



中國服飾控股有限公司  
CHINA OUTFITTERS HOLDINGS LIMITED

Stock Code: 1146

Incorporated in the Cayman Islands with limited liability

**2013**  
Interim Report

**Contents**

	<i>Pages</i>
Corporate Information	2
Financial Highlights	3
Report on Review of Interim Condensed Consolidated Financial Statements	5
Interim Condensed Consolidated Statement of Comprehensive Income	7
Interim Condensed Consolidated Statement of Financial Position	9
Interim Condensed Consolidated Statement of Changes in Equity	11
Interim Condensed Consolidated Statement of Cash Flows	12
Notes to the Interim Condensed Consolidated Financial Statements	13
Management Discussion and Analysis	32
Other Information	43

## CORPORATE INFORMATION

### Executive Directors

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

### Non-Executive Directors

Mr. LI Guoqiang  
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

Mr. LO Peter  
Mr. SUN David Lee

### 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. LO Peter (*Chairman*)  
Mr. YEUNG Chi Wai  
Mr. KWONG Wilson Wai Sun

### Registered Office

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

### Head Office in the PRC

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

### Principal Place of Business in Hong Kong

Unit 713, 7/F, East Ocean Centre  
98 Granville Road  
Tsim Sha Tsui East  
Kowloon  
Hong Kong

### Hong Kong Share Registrar and Transfer Office

Tricor Investor Services Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

### Principal Bankers

The Hongkong and Shanghai  
Banking Corporation Limited  
China Merchants Bank Co., Ltd.,  
Hong Kong Branch

### Legal Advisor

Herbert Smith LLP

### Auditors

Ernst & Young, Certified Public  
Accountants

### Company Website

[www.cohl.hk](http://www.cohl.hk)

## FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2013 (Unaudited)	2012 (Unaudited)	Change
Revenue (RMB million)	<b>621.3</b>	660.9	(6.0%)
Gross profit (RMB million)	<b>453.4</b>	506.0	(10.4%)
Operating profit (RMB million)	<b>246.1</b>	282.1	(12.8%)
Profit attributable to owners of the parent (RMB million)	<b>200.9</b>	220.2	(8.8%)
Net cash flows from operating activities (RMB million)	<b>198.1</b>	159.5	24.2%
Basic earnings per share <sup>1</sup> (RMB cents)	<b>5.83</b>	6.38	(8.6%)
Gross margin	<b>73.0%</b>	76.6%	-3.6 p.p.t.
Operating margin	<b>39.6%</b>	42.7%	-3.1 p.p.t.
Net margin	<b>32.3%</b>	33.3%	-1.0 p.p.t.
Effective tax rate	<b>25.6%</b>	27.8%	-2.2 p.p.t.
	<b>As at 30 June 2013</b>	As at 31 December 2012	
Current ratio <sup>2</sup> (times)	<b>5.8</b>	5.8	
Trade and bills receivables turnover days <sup>3</sup> (days)	<b>32</b>	30	+2 days
Trade and bills payables turnover days <sup>4</sup> (days)	<b>39</b>	33	+6 days
Inventory turnover days <sup>5</sup> (days)	<b>396</b>	373	+23 days

## China Outfitters Holdings Limited

Key ratios:

1. Basic earnings per share = Profit attributable to owners of the parent/weighted average number of ordinary shares (the weighted average number of shares in the first six months of 2013 was 3,445,450,000, versus 3,451,586,071 in the same period of last year)
2. Current ratio = Current assets/current liabilities
3. Trade and bills receivables turnover days = Average of opening and closing balances on trade and bills receivables/revenue for the period x 180 days
4. Trade and bills payables turnover days = Average of opening and closing balances on trade and bills 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 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 accompanying interim condensed consolidated financial statements of China Outfitters Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2013 set out on pages 7 to 31, which comprise the interim condensed consolidated statement of financial position as at 30 June 2013, the interim condensed consolidated statements of 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 are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

**Ernst & Young**

*Certified Public Accountants*

22nd Floor

CITIC Tower

1 Tim Mei Avenue, Central

Hong Kong

26 August 2013

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		Six months ended 30 June	
	Notes	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
<b>REVENUE</b>	5	<b>621,326</b>	660,944
Cost of sales		<b>(167,936)</b>	(154,968)
Gross profit		<b>453,390</b>	505,976
Other income and gains, net	5	<b>33,794</b>	22,412
Selling and distribution costs		<b>(211,848)</b>	(208,818)
Administrative expenses		<b>(29,242)</b>	(34,514)
Other expenses		<b>—</b>	(2,956)
Operating profit		<b>246,094</b>	282,100
Finance income	6	<b>23,785</b>	23,057
<b>PROFIT BEFORE TAX</b>	7	<b>269,879</b>	305,157
Income tax expense	8	<b>(69,037)</b>	(84,910)
<b>PROFIT FOR THE PERIOD</b>		<b>200,842</b>	220,247
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<b>(1,628)</b>	1,723
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>199,214</b>	221,970



**INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME** *(continued)*
**For the six months ended 30 June 2013**

		<b>Six months ended 30 June</b>	
	Notes	<b>2013</b> <b>RMB'000</b> <b>(Unaudited)</b>	2012 RMB'000 (Unaudited)
<hr/>			
Profit attributable to:			
Owners of the parent		<b>200,850</b>	220,235
Non-controlling interests		<b>(8)</b>	12
		<hr/> <b>200,842</b>	<hr/> 220,247
<hr/>			
Total comprehensive income attributable to:			
Owners of the parent		<b>199,238</b>	221,958
Non-controlling interests		<b>(24)</b>	12
		<hr/> <b>199,214</b>	<hr/> 221,970

**EARNINGS PER SHARE  
ATTRIBUTABLE TO ORDINARY  
EQUITY HOLDERS OF THE  
PARENT**

Basic and diluted	10	<b>RMB5.83 cents</b>	RMB6.38 cents
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Details of the dividend for the period are disclosed in note 9 to the interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION****As at 30 June 2013**

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	97,699	86,504
Prepaid land lease payments	12	77,138	42,230
Investment properties		5,325	5,405
Goodwill		70,697	70,697
Other intangible assets	11	127,651	67,513
Deferred tax assets		56,726	42,832
Total non-current assets		435,236	315,181
<b>CURRENT ASSETS</b>			
Inventories	13	352,417	386,195
Trade and bills receivables	14	97,251	122,963
Prepayments, deposits and other receivables	15	56,409	56,049
Structured bank deposits	16	941,000	1,082,800
Pledged bank deposits	17	6,443	—
Cash and cash equivalents	17	334,045	378,894
Total current assets		1,787,565	2,026,901
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	18	31,473	40,825
Deposits received, other payables and accruals	19	119,698	136,375
Tax payable		157,930	174,379
Total current liabilities		309,101	351,579
<b>NET CURRENT ASSETS</b>		1,478,464	1,675,322
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,913,700	1,990,503
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		13,931	19,024
Net assets		1,899,769	1,971,479

