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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board of directors (the "**Board**") of China Outfitters Holdings Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022, together with the comparative figures for the previous year, as follows:

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2022	2021	
	RMB million	*RMB million*	*Changes*
REVENUE	**206.5**	323.5	(36.2%)
Gross profit	**81.4**	194.6	(58.2%)
Gross profit margin	***39.4%***	*60.2%*	*(20.8) p.p.t.*
Operating loss	**(208.2)**	(127.8)	+ 62.9%
Operating loss margin	***(100.8%)***	*(39.5%)*	*+61.3 p.p.t.*
Loss attributable to owners of the parent	**(252.2)**	(151.8)	+ 66.1%
Basic loss per share – RMB cent	**(7.68)**	(4.62)	+ 66.2%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**206,516**	323,509
Cost of sales		**(125,160)**	(128,898)
Gross profit		**81,356**	194,611
Other income and gains	5	**11,810**	17,230
Selling and distribution expenses		**(195,972)**	(275,725)
Administrative expenses		**(46,261)**	(52,522)
Impairment losses on financial assets, net		**(4,965)**	(2,115)
Other expenses		**(54,198)**	(9,304)
Operating loss		**(208,230)**	(127,825)
Finance income	6	**5,950**	14,476
Finance costs	7	**(888)**	(2,041)
Share of losses of:			
Associates		**(77)**	(927)
LOSS BEFORE TAX	8	**(203,245)**	(116,317)
Income tax expense	9	**(50,413)**	(35,546)
LOSS FOR THE YEAR		**(253,658)**	(151,863)
Attributable to:			
Owners of the parent		**(252,179)**	(151,815)
Non-controlling interests		**(1,479)**	(48)
		(253,658)	(151,863)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For loss for the year	11	**RMB(7.68) cents**	RMB(4.62) cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	2022	2021
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(253,658)**	(151,863)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**36,401**	(11,110)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**36,401**	(11,110)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of financial statements	**(909)**	–
Equity investments designated at fair value through other comprehensive (loss)/income:		
Changes in fair value	**(2,327)**	(10,828)
Income tax effect	**(4,429)**	2,411
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(7,665)**	(8,417)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**28,736**	(19,527)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(224,922)**	(171,390)
Attributable to:		
Owners of the parent	**(223,470)**	(171,342)
Non-controlling interests	**(1,452)**	(48)
	(224,922)	(171,390)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2022 *RMB'000*	2021 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**257,676**	252,492
Investment properties		**47,153**	45,537
Right-of-use assets		**46,201**	63,651
Other intangible assets		**51,015**	86,082
Investments in associates		**7,277**	6,530
Equity investments designated at fair value through other comprehensive income		**28,954**	32,134
Other non-current assets	*12*	**25,139**	23,113
Deferred tax assets		**35,428**	105,810
Total non-current assets		**498,843**	615,349
CURRENT ASSETS			
Inventories	*13*	**186,669**	224,298
Properties under development	*14*	**201,589**	190,195
Trade and bills receivables	*15*	**23,657**	38,960
Prepayments and other receivables		**61,847**	120,167
Financial assets at fair value through profit or loss	*16*	**84,436**	21,937
Structured bank deposits and deposits in financial institutes	*16*	**148,743**	306,900
Cash and cash equivalents and time deposit with original maturity of over three months	*17*	**263,615**	227,995
Total current assets		**970,556**	1,130,452
CURRENT LIABILITIES			
Trade payables	*18*	**9,206**	15,782
Other payables and accruals		**53,312**	73,252
Lease liabilities		**11,023**	23,491
Tax payable		**120,144**	124,701
Total current liabilities		**193,685**	237,226
NET CURRENT ASSETS		**776,871**	893,226
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,275,714**	1,508,575

	Notes	**2022**	2021
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**711**	4,164
Deferred tax liabilities		**5,955**	16,739
Total non-current liabilities		**6,666**	20,903
Net assets		**1,269,048**	1,487,672
EQUITY			
Equity attributable to owners of the parent			
Share capital	*19*	**280,661**	280,661
Shares held for share award scheme		**(30,946)**	(30,946)
Reserves		**1,014,912**	1,238,041
		1,264,627	1,487,756
Non-controlling interests		**4,421**	(84)
Total equity		**1,269,048**	1,487,672

NOTES

1. CORPORATE AND GROUP INFORMATION

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

The principal activity of the Company is investment holding. The Group is principally engaged in the business of design, manufacture, marketing and sale of apparel products and accessories in the People's Republic of China (the "**PRC**", or "**China**" which excludes, for the purpose of this announcement, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan), with a focus on menswear. The Group also engages in the business of property development in the PRC. There has been no significant change in the Group's principal activities during the year.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IAS**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. These consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control.

