Cosmo Lady (China) Holdings Company Limited
都市麗人(中國)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2298)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2014

FINANCIAL HIGHLIGHTS

		Year ended December 31,		
		2014	2013	Change
Revenue	*RMB'000*	**4,007,636**	2,916,266	+37.4%
Operating profit	*RMB'000*	**575,056**	371,466	+54.8%
Profit attributable to equity holders of the Company	*RMB'000*	**425,227**	275,508	+54.3%
Gross profit margin	%	**39.1%**	36.7%	+6.7%
Operating profit margin	%	**14.3%**	12.7%	+12.6%
Profit margin attributable to equity holders of the Company	%	**10.6%**	9.4%	+12.8%
Earnings per share				
– basic	*RMB cents*	**24.86**	18.37	+35.3%
– diluted	*RMB cents*	**24.86**	18.37	+35.3%
Final dividend per share	*HK$ cents*	**10.00**	–	N/A

ANNUAL RESULTS

The board of directors (the "**Board**") of Cosmo Lady (China) Holdings Company Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2014, together with comparative figures for the corresponding period of 2013 and selected explanatory notes, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	**Year ended December 31, 2014** *RMB'000*	2013 *RMB'000*
Revenue	*4*	**4,007,636**	2,916,266
Cost of sales		**(2,440,117)**	(1,847,409)
Gross profit		**1,567,519**	1,068,857
Selling and marketing expenses		**(890,308)**	(588,906)
General and administrative expenses		**(185,792)**	(147,410)
Other income	*5*	**79,098**	38,957
Other gains/(losses) – net	*6*	**4,539**	(32)
Operating profit		**575,056**	371,466
Finance income		**12,400**	4,829
Finance costs		**–**	(1,422)
Finance income – net	*7*	**12,400**	3,407
Profit before income tax		**587,456**	374,873
Income tax expense	*8*	**(162,229)**	(99,365)
Profit for the year		**425,227**	275,508
Other comprehensive loss for the year			
(Items that may be subsequently reclassified to profit or loss)			
Exchange differences		**(4,479)**	–
Total comprehensive income for the year		**420,748**	275,508
Profit attributable to:			
Equity holders of the Company		**425,227**	275,508
Total comprehensive income attributable to:			
Equity holders of the Company		**420,748**	275,508
Earnings per share	*11*	**RMB cents**	RMB cents
Basic and diluted		**24.86**	18.37

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at December 31, 2014** **RMB'000**	2013 *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**271,339**	198,723
Land use rights		**93,551**	72,289
Intangible assets		**25,407**	28,117
Deferred income tax assets		**23,610**	15,595
Deposits, prepayments and other receivables		**30,275**	19,949
Total non-current assets		**444,182**	334,673
Current assets			
Inventories		**638,606**	404,356
Trade receivables	*12*	**280,805**	170,609
Deposits, prepayments and other receivables		**324,716**	91,206
Bank balances and cash		**1,080,562**	306,252
Total current assets		**2,324,689**	972,423
Total assets		**2,768,871**	1,307,096
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital		**117,320**	–
Share premium		**1,431,994**	–
Other reserves		**231,699**	656,265
Retained earnings		**456,519**	31,292
Total equity		**2,237,532**	687,557
Liabilities			
Current liabilities			
Trade payables	*13*	**269,958**	219,300
Accruals and other payables		**209,752**	189,286
Dividends payable		**–**	200,000
Current income tax liabilities		**51,629**	10,953
Total liabilities		**531,339**	619,539
Total equity and liabilities		**2,768,871**	1,307,096
Net current assets		**1,793,350**	352,884
Total assets less current liabilities		**2,237,532**	687,557