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

**As at 30 June 2013**

	Notes	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000 (Audited)
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Issued capital	20	<b>280,661</b>	280,661
Reserves		<b>1,616,656</b>	1,408,968
Proposed final and special final dividends	9	<b>—</b>	279,374
		<b>1,897,317</b>	1,969,003
Non-controlling interests		<b>2,452</b>	2,476
Total equity		<b>1,899,769</b>	1,971,479

**LO Peter**  
Director

**SUN David Lee**  
Director

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to owners of the parent												
	Issued capital RMB'000 (note 20)	Share premium account RMB'000	Capital redemption reserve RMB'000	Merger reserve RMB'000	Acquisition reserve RMB'000	Share option reserve RMB'000 (note 21)	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final and special dividends RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
<b>Unaudited</b>													
At 1 January 2013	280,661	—*	543*	389,848*	(186,036)*	33,395*	43,841*	5,196*	1,122,181*	279,374	1,969,003	2,476	1,971,479
Profit for the period	—	—	—	—	—	—	—	—	200,850	—	200,850	(8)	200,842
Other comprehensive income for the period:													
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(1,612)	—	—	(1,612)	(16)	(1,628)
Total comprehensive income for the period	—	—	—	—	—	—	—	(1,612)	200,850	—	199,238	(24)	199,214
Equity-settled share option arrangements	—	—	—	—	—	8,450	—	—	—	—	8,450	—	8,450
2012 final and special final dividends declared	—	—	—	—	—	—	—	—	—	(279,374)	(279,374)	—	(279,374)
At 30 June 2013	280,661	—*	543*	389,848*	(186,036)*	41,845*	43,841*	3,584*	1,323,031*	—	1,897,317	2,452	1,899,769
<b>Unaudited</b>													
At 1 January 2012	279,120	113,630	—	389,848	(186,036)	1,529	35,247	5,337	813,270	204,113	1,656,058	4,552	1,660,610
Profit for the period	—	—	—	—	—	—	—	—	220,235	—	220,235	12	220,247
Other comprehensive income for the period:													
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	1,723	—	—	1,723	—	1,723
Total comprehensive income for the period	—	—	—	—	—	—	—	1,723	220,235	—	221,958	12	221,970
Issue of shares	2,084	32,086	—	—	—	—	—	—	—	—	34,170	—	34,170
Share issue expenses	—	(1,028)	—	—	—	—	—	—	—	—	(1,028)	—	(1,028)
Equity-settled share option arrangements	—	—	—	—	—	16,174	—	—	—	—	16,174	—	16,174
Final 2011 dividend declared	—	—	—	—	—	—	—	—	—	(204,113)	(204,113)	—	(204,113)
At 30 June 2012	281,204	144,688	—	389,848	(186,036)	17,703	35,247	7,060	1,033,505	—	1,723,219	4,564	1,727,783

\* These components of equity comprise the consolidated reserves of RMB1,616,656,000 (31 December 2012: RMB1,408,968,000) in the interim condensed consolidated statement of financial position as at 30 June 2013.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the six months ended 30 June 2013**

		<b>Six months ended 30 June</b>	
	Note	<b>2013</b> <b>RMB'000</b> <b>(Unaudited)</b>	2012 RMB'000 (Unaudited)
Net cash flows from operating activities		<b>198,050</b>	159,512
Net cash flows from/(used in) investing activities		<b>313,648</b>	(770,452)
Net cash flows used in financing activities		<b>(279,374)</b>	(170,971)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>232,324</b>	(781,911)
Effect of foreign exchange rate changes, net		<b>413</b>	1,137
Cash and cash equivalents at beginning of period		<b>104,751</b>	1,036,031
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>337,488</b>	255,257
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		<b>300,361</b>	255,257
Time deposits		<b>33,684</b>	271,120
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	17	<b>334,045</b>	526,377
Add: Time deposits with original maturity of less than three months when acquired, pledged as security for bank acceptance notes		<b>6,443</b>	—
Less: Time deposits with original maturity of over three months		<b>(3,000)</b>	(271,120)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows		<b>337,488</b>	255,257

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2013

### 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 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands. The address of its principal place of business is Unit 713, 7/F, East Ocean Centre, 98 Granville 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 2013 (the “Reporting Period”).

In the opinion of the directors of the Company (the “Directors”), as at the date of this report, the immediate holding company and the ultimate holding company of the Company are CEC Outfitters Limited and China Enterprise Capital Limited, respectively, which were incorporated in the British Virgin Islands (the “BVI”).

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### *Basis of preparation*

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

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES** *(continued)*

*Basis of preparation (continued)*

These interim condensed consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated. These interim condensed consolidated financial statements do not include all information and disclosures required in the Group’s annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2012.

*Significant accounting policies*

Except as described below, the accounting policies adopted in the preparation of these interim condensed consolidated financial statements are the same as those adopted in the Group’s annual consolidated financial statements for the year ended 31 December 2012. The Group has adopted the following new and revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s condensed consolidated financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards – Government Loans</i>
IFRS 7 Amendments	Amendments to IFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
IFRS 10	<i>Consolidated Financial Statements</i>
IFRS 11	<i>Joint Arrangements</i>
IFRS 12	<i>Disclosure of Interests in Other Entities</i>
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – <i>Transition Guidance</i>
IFRS 13	<i>Fair Value Measurement</i>
IAS 1 Amendments	Amendments to IAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
IAS 19 Amendments	Amendments to IAS 19 <i>Employee Benefits</i>
IAS 27 (Revised)	<i>Separate Financial Statements</i>
IAS 28 (Revised)	<i>Investments in Associates and Joint Ventures</i>
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
<i>Annual Improvements 2009-2011 Cycle</i>	Amendments to a number of IFRSs issued in May 2012

The adoption of these new and revised IFRSs has had no significant financial effect on these interim condensed consolidated financial statements.

### 3. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these unaudited interim condensed consolidated financial statements.