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries and a trust (the "**Share Award Scheme Trust**"), a controlled special purpose entity, are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The Board has approved a share award scheme (the "**Share Award Scheme**") to provide incentives to employees of the Group and to retain and encourage employees for the continual operation and development of the Group. Pursuant to the rules of the Share Award Scheme, the Group has set up the Share Award Scheme Trust for the purpose of administering the Share Award Scheme and holding the award shares before they vest. As the Group has the power to govern the financial and operating policies of the Share Award Scheme Trust and derives benefits from the contributions of the employees, who have been awarded the awarded shares through their continued relationship with the Group, the Group is required to consolidate the Share Award Scheme Trust under IAS 27 (Revised) *Separate Financial Statements*.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendment to IFRS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IFRS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRSs 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying ISA 16, and IAS 41*

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

(a) Amendments to IFRS 3 replace a reference to a previous version of the *IASB's Conceptual Framework* with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by *IAS 2 Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- *IFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) the apparel products and accessories segment engaged in the business of the design, manufacture, marketing and sale of apparel products and accessories in the PRC, with a focus on menswear; and

(b) the property development segment engaged in the business of the development properties in the PRC.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, non-lease-related finance costs, dividend income, fair value gains/losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, cash and cash equivalents, financial assets at fair value through profit or loss, structured bank deposits and deposits in financial institutes, equity investments designated at fair value through other comprehensive income and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2022	**Apparel products and accessories** *RMB'000*	**Property development** *RMB'000*	**Total** *RMB'000*
Segment revenue			
Sales to external customers	**206,516**	–	**206,516**
Reconciliation:			
Elimination of intersegment sales			–
Revenue			**206,516**

Year ended 31 December 2022	Apparel products and accessories *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Segment results	**(182,692)**	**96**	**(182,596)**
Reconciliation:			
Elimination of intersegment results			**(9,622)**
Interest income			**5,950**
Dividend income and unallocated gains			**6,250**
Corporate and other unallocated expenses			**(23,227)**
Loss before tax from continuing operations			**(203,245)**
Segment assets	**866,220**	**250,413**	**1,116,633**
Reconciliation:			
Elimination of intersegment receivables			**(253,133)**
Elimination of capitalized interest expense			**(29,084)**
Corporate and other unallocated assets			**634,983**
Total assets			**1,469,399**
Segment liabilities	**64,202**	**263,183**	**327,385**
Reconciliation:			
Elimination of intersegment payables			**(253,133)**
Corporate and other unallocated liabilities			**126,099**
Total liabilities			**200,351**
Other segment information			
Impairment of trade receivables, net	**437**	**–**	**437**
Impairment of other intangible assets	**35,683**	**–**	**35,683**
Impairment of right-of-use assets	**2,359**	**–**	**2,359**
Impairment of property, plant and equipment	**2,942**	**–**	**2,942**
Depreciation and amortisation	**46,107**	**–**	**46,107**
Capital expenditure*	**15,852**	**11,394**	**27,246**

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

Year ended 31 December 2021	Apparel products and accessories *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to external customers	323,509	–	323,509
Reconciliation:			
Elimination of intersegment sales	–	–	–
Revenue			323,509
Segment results	(112,374)	(4)	(112,378)
Reconciliation:			
Elimination of intersegment results			(9,434)
Interest income			14,476
Dividend income and unallocated gains			7,589
Corporate and other unallocated expenses			(16,570)
Loss before tax from continuing operations			(116,317)
Segment assets	1,012,111	214,470	1,226,581
Reconciliation:			
Elimination of intersegment receivables			(204,050)
Elimination of capitalised interest expense			(19,462)
Corporate and other unallocated assets			742,732
Total assets			1,745,801
Segment liabilities	107,085	213,654	320,739
Reconciliation:			
Elimination of intersegment payables			(204,050)
Corporate and other unallocated liabilities			141,440
Total liabilities			258,129
Other segment information			
Reversal of impairment of trade and bills receivables, net	(4,180)	–	(4,180)
Impairment of other intangible assets	4,558	–	4,558
Impairment of property, plant and equipment	4,121	–	4,121
Depreciation and amortisation	66,210	–	66,210
Capital expenditure	28,414	18,542	46,956

Geographical information

(a) Revenue from external customers

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**202,357**	318,845
Taiwan	**4,159**	4,664
	206,516	323,509

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

(b) Non-current assets

	2022	2021
	RMB'000	*RMB'000*
Hong Kong	**46,754**	44,770
Mainland China	**387,707**	432,635
	434,461	477,405

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers	**206,516**	323,509

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year	**2022**	2021
	RMB'000	*RMB'000*
Type of goods		
Sale of apparel and accessories	**206,516**	323,509
Timing of revenue recognition		
Goods transferred at a point in time	**206,516**	323,509

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

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of apparel and accessories	**5,196**	21,670

(ii) Performance obligations

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

Sale of apparel and accessories

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.