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company				
	Share capital	**Share premium**	**Other reserves**	**Retained earnings**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2014	**–**	**–**	**656,265**	**31,292**	**687,557**
Comprehensive income					
Profit for the year	**–**	**–**	**–**	**425,227**	**425,227**
Other comprehensive loss					
Exchange differences	**–**	**–**	**(4,479)**	**–**	**(4,479)**
Total comprehensive (loss)/income for the year	**–**	**–**	**(4,479)**	**425,227**	**420,748**
Transactions with equity holders					
Issuance of ordinary shares for Reorganization	**6**	**429,994**	**–**	**–**	**430,000**
Effect of the Reorganization	**–**	**–**	**(428,938)**	**–**	**(428,938)**
Capitalization of share premium	**92,301**	**(92,301)**	**–**	**–**	**–**
Issuance of ordinary shares upon initial public offering ("**IPO**")	**25,013**	**1,136,655**	**–**	**–**	**1,161,668**
Share issuance costs	**–**	**(42,354)**	**–**	**–**	**(42,354)**
Equity-settled share-based compensation	**–**	**–**	**8,851**	**–**	**8,851**
Total transaction with equity holders	**117,320**	**1,431,994**	**(420,087)**	**–**	**1,129,227**
As at December 31, 2014	**117,320**	**1,431,994**	**231,699**	**456,519**	**2,237,532**
As at January 1, 2013	–	–	421,343	184,980	606,323
Comprehensive income					
Profit for the year	–	–	–	275,508	275,508
Total comprehensive income	–	–	–	275,508	275,508
Transactions with equity holders					
Capitalization upon conversion of a subsidiary of the Company into a joint stock company	–	–	197,183	(197,183)	–
Appropriation to statutory reserves	–	–	32,013	(32,013)	–
Equity-settled share-based compensation	–	–	5,726	–	5,726
Dividends distributed to the then equity holders	–	–	–	(200,000)	(200,000)
Total transactions with equity holders	–	–	234,922	(429,196)	(194,274)
As at December 31, 2013	–	–	656,265	31,292	687,557

NOTES

1. General information

Cosmo Lady (China) Holdings Company Limited (the "**Company**") was incorporated in the Cayman Islands on January 28, 2014 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company's registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY-1108, Cayman Islands.

The Company is an investment holding company. Its subsidiaries (the Company and its subsidiaries are thereinafter regarded to as the "**Group**") are principally engaged in the designing, marketing and selling of intimate wear products (the "**Business**") in the People's Republic of China (the "**PRC**"). The Company's ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on June 26, 2014.

The consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated, and have been approved for issue by the Company's board of directors (the "**Board**") on March 9, 2015.

2. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") and under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

Changes in accounting policies and disclosures

(a) Effect of adopting interpretation and amendments to standards

The following interpretation and amendments to standards have been adopted by the Group for the first time for the financial year beginning January 1, 2014. The adoption of these amended standards and interpretation does not have any significant impact to the results or financial position of the Group.

IAS 32 (Amendment)	Offsetting Financial Assets and Financial liabilities
IFRS 10, IFRS 12 and IAS 27 (2011) (Amendment)	Consolidation for Investment Entities
IAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 (Amendment)	Novation of Derivatives
IFRIC – Int 21	Levies
IFRSs (Amendment)	Annual Improvements 2010–2012 cycle

(b) New standards and amendments to standards that have been issued but are not effective

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning January 1, 2014 and have not been early adopted by the Group:

IAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions[1]
IFRSs (Amendment)	Annual Improvements 2010-2012 cycle and 2011-2013 cycle[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 11 (Amendment)	Acquisitions of Interests in Joint Operations[2]
IAS 16 and 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
IFRS 10 and IAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
IAS 27 (Amendment)	Equity Method in Separate Financial Statements[2]
IFRSs (Amendment)	Annual Improvements 2012–2014[2]
IFRS 10, IFRS 12 and IAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception[2]
IAS 1 (Amendment)	Disclosure Initiative[2]
IFRS 15	Revenue from Contracts with Customers[3]
IFRS 9	Financial Instruments[4]

1 Effective for annual periods beginning on or after January 1, 2015
2 Effective for annual periods beginning on or after January 1, 2016
3 Effective for annual periods beginning on or after January 1, 2017
4 Effective for annual periods beginning on or after January 1, 2018

The Group is in the process of making an assessment on the impact of these standards and amendments to standards on the financial statements of the Group in the initial application. The adoption of the above is not expected to have a material effect on the Group's operating results or financial position.