IFRS 9	<i>Financial Instruments</i> <sup>2</sup>
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) — <i>Investment Entities</i> <sup>1</sup>
IAS 32 Amendments	Amendments to IAS 32 <i>Financial Instruments: Presentation — Offsetting Financial Assets And Financial Liabilities</i> <sup>1</sup>
IFRIC 21	<i>Levies</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application, but is not yet in a position to state whether these new and revised IFRSs will have a significant impact on the Group's results of operations and financial position.

### 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, 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.



**4. OPERATING SEGMENT INFORMATION** *(continued)*

All of the external revenues of the Group during the Reporting Period presented are attributable to customers established in the PRC, the place of domicile of the Group's operating entities. 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 Reporting Period presented.

**5. REVENUE AND OTHER INCOME AND GAINS, NET**

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold after trade discounts.

An analysis of revenue, other income and gains is as follows:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Revenue</b>		
Sale of goods	<b>621,326</b>	660,944
<b>Other income and gains, net</b>		
Government subsidies*	<b>25,757</b>	19,845
Foreign exchange gain, net	<b>6,108</b>	—
Arrangement fees <sup>#</sup>	<b>1,468</b>	1,377
Rental income, net	<b>101</b>	131
Sale of consumables, net	<b>296</b>	932
Others	<b>64</b>	127
	<b>33,794</b>	22,412

**5. REVENUE AND OTHER INCOME AND GAINS, NET** *(continued)*

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

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

**6. FINANCE INCOME**

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Interest income on bank deposits	<b>3,226</b>	9,140
Interest income from structured bank deposits	<b>20,559</b>	13,917
	<b>23,785</b>	23,057

**7. PROFIT BEFORE TAX**

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

		<b>Six months ended 30 June</b>	
		<b>2013</b>	2012
		<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	(Unaudited)
Cost of inventories sold		<b>112,771</b>	123,397
Depreciation			
Property, plant and equipment	11	<b>4,638</b>	4,204
Investment properties		<b>80</b>	67
		<b>4,718</b>	4,271
Employee benefit expenses (including directors' remuneration):			
Wages and salaries		<b>37,148</b>	33,120
Equity-settled share option expenses	21	<b>8,450</b>	16,174
Pension scheme contributions		<b>4,950</b>	4,007
		<b>50,548</b>	53,301
Amortisation of prepaid land lease payments*	12	<b>729</b>	477
Amortisation of other intangible assets*	11	<b>346</b>	124
Reversal of impairment of trade receivables		<b>(1,409)</b>	—
Write-down of inventories to net realisable value#		<b>55,165</b>	31,571
Foreign exchange differences, net		<b>(6,108)</b>	2,956

\* The amortisation of prepaid land lease payments and the amortisation of other intangible assets for the period are included in "Administrative expenses" in the interim condensed consolidated statement of comprehensive income.

# The write-down of inventories to net realisable value is included in "Cost of sales" in the interim condensed consolidated statement of comprehensive income.

**8. 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 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 Reporting Period.

In accordance with the relevant PRC income tax rules and regulations, the Group's subsidiaries incorporated/registered in the PRC are subject to Corporate Income Tax ("CIT") at a statutory rate of 25% on their respective taxable income for the periods ended 30 June 2013 and 2012.

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Current — PRC		
Charge for the period	<b>83,024</b>	88,943
Deferred	<b>(13,987)</b>	(4,033)
Total tax charge for the period	<b>69,037</b>	84,910

**9. DIVIDEND**

The board of directors has resolved not to declare any interim dividend in respect of the Reporting Period (six months ended 30 June 2012: Nil).

The final and special final dividends for the year ended 31 December 2012 on ordinary shares of RMB279,374,000 were approved by shareholders of the Company at the annual general meeting on 20 May 2013 and was subsequently paid in June 2013.

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

The calculation of basic earnings per share is based on the profit for the Reporting Period attributable to ordinary equity holders of the parent of RMB200,850,000 (six months ended 30 June 2012: RMB220,235,000) and the weighted average number of ordinary shares of 3,445,450,000 (six months ended 30 June 2012: 3,451,586,071) in issue during the Reporting Period.

No adjustment has been made to the basic earnings per share amounts presented for the Reporting Period and six months ended 30 June 2012 in respect of a dilution as the share options under Pre-IPO Share Option Scheme (defined below) outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<b>200,850</b>	220,235
<b>Number of shares</b>		
	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>3,445,450,000</b>	3,451,586,071

## 11. PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

	Property, plant and equipment RMB'000	Other intangible assets RMB'000
<b>Unaudited</b>		
Opening net book amount at 1 January 2013	86,504	67,513
Additions	16,433	62,403
Disposals	(477)	—
Depreciation and amortisation provided during the period	(4,638)	(346)
Exchange realignment	(123)	(1,919)
Closing net book amount at 30 June 2013	97,699	127,651
<b>Audited</b>		
Opening net book amount at 1 January 2012	81,762	67,729
Additions	13,881	—
Disposals	(257)	—
Depreciation and amortisation provided during the year	(8,882)	(249)
Exchange realignment	—	33
Closing net book amount at 31 December 2012	86,504	67,513

As at 30 June 2013, a certificate of ownership in respect of a warehouse in Chengdu with a net carrying amount of approximately RMB6,696,000 (31 December 2012: RMB6,875,000) has not been issued by the relevant PRC authorities. The Group is in the process of obtaining the certificate.

The Group classified the trademarks of “London Fog”, “Artful Dodger” and “Zoo York” as intangible assets with indefinite lives. The registration of trademarks of “Artful Dodger” and “Zoo York” is still in progress.

**12. PREPAID LAND LEASE PAYMENTS**

	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000 (Audited)
Opening net book amount	<b>43,196</b>	43,843
Additions	<b>36,370</b>	318
Amortisation charged during the period/ year	<b>(729)</b>	(965)
Closing net book amount	<b>78,837</b>	43,196
Current portion included in prepayments, deposits and other receivables	<b>(1,699)</b>	(966)
Non-current portion	<b>77,138</b>	42,230

The Group's leasehold land is situated in the PRC and is held under a medium term lease.

As at 30 June 2013, two certificates of use right in respect of two pieces of land in Shanghai with net carrying amounts of approximately RMB14,159,000 (31 December 2012: RMB14,307,000) and RMB36,128,000 (31 December 2012: Nil), respectively, have not been issued by the relevant PRC authorities. The Group is in the process of obtaining the certificates.

**13. INVENTORIES**

	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000 (Audited)
Raw materials	<b>15,553</b>	17,994
Work in progress	<b>8,088</b>	9,590
Finished goods	<b>328,776</b>	358,611
	<b>352,417</b>	386,195

#### 14. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for third party retailers, where payment in advance is normally required. The credit period normally ranges from 30 to 90 days. The Group grants a longer credit period to those long-standing customers with good payment history.