An analysis of other income and gains is as follows:

	2022	2021
	RMB'000	*RMB'000*
Other income		
Government subsidies*	**4,335**	7,931
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	**5,284**	4,845
Royalty income^	**729**	1,295
Dividend income from equity investments at fair value through other comprehensive income	**307**	629
Sale of software	**–**	368
Sale of consumables, net	**–**	47
Service income	**496**	–
	11,151	15,115
Gains		
Exchange gain, net	**–**	951
Fair value gains, net:		
Financial assets at fair value through profit or loss	**177**	646
Others	**482**	518
	659	2,115
	11,810	17,230

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

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

6. FINANCE INCOME

	2022	2021
	RMB'000	*RMB'000*
Interest income on bank deposits	**4,724**	12,191
Interest income on structured bank deposits, deposits in financial institutes and wealth management products	**880**	1,920
Others	**346**	365
	5,950	14,476

7. FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Interest on lease liabilities	**888**	2,041

8. LOSS BEFORE TAX

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

	2022	2021
	RMB'000	*RMB'000*
Cost of inventories sold	**35,994**	69,861
Depreciation of property, plant and equipment	**17,167**	17,092
Depreciation of investment properties	**2,998**	2,453
Depreciation of right-of-use assets	**27,895**	47,689
Amortisation of other intangible assets	**1,045**	1,429
Auditor's remuneration	**2,303**	2,303
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**29,432**	32,366
Equity-settled share option expense	**341**	1,301
Pension scheme contributions *	**3,077**	3,106
	32,850	36,773
Outsourced labour costs	**53,605**	63,816
Impairment of other intangible assets**	**35,683**	4,558
Impairment of property, plant and equipment**	**2,942**	4,121
Impairment of investment properties**	**2,178**	–
Impairment of right-of-use assets**	**2,359**	–
Impairment/(Reversal of impairment) of trade and bills receivables, net***	**437**	(4,180)
Impairment of other receivables and prepayments#	**5,431**	6,295
Write-down of inventories to net realisable value, net^	**89,166**	59,037
Fair value gains, net:		
Financial assets at fair value through profit or loss – wealth management products	**(177)**	(646)
Dividend income from equity investments at fair value through other comprehensive income	**(307)**	(629)
Lease payments not included in the measurement of lease liabilities	**34,314**	44,078
Gain on disposal of items of property, plant and equipment	**–**	(129)

* As at 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2021: Nil).

** The impairment of other intangible assets, property, plant and equipment, investment properties and right-of-use assets are included in "Other expenses" in the consolidated statement of profit or loss.

*** The impairment/reversal of impairment of trade and bills receivables is included in "Impairment losses on financial assets, net" in the consolidated statement of profit or loss.

\# The impairment of other receivables is included in "Impairment losses on financial assets, net" and the impairment of prepayments is included in "Other expenses" in the consolidated statement of profit or loss.

^ The write-down of inventories to net realisable value is included in "Cost of sales" in the 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 year.

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 at a statutory rate of 25% on their respective taxable income for the year ended 31 December 2022.

	2022	2021
	RMB'000	*RMB'000*
Current – PRC		
Charge for the year	**(4,756)**	2,651
Deferred	**55,169**	32,895
Total tax charge for the year	**50,413**	35,546

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., statutory tax rate) to the effective tax rate, are as follows:

	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
Loss before tax from continuing operations	**(203,245)**		(116,317)	
Tax at the statutory tax rate	**(50,811)**	**25**	(29,079)	25
Entities subject to lower statutory income tax rates	**3,980**	**(2)**	(1,242)	1
Effect of withholding tax on distributable profits of certain PRC subsidiaries	**(10,293)**	**5**	(5,700)	5
Effect of withholding tax on service fees	**–**	**–**	2,434	(2)
Losses attributable to associates	**56**	**–**	232	–
Adjustments in respect of current tax of previous periods	**(6,785)**	**3**	–	–
Tax losses utilised from previous periods	**(4,294)**	**2**	(27,908)	24
Tax losses not recognised	**25,110**	**(12)**	50,234	(43)
Deductible temporary differences not recognised	**93,450**	**(46)**	46,575	(40)
Tax charge at the Group's effective rate	**50,413**	**(25)**	35,546	(30)

The share of tax attributable to associates amounting to RMB19,000 (2021: Nil) is included in "Share of losses of associates" in the consolidated statement of profit or loss.

10. DIVIDENDS

The Board does not recommend to declare any final dividends for the year ended 31 December 2022 and 31 December 2021.