(c) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after March 3, 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

3 Segment information

The Group operates as a single operating segment. The single operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors that makes strategic decisions.

The Group is principally engaged in the designing, marketing and selling of intimate wear products. All of its revenue are derived in the PRC.

None of the revenue derived from any single external customer amounted to more than 10% of the Group's revenue (2013: None).

4 Revenue

	Year ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
Sales to franchisees	**2,689,850**	2,240,433
Retail sales	**1,317,786**	675,833
	4,007,636	2,916,266

5 Other income

	Year ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
Franchise fee income	**3,334**	3,091
Software usage fee income	**4,230**	6,403
Government grants *(a)*	**41,101**	22,952
Service fee income *(b)*	**23,497**	–
Others	**6,936**	6,511
	79,098	38,957

Notes:

(a) Government grants received comprised financial subsidies received from various local governments in the PRC. There are no unfulfilled conditions or contingencies relating to these incomes.

(b) Service fee income mainly comprised store interior design services provided for franchised outlets.

6 Other gains/(losses) – net

	Year ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
Loss on disposal of property, plant and equipment – net	**(139)**	(32)
Net foreign exchange gains	**4,678**	–
	4,539	(32)

7 Finance income – net

	Year ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
Finance income		
Interest income on short-term bank deposits	**5,151**	1,752
Interest income on available-for-sale financial assets	**7,249**	3,077
	12,400	4,829
Finance costs		
Interest expense on bank borrowings, wholly repayable within five years	**–**	(1,422)
Finance income – net	**12,400**	3,407

8 Income tax expense

	Year ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
Current income tax		
– Hong Kong profits tax	**–**	–
– PRC corporate income tax	**170,244**	97,528
	170,244	97,528
Deferred income tax	**(8,015)**	1,837
Income tax expense	**162,229**	99,365

(a) Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% for the year ended December 31, 2014 (2013: Not applicable).

(b) PRC corporate income tax

The Group's subsidiaries in the PRC are subject to PRC corporate income tax at the rate of 25% for the year ended December 31, 2014 (2013: 25%), based on the existing legislation, interpretations and practices in respect thereof.

9 Expenses by nature

	Year ended December 31, 2014 RMB'000	2013 RMB'000
Costs of inventories recognized in cost of sales	**2,358,988**	1,792,171
Employee benefit expenses (including directors' emoluments)	**265,747**	228,940
Operating lease rentals in respect of land and buildings	**140,673**	183,560
Concessionaire fee in respect of outlets under cooperative arrangements	**389,601**	78,516
Marketing and promotion expenses	**63,207**	61,364
Government charges and levies	**31,186**	19,313
Consulting service expenses	**42,269**	21,126
Listing expenses	**22,676**	16,466
Depreciation and amortization	**38,296**	29,762
Consumables recognized in expenses	**18,775**	25,726
Write-down of inventories	**36,695**	27,415
Auditors' remuneration	**2,750**	136
Net (write-back of)/provision for impairment of trade receivables	**(1,055)**	2,442
Miscellaneous	**106,409**	96,788
Total cost of sales, selling and marketing expenses and general and administrative expenses	**3,516,217**	2,583,725

10 Dividends

	Year ended December 31, 2014 RMB'000	2013 RMB'000
Final dividend, proposed, of HK$10.00 cents (2013: Nil) per ordinary share	**151,182**	–
Dividends declared by Cosmo Lady Guangdong to its then equity holders	**–**	200,000

At a meeting held on March 9, 2015, the directors recommended a final dividend of HK$10.00 cents (equivalent to approximately RMB7.93 cents) per ordinary share of the Company, totalling approximately RMB151,182,000 for the year ended December 31, 2014. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements, but will be reflected as an appropriation for the year ending December 31, 2015.

11 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December,	
	2014	2013
Profit for the year attributable to equity holders of the Company *(RMB'000)*	**425,227**	275,508
Weighted average number of ordinary shares for purpose of the basic earnings per share *(thousands of shares)*	**1,710,467**	1,500,000
Basic earnings per share *(RMB cents per share)*	**24.86**	18.37

Note: The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended December 31, 2013 and 2014 has been retrospectively adjusted for the effects of the capitalization of the ordinary shares of the Company which took place on June 26, 2014.