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

In view of the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances.

Trade receivables are unsecured, non-interest-bearing and the carrying amounts of the trade and bills receivables approximate to their fair values.

An aged analysis of the trade receivables as at 30 June 2013 and 31 December 2012, based on the invoice date and net of provision and the balances of bills receivable, is as follows:

	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000 (Audited)
Trade receivables		
Within 60 days	<b>87,941</b>	118,019
61 to 90 days	<b>1,076</b>	895
91 to 180 days	<b>2,611</b>	1,940
181 to 360 days	<b>1,482</b>	1,857
Over 360 days	<b>201</b>	—
	<b>93,311</b>	122,711
Bills receivable	<b>3,940</b>	252
	<b>97,251</b>	122,963



**14. TRADE AND BILLS RECEIVABLES** (continued)**Transfer of financial assets***Financial assets derecognised*

At 30 June 2013, the Group discounted a bill receivable accepted by a bank in the PRC (the “Derecognised Bill”), to another bank in the PRC in order to settle the trade payables due to suppliers with a carrying amount of RMB1,000,000 (31 December 2012: Nil). The Derecognised Bill has a maturity of three months at the end of the Reporting Period. In accordance with the Law of Negotiable Instruments in the PRC, the holder of the Derecognised Bill has a right of recourse against the Group if the PRC bank defaults (the “Continuing Involvement”). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bill. Accordingly, it has derecognised the full carrying amount of the Derecognised Bill and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bill and the undiscounted cash flows to repurchase the Derecognised Bill equal to its carrying amount. In the opinion of the Directors, the fair value of the Group’s Continuing Involvement in the Derecognised Bill is not significant.

During the Reporting Period, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bill. No gain or loss was recognised from the Continuing Involvement.

**15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	<b>30 June 2013</b>	31 December 2012
	<b>RMB’000</b>	RMB’000
	<b>(Unaudited)</b>	(Audited)
Prepayments	<b>31,743</b>	28,463
Deposits and other receivables	<b>24,666</b>	27,586
	<b>56,409</b>	56,049

Other receivable of RMB1,800,000, as at 30 June 2013 and 31 December 2012, was impaired and fully provided for. The individually impaired other receivable related to a debtor that was in default in payments. The Group does not hold any collateral or other credit enhancements over the balance.

**15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES** *(continued)*

The above balances are unsecured, non-interest-bearing and repayable on demand.

The carrying amounts of the other receivables which are neither past due nor impaired and included in the above balances relate to receivables for which there was no recent history of default. The carrying amounts of the financial assets included in the above balances approximate to their fair values.

**16. STRUCTURED BANK DEPOSITS**

	<b>30 June 2013</b>	31 December 2012
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Structured bank deposits, in licensed banks in Mainland China, at amortised cost	<b>941,000</b>	1,082,800

The structured bank deposits have terms of less than one year.

**17. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS**

	<b>30 June 2013</b>	31 December 2012
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Cash and bank balances	<b>300,361</b>	104,751
Time deposits	<b>40,127</b>	274,143
	<b>340,488</b>	378,894
Less: Bank deposits pledged for issuing bank acceptance notes	<b>(6,443)</b>	—
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	<b>334,045</b>	378,894

**17. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS***(continued)*

At the end of the Reporting Period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to RMB311,676,000 (31 December 2012: RMB99,840,000). 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 three months and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The bank balances and short term deposits are deposited with creditworthy banks with no recent history of default.

**18. TRADE AND BILLS PAYABLES**

An aged analysis of the trade payables as at 30 June 2013 and 31 December 2012, based on the invoice date, and the balances of bills payable, is as follows:

	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000 (Audited)
Trade payables		
Within 30 days	<b>20,405</b>	36,645
31 to 90 days	<b>2,939</b>	3,616
91 to 180 days	<b>1,204</b>	407
181 to 360 days	<b>482</b>	157
	<b>25,030</b>	40,825
Bills payable	<b>6,443</b>	—
	<b>31,473</b>	40,825

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 45 days. The bills payable are all due within 60 days.

**19. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS**

	<b>30 June 2013</b>	31 December 2012
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Advances from customers	<b>52,499</b>	49,904
Other payables	<b>42,943</b>	55,339
Accruals	<b>7,429</b>	11,558
Other taxes payable	<b>16,827</b>	19,574
	<b>119,698</b>	136,375

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

**20. ISSUED CAPITAL**

	<b>30 June 2013</b>	31 December 2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Authorised:		
1,000,000,000,000 (31 December 2012: 1,000,000,000,000) ordinary shares of HK\$0.1 each	<b>100,000,000</b>	100,000,000
Issued and fully paid:		
3,445,450,000 (31 December 2012: 3,445,450,000) ordinary shares of HK\$0.1 each	<b>344,545</b>	344,545
Equivalent to RMB'000	<b>280,661</b>	280,661

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

## 21. SHARE OPTION SCHEME

The Company adopted a pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) and 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 schemes are disclosed in the consolidated financial statements for the year ended 31 December 2012.

### Pre-IPO Share Option Scheme

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

	Six months ended 30 June 2013		Year ended 31 December 2012	
	Weighted average exercise price HK\$ per share	Number of options	Weighted average exercise price HK\$ per share	Number of options
At beginning of period/year	1.64	199,224,000	1.64	205,552,000
Forfeited	—	—	1.64	(6,328,000)
At the end of period/year	1.64	199,224,000	1.64	199,224,000

The Group recognised a share option expenses of RMB8,450,000 in the Reporting Period (six months ended 30 June 2012: RMB16,174,000).

No share option was exercised during the Reporting Period. As at 30 June 2013, the Company had 199,224,000 share options outstanding under the Pre-IPO 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 199,224,000 additional ordinary shares of the Company and additional share capital of HK\$19,922,400 (equivalent to RMB15,869,188) and share premium of HK\$306,804,960 (equivalent to RMB244,385,491) (before issue expenses).

**21. SHARE OPTION SCHEME** *(continued)***Pre-IPO Share Option Scheme** *(continued)*

At the date of approval of these interim condensed consolidated financial statements, the Company had 199,224,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 5.78% of the Company's shares in issue as at that date.

**Share Option Scheme**

As at 30 June 2013 and the date of approval of these interim condensed consolidated financial statements, no share option was granted and outstanding under the Share Option Scheme.