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

The calculation of basic loss per share is based on the loss for the year attributable to ordinary equity holders of the parent of RMB252,179,000 (2021: RMB151,815,000) and the weighted average number of ordinary shares of 3,282,916,000 (2021: 3,282,916,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2022 and 31 December 2021 in respect of a dilution as the impact of the share options outstanding under the Share Option Scheme had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of basic loss per share is based on:

	2022	2021
	RMB'000	*RMB'000*
Losses		
Loss attributable to owners of the parent, used in the basic loss per share calculation	**(252,179)**	(151,815)

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue	**3,445,450,000**	3,445,450,000
Less: Weighted average number of shares purchased for the Share Award Scheme	**(162,534,000)**	(162,534,000)
Adjusted weighted average number of ordinary shares in issue used in the basic loss per share calculation	**3,282,916,000**	3,282,916,000

12. OTHER NON-CURRENT ASSETS

	2022	2021
	RMB'000	*RMB'000*
Prepayments for purchase of properties	**9,497**	16,088
Prepayments for leasehold improvements*	**414**	7,025
Long-term loan receivables	**15,228**	–
	25,139	23,113

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

13. INVENTORIES

	2022	2021
	RMB'000	*RMB'000*
Raw materials	**6,264**	8,697
Work in progress	**841**	3,527
Finished goods	**179,564**	212,074
	186,669	224,298

14. PROPERTIES UNDER DEVELOPMENT

	2022	2021
	RMB'000	*RMB'000*
Properties under development	**201,589**	190,195

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

15. TRADE AND BILLS RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**32,705**	47,286
Bills receivable	**–**	285
Impairment	**(9,048)**	(8,611)
	23,657	38,960

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.

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 are as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 1 month	**13,647**	29,433
1 to 2 months	**5,642**	4,863
2 to 3 months	**1,321**	1,059
Over 3 months	**3,047**	3,605
	23,657	38,960

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND STRUCTURED BANK DEPOSITS AND DEPOSITS IN FINANCIAL INSTITUTES

	2022	2021
	RMB'000	*RMB'000*
Financial assets at fair value through profit or loss		
Wealth management products, at fair value	**84,436**	21,937
Structured bank deposits and deposits in financial institutes		
Structured bank deposits and deposits in financial institutes, at amortised cost	**148,743**	306,900

The above financial assets at fair value at 31 December 2022 were wealth management products issued by securities companies in the 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.

The structured bank deposits and deposits in financial institutes have terms of less than one year and are denominated in Hong Kong Dollar ("**HK$**").

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

	2022	2021
	RMB'000	*RMB'000*
Cash and bank balances	**198,705**	76,055
Time deposits	**64,910**	151,940
	263,615	227,995
Less: Time deposit with original maturity of over three months	**–**	(100,000)
Cash and cash equivalents	**263,615**	127,995

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in HK$, United States Dollar ("**US$**"), Euro ("**€**") and Macau Pataca ("**MOP$**"), amounted to RMB28,710,000, RMB18,340,000, RMB383,000, and RMB166,000, respectively (2021: RMB31,276,000, RMB14,497,000, RMB52,000 and Nil, respectively).The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between seven days and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The bank balances and short-term deposits are deposited with creditworthy banks with no recent history of default.

18. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Trade payables		
Within 30 days	**6,483**	11,385
31 to 90 days	**330**	1,983
91 to 180 days	**344**	476
181 to 360 days	**2,049**	1,938
	9,206	15,782

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

19. SHARE CAPITAL

	2022	2021
	HK$'000	*HK$'000*
Issued and fully paid:		
3,445,450,000 (2021: 3,445,450,000) ordinary shares	**344,545**	344,545
Equivalent to RMB'000	**280,661**	280,661

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

During the year ended 31 December 2022, the widespread disruptions in social and economic activities arising from the rapid and continued spread of the Omicron Variant pandemic resulted in a decrease in the growth rate of Gross Domestic Product ("**GDP**") by 5.1 percentage points from 8.1% in 2021 to 3.0% in 2022. The growth rate of total retail sales of consumer products also decreased by 12.7 percentage points from an increase of 12.5% in 2021 to a decrease of 0.2% in 2022. In particular, retail sales achieved by the top 100 key and large-scale retailers decreased by 9.3% in 2022.

In this extremely difficult time, the Group reported a decrease in revenue by RMB117.0 million from RMB323.5 million in 2021 to RMB206.5 million in 2022, and an increase in loss attributable to owners of the parent by RMB100.4 million from RMB151.8 million in 2021 to RMB252.2 million in 2022.

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 RMB206.5 million in 2022, representing a decrease by RMB117.0 million, or approximately 36.2% as compared to RMB323.5 million in 2021.

By sales channel

Revenue from sales of products through self-operated retail points decreased by RMB106.5 million, or approximately 38.6%, from RMB275.6 million in 2021 to RMB169.1 million in 2022 and accounted for approximately 81.8% (2021: 85.2%) of the total revenue. Such decrease was mainly attributable to (i) the outbreak of the Omicron Variant pandemic during the year in major cities in China. The lockdown measures taken in Shenzhen, Shanghai, Beijing, Jinan, Tianjin, Chengdu, Zhengzhou etc., caused a sharp decrease in customer flows in the department stores and shopping malls where our retail points operate; and (ii) a decrease in number of self-operated retail points by 115 from 310 as at 31 December 2021 to 195 as at 31 December 2022. The revenue from outlet stores also decreased by RMB26.4 million, or approximately 29.0%, from RMB91.0 million in 2021 to RMB64.6 million in 2022.