Diluted

Diluted earnings per share is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the year (2013: Nil).

12 Trade receivables

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
Due from third parties	**282,416**	173,275
Less: provision for impairment	**(1,611)**	(2,666)
Trade receivables – net	**280,805**	170,609

(a) As at December 31, 2014, the carrying amounts of the trade receivables of the Group approximate their fair values and are all denominated in RMB.

(b) The Group's trade receivables are primarily derived from sales to certain franchise customers with an appropriate credit history. The Group generally grants franchise customers with a credit period of 60 to 90 days from the invoice date for seasonal products. The Group also gives franchise customers a credit period of 180 to 360 days for their first order of products for new outlets. The ageing analysis of trade receivables based on invoice date, as at December 31, 2014 is as follows:

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
Trade receivables, gross		
– Within 30 days	**153,555**	123,513
– Over 30 days and within 60 days	**89,133**	32,751
– Over 60 days and within 90 days	**21,432**	7,483
– Over 90 days and within 180 days	**12,851**	8,457
– Over 180 days and within 360 days	**2,740**	636
– Over 360 days	**2,705**	435
	282,416	173,275

13 Trade payables

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
Due to related parties	**3,488**	12,108
Due to third parties	**266,470**	207,192
	269,958	219,300

As at December 31, 2014, trade payables of the Group are non-interest bearing, and their fair values approximate their carrying amounts due to their short maturities.

The credit periods granted by suppliers generally range from 0 to 180 days.

As at December 31, 2014, trade payables are denominated in RMB.

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
Trade payables		
– Within 30 days	**21,588**	51,580
– Over 30 days and within 60 days	**94,225**	69,172
– Over 60 days and within 90 days	**68,690**	51,663
– Over 90 days and within 180 days	**62,839**	35,913
– Over 180 days and within 360 days	**22,048**	10,565
– Over 360 days	**568**	407
	269,958	219,300

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the year of 2014, China's economy demonstrated a steady growth amid its economic transformation from investment dependence to domestic consumption. China's gross domestic product ("**GDP**") grew by 7.4% to RMB63.65 trillion in 2014, representing a mild deceleration of growth as compared with 7.7% GDP growth recorded in 2013, according to the National Bureau of Statistics of China. The per capita annual disposable income and per capita consumption expenditure of urban households have increased by 7.0% and 9.4%, respectively, year-on-year in 2014, both of which indicated an improvement of living standards and stimulated the development of the retail industry in China.

According to Frost & Sullivan, the total retail sales of consumer goods in China rose by 12.0% and reached RMB26.24 trillion in 2014. In particular, the retail sales of the intimate wear market in China increased by 14.4% and reached RMB221.8 billion in 2014. While the retail industry remained relatively stagnant, China's intimate wear market managed to sustain its stable growth rate mainly due to its relatively anti-cyclical nature and strong resilience of its products as a close necessity.

Attributed to the Group's keen efforts in striving the best results for its shareholders and the favorable industry outlook, for the year ended December 31, 2014, the Group's revenue grew by 37.4% over the previous year to RMB4,007,636,000 and the Group maintained a healthy single-digit same sales growth. Profit attributable to equity holders of the Company increased by 54.3% to RMB425,227,000. Earnings per share reached RMB24.86 cents (2013: RMB18.37 cents), representing a year-on-year increase of 35.3%.

BUSINESS REVIEW

For the year ended December 31, 2014, the Group remained the largest branded intimate wear enterprise in the overall Chinese intimate wear market with a market share of 2.9% in terms of total retail sales, according to Frost & Sullivan. The Group has seized the leading position in major product segments of the Chinese intimate wear market in 2014. According to Frost & Sullivan, the Group ranked number one in terms of retail sales in various product segments including bra, underpants and sleepwear and loungewear. The Group also ranked the third in terms of retail sales of thermal clothes in 2014.