**22. OPERATING LEASE ARRANGEMENTS****(a) As lessor**

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

At 30 June 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000 (Audited)
Within one year	<b>384</b>	539
In the second to fifth years, inclusive	<b>235</b>	398
	<b>619</b>	937

**22. OPERATING LEASE ARRANGEMENTS** (continued)

**(b) As lessee**

The Group leases certain of its retail outlets and office premises under non-cancellable operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 30 June 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000 (Audited)
Within one year	<b>7,418</b>	9,764
In the second to fifth year, inclusive	<b>3,002</b>	4,298
	<b>10,420</b>	14,062

**23. COMMITMENTS**

In addition to the operating lease commitments detailed in note 22(b) above, the Group had the following capital commitments at the end of the Reporting Period:

	<b>30 June 2013 RMB'000 (Unaudited)</b>	31 December 2012 RMB'000 (Audited)
Contracted, but not provided for:		
Other intangible assets — trademarks	—	50,284
Other intangible assets — licensing agreements	—	13,828
	—	64,112

**24. CONTINGENT LIABILITIES**

The Group had no significant contingent liabilities as at 30 June 2013 and 31 December 2012.

**25. RELATED PARTY TRANSACTIONS**

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

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Fees	<b>1,250</b>	1,183
Salaries, allowances and benefits in kind	<b>2,195</b>	2,198
Equity-settled share option expenses	<b>7,150</b>	13,276
Pension scheme contributions	<b>79</b>	65
Total compensation paid to key management personnel	<b>10,674</b>	16,722

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.

**26. EVENT AFTER THE REPORTING PERIOD**

The following significant event took place subsequent to 30 June 2013:

On 9 August 2013, Shanghai Ruiguo Real Estate Co., Ltd. (上海瑞國置業有限公司) ("Ruiguo Real Estate") was incorporated under the laws of the PRC as a wholly-owned subsidiary of the Group. Upon incorporation, the authorised and paid-up capital of Ruiguo Real Estate amounted to RMB5,000,000 and the principal activities of Ruiguo Real Estate are property development operation and management.

**27. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

These unaudited interim condensed consolidated financial statements of the Group for the Reporting Period were approved and authorised for issue in accordance with a resolution of the board of directors on 26 August 2013.



## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET OVERVIEW

In the first half of 2013, China's nominal Gross Domestic Product (GDP) increased by 7.6% over the same period in 2012, which indicated a slowdown of economic growth. The Chinese government's official growth target for 2013 is 7.5%, which remains impressive compared to that of most other countries, but is nonetheless the slowest growth rate in past 23 years for China since 1990. The economic slowdown has impacted consumer sentiment and the growth of consumer market of PRC continued to decelerate in the first half of 2013. According to the data of the National Bureau of Statistics of China, the total retail sales of consumer products rose 12.7% to RMB11.08 trillion in the first half of 2013, representing a slight fall by 1.7 percentage points from 14.4% for the same period of last year. According to the statistics of the National Commercial Information Center of China (CNCIC) (中華全國商業信息中心), the top 100 key and large-scale retailers across the country has reported a growth of 10.7% in the first half of 2013, representing a period-on-period decrease of 0.3 percentage points in the growth rate; in which the retail sales of apparel products only grow 6.9% compared to that over the same period last year, representing a period-on-period decrease of 2.9 percentage points in the growth rate.

Under a relative difficult economic environment with continuous challenges, the Directors adjusted the corresponding measures timely and committed to alleviating the adverse impacts. China Outfitters Holdings Limited recorded a revenue of RMB621.3 million during the Reporting Period, representing a decrease of 6.0% compared to RMB660.9 million for the corresponding period last year. Profit attributable to owners of the parent reached RMB200.9 million, representing a decrease of 8.8% compared to RMB220.2 million for the corresponding period last year.

## FINANCIAL REVIEW

### Revenue

We generate revenue from the retail sales of our products to our end consumers, in most cases through self-operated retail points in department stores in major cities in the PRC, which we consider as our core markets, as well as from the sales of our 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. The Group's revenue decreased by RMB39.6 million, or approximately 6.0%, from RMB660.9 million for the six months ended 30 June 2012 to RMB621.3 million for the Reporting Period. This decrease was mainly attributable to (i) the slowdown of economic growth and weaker consumption sentiments resulted in a prolonged sluggish retail market; (ii) the drop in spending as a result of the frugality lifestyle advocated by the Chinese government; and (iii) the impact of e-commerce on conventional retail stores.

Revenue from the self-operated retail points increased by RMB3.1 million, or 0.8%, from RMB396.2 million for the six months ended 30 June 2012 to RMB399.3 million for the Reporting Period. The growth in the business line was mainly attributable to our consistent sales pricing strategy and discount policy, as well as an increase of revenue from our new brands London Fog and Jeep Lady.

Revenue from the sales to third-party retailers decreased by RMB42.7 million, or approximately 16.1%, from RMB264.7 million for the six months ended 30 June 2012 to RMB222.0 million for the Reporting Period. The decrease in the business line was mainly due to the slowdown consumption in third to fourth tier cities, especially in northern China, for the Reporting Period.

**FINANCIAL REVIEW** (continued)

**Revenue** (continued)

*By Sales Channel*

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

	For the six months ended 30 June			
	2013		2012	
	Revenue RMB' million	% of total revenue	Revenue RMB' million	% of total revenue
Sales from self-operated retail points	399.3	64%	396.2	60%
Sales to third-party retailers	222.0	36%	264.7	40%
<b>Total</b>	<b>621.3</b>	<b>100%</b>	<b>660.9</b>	<b>100%</b>

*By Brand*

The table below sets forth the breakdown of our revenue contributed by the sales made through self-owned brands and licensed brands:

	For the six months ended 30 June			
	2013		2012	
	Revenue RMB' million	% of total revenue	Revenue RMB' million	% of total revenue
Licensed brands	593.4	96%	621.6	94%
Self-owned brands	27.9	4%	39.3	6%
<b>Total</b>	<b>621.3</b>	<b>100%</b>	<b>660.9</b>	<b>100%</b>

Revenue contributed from the self-owned brands accounted for approximately 4% to 6% of the total revenue for the both periods indicated. Revenue from our new brands London Fog and Jeep Lady, which were introduced into the PRC apparel market in 2009 and 2011, of the total revenue has been continuously increased from 8.4% for the six months ended 30 June 2012 to 8.8% for the Reporting Period.