Revenue from sales of products to third-party retailers decreased by RMB11.8 million, or approximately 49.4%, from RMB23.9 million in 2021 to RMB12.1 million in 2022 and accounted for approximately 5.9% (2021: 7.4%) of the total revenue.

Revenue from sales of products through online channels increased by RMB1.3 million, or approximately 5.4%, from RMB24.0 million in 2021 to RMB25.3 million in 2022 and accounted for approximately 12.3% (2021: 7.4%) of the total revenue. The increase in revenue was primarily attributable to a mixed effect of:

(i) an increase in sales of products through our WeChat stores by RMB4.7 million, or approximately 75.8%, from RMB6.2 million in 2021 to RMB10.9 million in 2022;

(ii) an increase in sales from online discount platform such as VIP.com by RMB0.7 million, or approximately 14.6%, from RMB4.8 million in 2021 to RMB5.5 million in 2022; and partially offset by

(iii) a decrease in sales of product through our e-shops on mainstream e-commerce platform such as Tmall.com and JD.com by RMB2.7 million, or approximately 34.2%, from RMB7.9 million in 2021 to RMB5.2 million in 2022; and

(iv) a decrease in sales of products to online third-party retailers by RMB1.4 million, or approximately 27.5%, from RMB5.1 million in 2021 to RMB3.7 million in 2022.

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:

	Year ended 31 December			
	2022		2021	
	Revenue *RMB million*	***% of total revenue***	Revenue *RMB million*	*% of total revenue*
Retail sales from self-operated retailers	**169.1**	**81.8%**	275.6	85.2%
Sales to third-party retailers	**12.1**	**5.9%**	23.9	7.4%
Sales through online channels	**25.3**	**12.3%**	24.0	7.4%
Total	**206.5**	**100.0%**	323.5	100.0%

By Brand

Revenue contributed from self-owned brands decreased by RMB62.1 million, or approximately 34.5%, from RMB180.2 million in 2021 to RMB118.1 million in 2022. Percentage of revenue from self-owned brands over total revenue remained consistent for the both years indicated.

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

	Year ended 31 December			
	2022		2021	
	Revenue		Revenue	
	RMB million	***% of total revenue***	*RMB million*	*% of total revenue*
Self-owned brands	**118.1**	**57.2%**	180.2	55.7%
Licensed brands	**88.4**	**42.8%**	143.3	44.3%
Total	**206.5**	**100.0%**	323.5	100.0%

Cost of sales

Our cost of sales decreased by RMB3.7 million, or approximately 2.9%, from RMB128.9 million in 2021 to RMB125.2 million in 2022. The decrease in cost of sales was primarily due to a mixed effect of (i) an increase in inventory provisions by RMB30.2 million from RMB59.0 million in 2021 to RMB89.2 million in 2022; and partially offset by (ii) a decrease in cost of inventories sold by RMB33.9 million from RMB69.9 million in 2021 to RMB36.0 million in 2022 due to the decrease in revenue.

Gross profit and gross profit margin

Our gross profit decreased by RMB113.2 million, or approximately 58.2%, from RMB194.6 million in 2021 to RMB81.4 million in 2022. Our overall gross profit margin decreased by 20.8 percentage points from 60.2% in 2021 to 39.4% in 2022. Save for the inventory provisions, our gross profit margin would have been 62.9% as compared with that of 69.2% in 2021. The decrease in gross profit margin was mainly due to the decrease in selling prices of Barbour waxed cotton jackets for the stock clearance during the sell-off period.

Other income and gains

Our other income and gains decreased by RMB5.4 million, or approximately 31.4%, from RMB17.2 million in 2021 to RMB11.8 million in 2022, which was primarily due to (i) a decrease in government subsidies by RMB3.6 million from RMB7.9 million in 2021 to RMB4.3 million in 2022; and (ii) no exchange gain was recognised during the year due to the depreciation of RMB against HK$ (2021: exchange gain of RMB0.9 million).

Selling and distribution expenses

Our selling and distribution expenses decreased by RMB79.7 million, or approximately 28.9%, from RMB275.7 million in 2021 to RMB196.0 million in 2022.

Rents and concession fees for occupying concession counters within department stores and department store charges decreased by RMB40.4 million, or approximately 31.8%, from RMB127.2 million in 2021 to RMB86.8 million in 2022, which was largely due to decrease in revenue from self-operated retail points.

The labour costs related to sales and marketing staff and outsourcing costs related to sales and marketing activities decreased from RMB83.4 million in 2021 to RMB70.7 million in 2022 which was primarily attributable to the decrease in number of sales and marketing staff.

Consumables and decoration fees for self-operated retail points decreased from RMB23.7 million in 2021 to RMB16.2 million in 2022 which was primarily attributable to the decrease in number of new retail points opened during the year.

