197,600,000	Note 2

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

Note 2: 72,675,000 of the outstanding options as at 30 June 2020 is vested and exercisable on 10 December 2019, and another 72,675,000 of the outstanding options as at 30 June 2020 should become vested and exercisable on 10 December 2020, whereas 52,250,000 outstanding options should become vested and exercisable on 10 December 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 pages 38 and 39 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 a Director since the date of the 2019 annual report of the Company are set out below:

Name of Director	Details of Change
YEUNG Chi Wai	Appointed as an independent non-executive director of Golden Century International Holdings Group Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 91), with effect from 6 April 2020.

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

24 August 2020