**FINANCIAL REVIEW** *(continued)***Cost of sales**

Our cost of sales increased by RMB12.9 million, or approximately 8.3%, from RMB155.0 million for the six months ended 30 June 2012 to RMB167.9 million for the Reporting Period. The increase in cost of sales was primarily due to the increase in inventory provision of RMB23.6 million, or approximately 74.7%, from RMB31.6 million for the six months ended 30 June 2012 to RMB55.2 million for the Reporting Period.

**Gross profit and gross margin**

Our gross profit decreased by RMB52.6 million, or approximately 10.4%, from RMB506.0 million for the six months ended 30 June 2012 to RMB453.4 million for the Reporting Period as a result of the decrease in total revenue and an increase in cost of sales. Meanwhile, with the significant increase in inventory provision, our overall gross margin decreased from 76.6% in the first half of 2012 to 73.0% for the Reporting Period.

**Other income and gains, net**

Our other income and gains increased by RMB11.4 million, or approximately 50.9%, from RMB22.4 million for the six months ended 30 June 2012 to RMB33.8 million for the Reporting Period. The increase was primarily due to (i) a foreign exchange gain of RMB6.1 million recorded during the Reporting Period as a result of the rising of the exchange rate for Renminbi against Hong Kong dollars, as compared to the foreign exchange loss of RMB3.0 million for the six months ended 30 June 2012; and (ii) an increase of the receipt of subsidy income from the local governments by RMB6.0 million, or approximately 30.0%, from RMB19.8 million for the six months ended 30 June 2012 to RMB25.8 million for the Reporting Period.

**Selling and distribution costs**

Our selling and distribution costs increased by RMB3.0 million, or approximately 1.4%, from RMB208.8 million for the six months ended 30 June 2012 to RMB211.8 million for the Reporting Period, primarily attributable to: (i) an increase in the department stores' concession fees and expenses as more marketing and promotional activities were organized by the department stores to boost sales in the Reporting Period; and (ii) an increase in the cost of marketing staff by RMB4.9 million, or approximately 18.8%, from RMB26.0 million for the six months ended 30 June 2012 to RMB30.9 million for the Reporting Period primarily due to the salary adjustment of marketing staff.

## FINANCIAL REVIEW *(continued)*

### **Administrative expenses**

Our administrative expenses decreased by RMB5.3 million, or approximately 15.4%, from RMB34.5 million for the six months ended 30 June 2012 to RMB29.2 million for the Reporting Period, primarily attributable to a decrease in the amount of amortization of share option expenses under the Pre-IPO Share Option Scheme by RMB7.7 million from RMB16.2 million for the six months ended 30 June 2012 to RMB8.5 million for the Reporting Period.

### **Other expenses**

We did not incur any other expenses during the Reporting Period. Other expenses for the six months ended 30 June 2012 represented foreign exchange losses.

### **Finance income**

Our finance income increased by approximately 3.0%, from RMB23.1 million for the six months ended 30 June 2012 to RMB23.8 million for the Reporting Period primarily due to our relatively strong cash position throughout the period.

### **Profit before tax**

As a result of the foregoing factors, our profit before tax decreased by RMB35.3 million, or approximately 11.6%, from RMB305.2 million for the six months ended 30 June 2012 to RMB269.9 million for the Reporting Period.

### **Income tax expense**

Our income tax expenses decreased by RMB15.9 million, or approximately 18.7%, from RMB84.9 million for the six months ended 30 June 2012 to RMB69.0 million for the Reporting Period, primarily attributable to a decrease in profit before tax generated by our operating entities in the PRC. The effective income tax rate for the Reporting Period was 25.6% (six months ended 30 June 2012: 27.8%).

### **Profit for the period**

Our profit for the period decreased by RMB19.4 million, or approximately 8.8%, from RMB220.2 million for the six months ended 30 June 2012 to RMB200.8 million for the Reporting Period. In addition, the decrease in net profit margin from 33.3% for the six months ended 30 June 2012 to 32.3% for the Reporting Period was mainly due to a mixed effect of:

- (i) a decrease in gross margin from 76.6% to 73.0% as a result of the increase in inventory provision; and

**FINANCIAL REVIEW** *(continued)***Profit for the period** *(continued)*

- (ii) an increase in the percentage of other income and gains over the total revenue from 3.4% for the six months ended 30 June 2012 to 5.4% for the Reporting Period as a result of the increase in the government subsidies received and foreign exchange gains.

**Profit attributable to owners of the parent**

As a result of the foregoing, profit attributable to owners of the parent decreased by RMB19.3 million, or approximately 8.8%, from RMB220.2 million for the six months ended 30 June 2012 to RMB200.9 million for the Reporting Period.

**Working capital management**

	<b>30 June 2013</b>	31 December 2012
Inventory turnover days	<b>396</b>	373
Trade and bills receivables turnover days	<b>32</b>	30
Trade and bills payables turnover days	<b>39</b>	33

The increase in inventory turnover days by 23 days was primarily due to the prolonged sluggish of the retail market resulted in a decrease in our Group's revenue, which in turn led to a slower turnover of the Group's inventories and an increase in inventory turnover days. However, the inventory balance of the Group decreased by RMB33.8 million, or approximately 8.8%, from RMB386.2 million as at 31 December 2012 to RMB352.4 million as at 30 June 2013.

Turnover days of the trade and bills payables and those of the trade and bills receivables were comparable for the periods indicated.

**Financial resources and liquidity**

As at 30 June 2013, we had an aggregate structured bank deposits, pledged bank deposits and cash and cash equivalents of approximately RMB1,281.5 million. The Group did not have any bank borrowings or other financing facilities during the Reporting Period.

As at 30 June 2013, we had the net current assets of approximately RMB1,478.5 million, as compared to RMB1,675.3 million as at 31 December 2012. As at 30 June 2013 and 31 December 2012, the current ratio, being the current assets divided by the current liabilities, of the Group were both 5.8.

## **FINANCIAL REVIEW** *(continued)*

### **Financial resources and liquidity** *(continued)*

Net cash flows from operating activities were RMB198.1 million for the Reporting Period, as compared to that of RMB159.5 million for the same period in 2012.

### **Pledge of assets**

As at 30 June 2013, bank deposits of RMB6.4 million (31 December 2012: Nil) were pledged for issuing bank acceptance notes. The pledged bank deposits will be released in full upon the settlement of the relevant payables.

### **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.

We have not entered into any forward contracts to hedge against the fluctuations in the exchange rate between RMB and HK\$. However, our management monitors foreign exchange exposure regularly and will consider if there is a need to hedge against significant foreign currency exposure, if necessary.

### **Contingent liability**

As at 30 June 2013, we did not have any material contingent liabilities.

### **Use of proceeds from IPO**

The shares of the Company were listed on 9 December 2011 on the Main Board of 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.