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

Administrative expenses

Our administrative expenses decreased by RMB6.2 million, or approximately 11.8%, from RMB52.5 million in 2021 to RMB46.3 million in 2022. The decrease in administrative expenses was mainly due to a decrease in tax surcharges of RMB2.9 million and a decrease in amortisation of share option expenses by RMB1.0 million during the year.

Impairment losses on financial assets, net

These mainly represented impairment of other receivables of RMB4.5 million and credit losses arising from trade receivables of RMB0.4 million. (2021: an impairment of other receivables of RMB6.3 million and a reversal of credit losses arising from trade and bills receivables of RMB4.2 million).

Other expenses

Other expenses mainly included

(i) impairment of trademarks of RMB34.8 million which mainly included impairment of Marina Yachting of RMB17.6 million, MCS of RMB8.7 million, Henry Cotton's of RMB2.9 million, Artful Dodger of RMB2.4 million, London Fog of RMB2.4 million and Zoo York of RMB0.8 million, respectively (2021: impairment of trademarks – Henry Cotton's and Zoo York of RMB2.7 million and RMB1.8 million, respectively). The impairment made on trademarks was mainly because the Group has focused on developing the business of MCS brand in recent years and less resources will be allocated to develop the business of other self-owned brands including Zoo York, London Fog, Henry Cotton's and Artful Dodger;

(ii) impairment of property, plant and equipment and investment properties of RMB4.5 million for the Group's properties located in Guangzhou (2021: Nil);

(iii) impairment of right-of-use assets of RMB2.4 million (2021: Nil); and

(iv) exchange loss of RMB5.7 million arising from the depreciation of RMB against HK$ during the year.

Finance income

Our finance income decreased to RMB6.0 million in 2022 as compared to that of RMB14.5 million in 2021, representing a decrease by 58.6%. The decrease in finance income was mainly because of the decrease in the balance of structured bank deposits as well as the decrease in interest rate on structured bank deposits and decrease in return rate on wealth management products in China during the year.

Share of losses of associates

These represented share of profits of the associate – Shanghai Jegoplay Hongmeng Culture Development Co., Ltd. (上海季高紅盟文化發展有限公司) of RMB0.4 million and share of losses of the associate – China Mingmen Investment Group Limited ("**China Mingmen**", 中國名門投資集團有限公司) of RMB0.5 million (2021: share of losses of China Mingmen of RMB0.9 million).

Loss before tax

As a result of the foregoing factors, loss before tax increased by RMB86.9 million, or approximately 74.7%, from RMB116.3 million in 2021 to RMB203.2 million in 2022.

Income tax expense

Income tax expense increased by RMB14.9 million, or approximately 42.0%, from RMB35.5 million in 2021 to RMB50.4 million in 2022, which was primarily due to an increase in deferred tax expense by RMB22.3 million from RMB32.9 million in 2021 to RMB55.2 million in 2022. The deferred tax expense charged during the year mainly represented the reversal of deferred tax assets for deductible temporary differences arising from impairment of assets of RMB69.4 million (2021: RMB13.5 million), as the Group does not expect to generate sufficient taxable income in future to utilise these temporary differences.

Loss for the year

The Group reported a loss for the year of RMB253.7 million in 2022 (2021: RMB151.9 million).

Loss attributable to owners of the parent

As a result of the foregoing, the loss attributable to owners of the parent increased by RMB100.4 million, or approximately 66.1%, from RMB151.8 million in 2021 to RMB252.2 million in 2022.

Working Capital Management

	31 December 2022	31 December 2021
Inventory turnover days	**599**	577
Trade receivables turnover days	**55**	95
Trade payables turnover days	**36**	57

The increase in inventory turnover days by 22 days was mainly due to a mixed effect of (i) an increase in turnover days of inventories aged between 1 year to 3 years by 57 days from 173 days as at 31 December 2021 to 230 days as at 31 December 2022, which was primarily due to the decrease in sales during the year; and partially offset by (ii) a decrease in turnover days of inventories aged within 1 year by 35 days from 404 days as at 31 December 2021 to 369 days as at 31 December 2022 due to the decrease in procurement during the year.

The decrease in trade receivables turnover days by 40 days from 95 days as at 31 December 2021 to 55 days as at 31 December 2022 was mainly because the Group adopted more stringent policies to collect trade receivables during the year.

The turnover days in trade payables decreased by 21 days from 57 days as at 31 December 2021 to 36 days as at 31 December 2022 due to the requests from our suppliers for faster payments at the end of 2022 for an early arrival of the 2023 spring festival in January 2023.

Liquidity, financial position and cash flows

As at 31 December 2022, we had net current assets of approximately RMB776.9 million, as compared to RMB893.2 million as at 31 December 2021. The current ratio of our Group was 5.0 times as at 31 December 2022, as compared to that of 4.8 times as at 31 December 2021.

There was no undrawn banking facility as at 31 December 2022.