The Group has on one hand continued its persistent pursuit of growth in the mass market of the intimate wear industry in China, which is the largest and fastest growing sub-segment of the industry according to Frost & Sullivan, through new brand launching such as Secret of City Beauty and Freeday, and on the other hand has been exploring the ample growth potential to be captured by the Group's new venture into the high-end intimate wear market in China through its acquisition of brands including, among others, Ordifen, in the first quarter of 2015. Leveraging on its extensive retail network and diversified brand and product portfolio, the Group believes it has further consolidated its leading position in the intimate wear industry in China over the year 2014.

Extensive and Effective Retail Network Nationwide

During 2014, the Group has progressively expanded its retail network and strategically located its outlets across China in order to effectively reach its target customers and achieve steady business growth. The Group adopts a flat distribution model which avoids distributors or multiple layers of franchisees. Such streamlined distribution model enables the Group to have direct control of its retail network and ensures close monitoring of the operation of its outlets, which in turn significantly facilitates the Group to have efficient management of its sales activities, inventory level and brands building. As of December 31, 2014, the Group's retail network consisted of approximately 7,026 outlets in various prefecture-level cities in all provinces as well as municipalities and autonomous regions in China, among which approximately 6,049 were franchised outlets and approximately 977 were self-managed outlets.

In line with its blueprint of business expansion and the business strategy to further increase its presence in regions with high growth potential (mainly third and fourth tier cities and counties), the Group attained a net increase of approximately 980 franchised outlets and approximately 256 self-managed outlets for the year ended December 31, 2014. During 2014, a major part of the expansion has taken place in Northern China (as defined below), where market penetration by the Group is relatively low as compared to other regions in China.

Noting the increasing importance of e-commerce as one of the sales channels in the intimate wear industry in China, the Group launched its e-commerce platform in February 2014 and has been collaborating with renowned online sales platforms such as Tmall.com, VIP.com, JD.com, YHD.com and JUMEI.com since the second quarter of 2014. The Group has taken several initiatives to broaden its online sales network, increase traffic of its e-commerce platform, promote its online sales and enhance the integration of its online and offline sales channels. As of December 31, 2014, the Group has over 30 million members in its membership program. The Group will continue to make good use of its vast and loyal customer base in developing its e-commerce sales channel.

Diversified Brand and Product Portfolio

In order to cater for consumers of different demographics, the Group has been marketing and selling its products through a diversified brand portfolio, comprising the core brand "Cosmo Lady" (都市•儷人) and three sub-brands, namely "Cosmo Elegance" (都市•絲語), "Cosmo Blossom" (都市•繽紛派) and "Cosmo Esquire" (都市•鋒尚). The Group has further elevated its brand portfolio during the year ended December 31, 2014. A new brand "Secret of City Beauty" (都市麗人的秘密), which offers products of premium quality with functional body-shaping features and aims to attract the urban white-collar ladies and well-off housewives, was launched in the first half of 2014. As at December 31, 2014, products of Secret of City Beauty were sold in more than 1,000 outlets across China. Another new brand named "Freeday" (自在時光) was introduced in the fourth quarter of 2014, with a brand portrait of simple and fresh Korean style targeting at young consumers who are fashion-conscious. As at the end of 2014, there were 23 self-managed outlets which offer products under the Freeday brand exclusively in China. The Group intends to increase the number of self-managed outlets which offer products under the Freeday brand as well as have franchised outlets of the Freeday brand in 2015.

Besides, through the acquisition of brands including Ordifen, Rubii and Ilsée, which are prestigious high-end brands with great customer awareness, the Group has efficiently elevated its brand portfolio and increased the number of its major brands to nine in the first quarter of 2015, as compared to four at the beginning of 2014.

The Group has also been enhancing its product spectrum to further its penetration into the Chinese intimate wear market over the year ended December 31, 2014 through various measures, including the introduction of intimate wear products for juvenile and kids in the fourth quarter of the year and the continuous enrichment of product range of men's intimate wear products. For the year ended December 31, 2014, the sales of Cosmo Esquire products recorded an encouraging year-on-year growth of 59.8% and reached RMB496,758,000. According to Frost & Sullivan, the Group is also a leading player in terms of the retail sales in men's intimate wear market in China in 2014. The Group believes this robust growth could be maintained with its strategy to broaden the product range of its men's intimate wear products.