During the Reporting Period, an aggregate of RMB62.4 million (equivalent to HK\$77.5 million) was used for acquisition of the intellectual property rights of Artful Dodger and Zoo York brands in PRC, Hong Kong, Macau and Taiwan and royalty for the license of Maxim’s brand in the PRC. In addition, an aggregate of RMB50.8 million (equivalent to HK\$64.2 million) was used for acquisition of a parcel of land in Shanghai and a warehouse in Jinan, Shandong Province.

As at 30 June 2013, the unused proceeds were deposited in the licensed banks in the PRC and Hong Kong.

**FINANCIAL REVIEW** *(continued)***Use of proceeds from IPO** *(continued)**Use of fund raised*

	<b>Percentage to total amount</b>	<b>Net proceeds</b> (HK\$ million)	<b>Utilised amount (as at 30 June 2013)</b> (HK\$ million)	<b>Unutilised amount (as at 30 June 2013)</b> (HK\$ million)
Licensing or acquisition of additional recognised international brands	47%	380.7	77.5	303.2
Expansion and enhancement of existing logistical system	24%	193.1	64.2	128.9
Settlement of shareholder's loan	19%	152.8	147.1	5.7
General working capital	10%	77.3	—	77.3
	100%	803.9	288.8	515.1

**OPERATIONS REVIEW****Retail network**

Amid the backdrop of a slowdown in economic growth, we looked forward to building a unified image for each of our brands and laying a good foundation for the introduction of new brands by focusing on adjusting and optimizing our sales network.



**OPERATIONS REVIEW** *(continued)*

**Retail network** *(continued)*

The following table sets out the number of our self-operated retail points and retail points operated by our third-party retailers in the PRC by brand as at 30 June 2013 and 31 December 2012:

Brand	As at 30 June 2013			As at 31 December 2012		
	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						
— menswear	202	509	711	197	486	683
— lady	47	32	79	46	29	75
Santa Barbara Polo & Racquet Club (“SBPRC”)	192	190	382	192	189	381
London Fog	67	55	122	72	59	131
Others	38	—	38	42	—	42
<b>Total</b>	<b>546</b>	<b>786</b>	<b>1,332</b>	549	763	1,312

*Self-operated retail points*

- Self-operated concession counters: as at 30 June 2013 and 31 December 2012, we had a network of 532 and 535 concession counters, respectively, which were directly operated by us. All of our self-operated concession counters are located within the mainstream department stores, including Bailian (百聯), Silver Plaza (銀座), Parkson (百盛), MOI (茂業), Wangfujing (王府井), Golden Eagle (金鷹), Dashang (大商) and Wanda (萬達); and
- Self-operated stores: as at 30 June 2013 and 31 December 2012, we had 14 and 14 self-operated stores, respectively, most of which were located in the 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.

## **OPERATIONS REVIEW** *(continued)*

### **Retail network** *(continued)*

*Retail points operated by third-party retailers*

During the Reporting Period, we engaged 4, 2 and 2 new third-party retailers for sale of our JEEP, SBPRC and Jeep Lady products, respectively. We have also engaged professional advisors to provide training to our third-party retailers on products displays and other retailing skills.

### **Building brand equity**

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 fast-growing menswear market. Our diversification initiatives in brand portfolio during the Reporting Period included the followings:

- We continued to enrich the Group's brand portfolio and completed acquisition of the intellectual property rights of Artful Dodger and Zoo York in PRC, Hong Kong, Macau and Taiwan.
- We were in the process of conducting market research and brand positioning for Artful Dodger and Zoo York and planned to launch their first season products in the second half of 2014.
- We strengthened the advertising and promotion on traditional media and new media for the purpose of paving the way for the launch of the first fall/winter season products of our new brands such as Manhattan and Maxim's in the second half of 2013.

### **Production and supply chain**

During the Reporting Period, we optimised the existing logistic resources and warehousing spaces to accommodate the need of distribution and logistics of our e-commerce business, as well as further improving the efficiency of the warehouse operations. In addition, the logistics in northern China region will be significantly improved by using the newly purchased warehouse in Jinan, Shandong Province.

### **Employee information**

As at 30 June 2013, the Group had approximately 2,435 full-time employees. Staff costs, including Directors' remuneration, totalled RMB50.5 million during the Reporting Period.

**OPERATIONS REVIEW** *(continued)*

**Employee information** *(continued)*

Our Company also operated a Share Option Scheme and a Pre-IPO 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 199,224,000 options under the Pre-IPO Share Option Scheme that granted to 19 participants (including 8 directors), were outstanding as at 30 June 2013.

**Prospects**

The management will continue to focus on the following key objectives for 2013:

- We will continue to adjust and optimize our retail network, improve the single store sales and drive the growth of same store sales;
- We will strive to manage the retail market of third-party retailers through providing intensive training programs to our third-party retailers on product display, product knowledge and other retailing skills. Performance assessments of these retailers will be improved to enhance their sales forces;
- We will continue to follow our multi-channel strategy and e-commerce business will be a priority in the second half of 2013;
- In line with our multi-brand strategy, we plan to introduce the first fall/winter season products of our new brands such as Manhattan and Maxim's in the third quarter of 2013;
- A parcel of land acquired in the second half of 2011 in Shanghai will be used to expand our Group's logistic warehouses. The construction work of these warehouses is expected to commence in the third quarter of 2013; and
- A parcel of land acquired during the Reporting Period in Shanghai will be used to build our Group's research and development and product display center. The construction work of this centre is expected to commence in 2014.

**INTERIM DIVIDEND**

The Directors do not recommend to declare any interim dividends for the Reporting Period (six months ended 30 June 2012: Nil).

## OTHER INFORMATION

### DISCLOSURE OF INTERESTS

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

As at 30 June 2013, 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 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	Capacity	Number of ordinary shares owned	Underlying shares interested (Note 1)	Total	Percentage of the Company's issued share capital (%)
Mr. LO Peter	Beneficial owner	1,000,000	20,328,000	21,328,000	0.62
Mr. ZHANG Yongli	Beneficial owner	8,432,000	20,328,000	28,760,000	0.83
Mr. SUN David Lee	Beneficial owner	412,000	8,328,000	8,740,000	0.25
Ms. HUANG Xiaoyun	Beneficial owner	316,000	14,400,000	14,716,000	0.43
Mr. LI Guoqiang	Beneficial owner	—	4,328,000	4,328,000	0.13
Mr. KWONG Wilson Wai Sun	Beneficial owner	—	1,000,000	1,000,000	0.03
Mr. CUI Yi	Beneficial owner	—	1,000,000	1,000,000	0.03
Mr. YEUNG Chi Wai	Beneficial owner	—	1,000,000	1,000,000	0.03

Note 1:

The number of shares represents the shares in which the directors are deemed to be interested as a result of holding share options.