As at 31 December 2022, we had an aggregate financial asset at fair value through profit or loss, structured bank deposits and deposits in financial institutes and cash and cash equivalents of approximately RMB496.8 million (31 December 2021: RMB556.8 million). The table below sets forth selected cash flow data from our consolidated statement of cash flows:

	Year ended 31 December	
	2022	2021
	RMB million	*RMB million*
Net cash flows used in operating activities	**(31.5)**	(72.6)
Net cash flows from/(used in) investing activities	**191.4**	(24.7)
Net cash flows used in financing activities	**(23.4)**	(47.6)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**136.5**	(144.9)
Effect of foreign exchange rate changes, net	**(0.9)**	1.6
Cash and cash equivalents at beginning of year	**128.0**	271.3
CASH AND CASH EQUIVALENTS AT END OF YEAR	**263.6**	128.0

Operating activities

Net cash flows used in operating activities decreased by RMB41.1 million from RMB72.6 million in 2021 to RMB31.5 million in 2022, which was primarily attributable to a decrease in cash outflows from changes in inventories by RMB48.5 million due to the decrease in procurement.

Investing activities

Net cash flows from investing activities of RMB191.4 million mainly represented withdrawal of short term deposits with original maturity of over three months of RMB100.0 million and withdrawal of structured bank deposits, deposits in financial institutes and financial assets at fair value through profit or loss of RMB95.8 million during the year.

Financing activities

Net cash flows used financing activities mainly represented payment of the principal portion of lease payments of RMB29.4 million and partially offset by the capital injected by non-controlling interests of RMB6.0 million during the year.

Pledge of group assets

As at 31 December 2022, no asset of the Group was pledged as a security for bank borrowings or any other financing facilities.

Capital commitments and contingent liabilities

As at 31 December 2022, the Group had capital commitments of approximately RMB1.3 million (31 December 2021: RMB27.7 million) and there were no significant contingent liabilities (31 December 2021: Nil).

Foreign exchange management

We conduct business primarily in Hong Kong and the PRC with most of our transactions denominated and settled in HK$ and RMB. To minimise foreign-exchange risks, the Group has a hedging policy in place.

OPERATION REVIEW

Retail and distribution network

As at 31 December 2022, our sales network comprised a total of 195 self-operated retail points, consisting of concession counters, consignment stores and standalone stores, and 41 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 31 December 2022 and 31 December 2021:

	As at 31 December 2022			As at 31 December 2021		
Brand	**Self-operated retail points**	**Retail points operated by third-party retailers**	**Total retail points**	Self-operated retail points	Retail points operated by third-party retailers	Total retail points
SBPRC	**84**	**10**	**94**	123	10	133
MCS	**96**	**28**	**124**	142	30	172
Marina Yachting	**15**	**2**	**17**	29	2	31
London Fog	**–**	**–**	**–**	3	–	3
Zoo York	**–**	**–**	**–**	8	–	8
Others	**–**	**1**	**1**	5	3	8
Total	**195**	**41**	**236**	310	45	355

Self-operated retail points

As at 31 December 2022, we had a network of 188 self-operated concession counters (31 December 2021: 296 self-operated concession counters). A majority of the concession counters are located within mainstream department stores in the first and second tier cities in China, including Bailian（百聯）, Golden Eagle（金鷹）, MOI（茂業）, Intime（銀泰）, Inzone（銀座）, Wangfujing（王府井）etc., among which a total of 63 were outlet stores as at 31 December 2022 (31 December 2021: 84 outlet stores).

As at 31 December 2022, we had a network of 7 standalone stores (31 December 2021: 14 stores) which were located in shopping malls within major cities in the PRC to ensure a steady flow of consumers as well as to enhance our sales and brand awareness.

Retail points operated by third party retailers

As at 31 December 2022, we had a total of 41 retail points that were operated by third-party retailers, which remained consistent as compared to that of 45 retail points as at 31 December 2021.

Online Channels

We primarily sell past season products through online channels which consisted of (1) 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 year, we continued to participate in the just-in-time delivery program (the "**JIT Program**") of VIP.com, which allows us to receive orders placed by customers on VIP.com and make direct distribution of the products to customers from our warehouse. We also actively developed new online third-party retailers for online retailing of our products.

Branding

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

During the year, the Group continued to increase its brand presence by sharing brand stories and product knowledge with target audience through social media such as WeChat, Weibo, Xiaohongshu（小紅書）and Douyin（抖音）etc.

Business Digitalization

We developed an O2O system that is tailored to our retail network and allows our customers to make purchases on demand even if the desired item is out of stock at a particular location, which in turn both enhances customers' shopping experience and drives our sales. Sales contributed by the self-developed O2O system decreased by RMB20.7 million, or approximately 62.9%, from RMB32.9 million in 2021 to RMB12.2 million in 2022.

We also operate a social network-based commerce and marketing program in collaboration with Weimob and sell and deliver our products in our WeChat stores. Total revenue derived from the WeChat stores increased by RMB4.7 million from RMB6.2 million in 2021 to RMB10.9 million in 2022.