Besides, the Group has been active in seeking the opportunities to collaborate with leading design houses to enhance its design capabilities as well as international brands to launch cross-over products. During 2014, the Group has cooperated with Sanrio Group and launched a new line of Hello Kitty intimate wear products.

Efficient Promotion and Marketing

The Group believes that brand awareness is crucial to its long-term business development and a cornerstone of its future success. Alongside the stringent requirement on its product quality and creating satisfactory customer shopping experience, the Group has invested in promotion and marketing to further build up its brand awareness. The Group's image spokespersons, Ms. Lin Chi-ling (林志玲小姐) and Mr. Huang Xiaoming (黃曉明先生) are well-known artists with great popularity in China. Their participation in various marketing campaigns of the Group during 2014 has heightened the Group's brand awareness and elevated the corporate image of the Group. Besides, the Group organized a grand product launch and fashion show in April 2014 to showcase to the public its quality products and the latest fashion trends in the intimate wear industry in China. The Group has also launched a series of TV commercials, paper-prints and online media advertisements to drive its brand awareness and increase popularity of its brands.

Streamlined Retail and Supply Chain Management

The Group considers continuous enhancement of its supply chain and logistics management capabilities key to maintaining its competitive edge over the other market players. In 2014, the Group has been devoting resources to further integrate its supply chain, such as the development of a linked supply chain information system which will facilitate the sharing of production and procurement information among the Group's designated raw material suppliers, the Group's OEM suppliers and the Group. It is expected that the production process, product replenishment, shipment coordination and inventory and product quality control will be further optimized upon the implementation of such information system.

Each outlet of the Group is equipped with the information technology system, including point of sales terminals and the real-time ordering system, which are directly connected to the centralized system at the headquarters of the Group. The data collected from the outlets are compiled and analyzed at the headquarters on a daily basis so that the Group can better understand the market, optimize production planning, exercise inventory control across the retail network and respond quickly to the rapidly changing market. Each self-managed outlet of the Group is also equipped with the upgraded inventory system software to enable automatic stock replenishment monitoring. The software can automatically calculate a safe inventory level based on current stock, sales and product life cycle data and provide alerts whenever stock volumes fall under the prescribed levels.

The logistics network of the Group currently consists of one central logistics center located at the headquarters in Dongguan and one regional logistics center in Tianjin. In general, the central logistics center in Dongguan is responsible for distributing products to outlets in Southern China, South-Western China and part of Eastern China and replenishing the regional logistics center, while the regional logistics center in Tianjin is responsible for distributing products to outlets in Northern China and part of Eastern China. In response to the rapid expansion of its retail network, the Group intends to establish three additional regional logistics centers in Dongguan, Tianjin and Chongqing so as to further strengthen its logistics capabilities and shorten the time required to deliver its products to the market. The new logistics center in Dongguan is expected to commence operation in the second quarter of 2015, while the construction of the Tianjin logistics center is expected to start in the second half of 2015. Depending on the demand of logistics capacity for the Group’s business, the construction of the Chongqing logistics center will commence in time as and when appropriate.

Outstanding Product Design, Research and Development

Thanks to the rapidly increasing fashion awareness among the Chinese consumers, the Group’s brands are well received by the consumers for its fashionable and stylish product design. During 2014, the Group has continued to fortify the product design and development capability which is critical for the Group to accurately grasp the market trends and deliver popular new products. Initiatives including investing in a new computerized design system and other equipment, and recruiting talented industry-leading designers have taken place during 2014. Currently, the Group employs a committed product design, research and development team for each of its major product categories. As of December 31, 2014, the in-house design, research and development team comprised approximately 70 designers and design assistants. As of December 31, 2014, the Group had a total of 34 registered patents in China, including 8 exterior design patents and 26 utility model patents.