Save as disclosed above, as at 30 June 2013, 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**

At 30 June 2013, 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:

*Long positions:*

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
China Enterprise Capital Limited	(1)	Corporate interest	1,827,600,000(L)	53.04(L)
CEC Menswear Limited	(1)	Corporate interest	1,827,600,000(L)	53.04(L)
Mr. ZHANG Bruce Yongfu	(1)	Corporate interest	1,827,600,000(L)	53.04(L)
Vinglory Holdings Limited	(1)	Corporate interest	1,827,600,000(L)	53.04(L)
CEC Outfitters Limited	(1)	Beneficial owner	1,827,600,000(L)	53.04(L)
Managecorp Limited	(2)	Trustee	506,100,000(L)	14.77(L)
Ms. LAM Lai Ming	(2)	Other	506,100,000(L)	14.77(L)
Mr. LI Gabriel	(2)	Other	506,100,000(L)	14.77(L)
YM Investment Limited	(3)	Corporate interest	506,100,000(L)	14.77(L)
Orchid Asia IV Investment, Limited	(3)	Corporate interest	495,990,000(L)	14.48(L)
Orchid Asia IV Group, Limited	(3)	Corporate interest	495,990,000(L)	14.48(L)
Orchid Asia IV Group Management, Limited	(3)	Corporate interest	495,990,000(L)	14.48(L)
OAIV Holdings, L.P.	(3)	Corporate interest	495,990,000(L)	14.48(L)
Orchid Asia IV, L.P.	(3)	Beneficial owner	495,990,000(L)	14.48(L)
Mr. KRAVIS Henry Roberts	(4)	Corporate interest	285,366,000(L)	8.33(L)
Mr. ROBERTS George R.	(4)	Corporate interest	285,366,000(L)	8.33(L)
KKR Management LLC	(4)	Corporate interest	285,366,000(L)	8.33(L)
KKR & Co. L.P.	(4)	Corporate interest	285,366,000(L)	8.33(L)
KKR Group Limited	(4)	Corporate interest	285,366,000(L)	8.33(L)
KKR Fund Holdings GP Limited	(4)	Corporate interest	285,366,000(L)	8.33(L)
KKR Group Holdings L.P.	(4)	Corporate interest	285,366,000(L)	8.33(L)
KKR Fund Holdings L.P.	(4)	Corporate interest	285,366,000(L)	8.33(L)
KKR China Growth Limited	(4)	Corporate interest	285,366,000(L)	8.33(L)
KKR SP Limited	(4)	Corporate interest	285,366,000(L)	8.33(L)
KKR Associates China Growth L.P.	(4)	Corporate interest	285,366,000(L)	8.33(L)
KKR China Growth Fund L.P.	(4)	Corporate interest	285,366,000(L)	8.33(L)
KKR China Apparel Limited	(4)	Beneficial owner	285,366,000(L)	8.33(L)

(L) Long position

**DISCLOSURE OF INTERESTS** *(continued)*

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

*Long positions: (continued)*

Notes:

- (1) CEC Outfitters Limited, holding 1,827,600,000 shares (long position) of the Company, was owned as to 55.03% and 44.97% by CEC Menswear Limited ("CEC Menswear") and Vinglory Holdings Limited ("Vinglory") respectively. CEC Menswear was wholly owned by China Enterprise Capital Limited. Vinglory was wholly owned by Mr. ZHANG Bruce Yongfu. The interest in 1,827,600,000 shares (long position) relates to the same block of shares in the Company.
- (2) YM Investment Limited, holding 506,100,000 (long position) of the Company, was owned by Managecorp Limited as trustee of a discretionary trust with Mr. LI Gabriel and Ms LAM Lai Ming as founders and Managecorp Limited as trustee.
- (3) YM Investment Limited held interest in a total of 506,100,000 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 495,990,000 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 10,110,000 shares (long position) in the Company. Orchid Asia IV Co-Investment Limited was a wholly owned subsidiary of YM Investment Limited.

**DISCLOSURE OF INTERESTS** *(continued)*

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

*Long positions: (continued)*

*Notes: (continued)*

- (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 Fund Holdings L.P. was owned as to 31% and 2% by KKR Group Holdings L.P. and KKR Subsidiary Partnership L.P. respectively. Besides, KKR Subsidiary Partnership L.P., was owned as to 99% by KKR Group Holdings L.P. 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.

Save as disclosed above, as at 30 June 2013, no person, other than the Directors and chief executives of the Company, whose interests are set out in the section "Directors' and chief executive's 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**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

## CORPORATE GOVERNANCE

### Corporate governance practices

The Company is committed to maintaining and upholding guidelines and procedures for stringent corporate governance. In respect of the Reporting Period, all the provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the “CG Code”) were met by the Company. The Company will periodically review its corporate governance practices to ensure its continuous compliance with the CG Code.

### Compliance with the Model Code by Directors

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, the Company has confirmed with all Directors that they have complied with the required standard set out in the Model Code and its code of conduct regarding any Directors’ securities transactions for the period from 1 January 2013 to 26 August 2013 (date of publication of the Company’s interim results).

## CHANGE OF DIRECTORS’ INFORMATION

Pursuant to Rule 13.51B of the Listing Rules, the changes in information of Directors since the date of the 2012 annual report of the Company are set out below:

Name of Director	Details of Change
Lo Peter	Resigned on 8 May 2013 as Chairman and a non-executive Director from Sino Distillery Group Limited (Stock Code: 39) (formerly known as BIO-DYNAMIC GROUP LIMITED)
Sun David Lee	Resigned on 2 May 2013 as Chairman of Asia Coal Limited and re-designated from executive Director to non-executive Director of Asia Coal Limited (Stock Code: 835)

## REVIEW OF INTERIM RESULTS

The Audit Committee has discussed with management internal controls and financial reporting matters related to the preparation of the interim condensed financial statements for the Reporting Period. It has also reviewed the said financial statements in conjunction with the Company’s external auditors.

Ernst & Young, the external auditors of the Group have reviewed but not audited the Group’s interim results for the Reporting Period.



**APPRECIATION**

I would like to take this opportunity to thank our colleagues on the board for their contribution and support throughout the Reporting 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**

**LO Peter**

*Chairman*

Hong Kong

26 August 2013