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

Formation of Joint Venture Companies

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

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

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

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

Properties under development

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

The properties under development are indirectly wholly owned by the Company. As at 31 December 2022, the carrying amount of the properties under development is RMB201.6 million. The percentage of stage of completion of the project is approximately 99.2%. Currently, the Group is in the process of applying for the permit for advance sale of commodity houses from the relevant governmental authorities.

The Board expects the construction of the properties under development will be completed in 2023. When completion and the permit for advance sale of commodity houses is obtained, the properties are expected to be sold to recover funds. After sale of the properties, the Board expects that the Group will no longer engage in the property development business.

Impairment of Trademarks

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 performs impairment test on each trademark as at each year end. The impairment assessment was based on the forecast and estimation on the future development of each cash-generating unit to which the trademark is allocated.

During the year ended 31 December 2022, the impairment loss of these trademarks was RMB34.8 million which included impairment of Marina Yachting of RMB17.6 million, MCS of RMB8.7 million, Henry Cotton's of RMB2.9 million, Artful Dodger of RMB2.4 million, London Fog of RMB2.4 million and Zoo York of RMB0.8 million, respectively (2021: impairment on trademarks – Henry Cotton's and Zoo York of RMB2.7 million and RMB1.8 million, respectively).

The impairment made on trademarks for the year ended 31 December 2022 was mainly because the Group will focus on development of the business of MCS brand in recent years and less resources will be allocated to develop the business of other self-owned brands including Zoo York, London Fog, Henry Cotton's and Artful Dodger.

Outsourcing

In order to enable our management team to continuously focus on our core missions, we outsourced substantially all our sales staff in self-operated retail points and the production workers in our manufacturing plant in Dezhou to third-party outsourcing service companies. As at 31 December 2022, approximately 921 sales representatives, store managers and production workers, were employees of the outsourcing service company (31 December 2021: 1,171).

Employee information

As at 31 December 2022, the Group had approximately 273 full-time employees (31 December 2021: 374). Staff costs, including directors' remuneration, totalled RMB32.9 million in 2022 (2021: RMB36.8 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 221,500,000 options under the Share Option Scheme that was granted to 78 participants (including 7 directors) remained outstanding as at 31 December 2022.

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

Notwithstanding the challenging and ever-changing market place, the Board is of the view that the Group has achieved steady progress in its strategic development and will focus on the following objectives and initiatives in 2023:

- to increase the portion of online sales by exploring sales opportunities from live streaming and online stores operated by department stores and shopping malls; and to increase sales from our Wechat stores and e-shops on mainstream e-commerce platform such as Tmall, JD.com etc.;

- to increase the average store sales of our MCS, SBPRC and Marina Yachting stores by leveraging the Group's digital tools such as O2O system and customer loyal program etc.;

- to increase our brand presence on social media including Xiaohongshu, Douyin and WeChat;

- to develop new online and offline third-party retailers to expand the retail network;

- to explore new businesses opportunities such as brand licensing, group purchases, consignment sales of non-apparel products on our WeChat stores etc; and

- stock clearance of aged inventories.

FINAL DIVIDENDS

The Board does not recommend to declare any final dividends in 2022 (2021: Nil).

DIRECTORS' SECURITIES TRANSACTIONS

The Company has devised its own code of conduct regarding directors' dealings in the Company's securities and securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company (the "**Code of Conduct**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 year ended 31 December 2022.

CORPORATE GOVERNANCE

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board is of the view that throughout the year ended 31 December 2022, the Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules, with the exception of code provision C.2.1.

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

PURCHASE, REDEMPTION OR SALE OF SHARES OF THE COMPANY

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee has discussed with the management regarding the risk management and internal control systems and financial reporting matters related to the preparation of the consolidated financial statements for the year ended 31 December 2022. It has also reviewed the said consolidated financial statements.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, the consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

RECORD DATE FOR ENTITLEMENT TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING

All the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Monday, 15 May 2023 will be entitled to attend and vote at the annual general meeting of the Company to be held on Friday, 19 May 2023 (the "**AGM**"). In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, 15 May 2023.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of the Company at *www.cohl.hk* and Hong Kong Exchanges and Clearing Limited at *www.hkexnews.hk*. The 2022 Annual Report and the Notice of AGM will be despatched to the shareholders of the Company and available on the same websites in due course.

APPRECIATION

Dedicated and loyal employees are our most valuable asset in this challenging and difficult year. We would like to take this opportunity to thank our colleagues on the Board and the staff members of the Group for their hard work, loyal service and contributions during the year.

By Order of the Board
China Outfitters Holdings Limited
Zhang Yongli
Chairman

Hong Kong, 24 March 2023

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Yongli, Mr. Sun David Lee and Ms. Huang Xiaoyun; the non-executive director is Mr. Wang Wei; and the independent non-executive directors are Mr. Kwong Wilson Wai Sun, Mr. Cui Yi and Mr. Yeung Chi Wai.