Corporate Social Responsibility and Awards

The Group is committed to a high standard of corporate social responsibility and dedicates resources to a broad range of initiatives that benefit its employees, the environment, and the community. The Group strives to cultivate a joyful and energetic work environment and has hosted a number of activities for its employees and their families in the year ended December 31, 2014, with particular emphasis on work-life balance. The Group has also provided educational programs to its employees covering topics such as ethical business, health and safety awareness and environmental conservation. In an attempt to foster a better community, the Group has made donations to a number of charitable organizations during the year which aims to provide supports to the underprivileged and bolster the development of the youth.

The Group obtained a number of noteworthy awards for its achievements in business operations as well as its contributions to charities and social responsibility activities during the year ended December 31, 2014. The Group was honored to receive the following accolades: "2013 China Franchise Entrepreneurship Contribution Award" ("2013年度中國特許經營創業貢獻獎") from the China Chain Store & Franchise Association ("中國連鎖經營協會") ; and "Clothing & Textile Enterprise with Own Brands for Focus Tracking and Nurture" ("重點跟踪培育服裝家紡自主品牌企業") from Ministry and Information Technology of the People's Republic of China ("中華人民共和國工業和信息化部") and China National Textile And Apparel Council ("中國紡織工業聯合會"), "2013 Guangdong Outstanding Chain Brand" ("2013廣東傑出連鎖品牌") from the Guangdong Honorable Business Promotion Society ("廣東省光彩事業促進會") and "Honorary Plaque for the Charity Activity 'Great Love Has Borders'" ("「大愛有疆」公益活動榮譽牌匾") from the Xinjiang Supportive Executive Team in Guangdong ("廣東省對口支持新疆工作隊"). The Group was recognised as "2013 Outstanding Enterprises in Dongguan" ("東莞市2013年度優秀企業") during the year.

FINANCIAL REVIEW

Revenue

The Group's revenue is derived from sales of products, either to the franchisees or to consumers through self-managed outlets.

The total revenue increased by 37.4% from RMB2,916,266,000 for the year ended December 31, 2013 to RMB4,007,636,000 for the year ended December 31, 2014. The increase was mainly attributable to the increase in the volume of products sold as a result of the increased number of the franchised and self-managed outlets and the improved performance of the franchised and self-managed outlets.

Revenue by sales channel

The products of the Group are sold to consumers through an extensive network of approximately 7,026 outlets including approximately 6,049 franchised outlets and approximately 977 self-managed outlets in more than 330 prefecture-level cities across China as of December 31, 2014. The following table sets out an analysis of the total revenue by sales channel, each expressed in the absolute amount and as a percentage of the total revenue.

	Year ended December 31,			
	2014		2013	
	RMB'000	*%*	*RMB'000*	*%*
Sales to franchisees	**2,689,850**	**67.1**	2,240,433	76.8
Retail sales	**1,244,013**	**31.0**	675,833	23.2
E-commerce	**73,773**	**1.9**	–	–
Total revenue	**4,007,636**	**100.0**	2,916,266	100.0

Revenue by type of products

The Group's revenue is generated from five major lines of intimate wear products: bras, underpants, sleepwear and loungewear, thermal clothes and others. The following table sets out an analysis of the total revenue by product category, each expressed in the absolute amount and as a percentage of the total revenue.

	Year ended December 31,			
	2014		2013	
	RMB'000	*%*	*RMB'000*	*%*
Bras	**1,854,044**	**46.3**	1,386,163	47.5
Underpants	**622,152**	**15.5**	437,041	15.0
Sleepwear and loungewear	**606,815**	**15.1**	443,308	15.2
Thermal clothes	**517,094**	**12.9**	381,422	13.1
Others(1)	**407,531**	**10.2**	268,332	9.2
Total revenue	**4,007,636**	**100.0**	2,916,266	100.0

Note:

(1) Includes leggings and tights, vests, hosiery and accessories.

Revenue by brand

The Group's revenue is generated from intimate wear products under different brands: Cosmo Lady, Cosmo Elegance, Cosmo Blossom, Cosmo Esquire, Secret of City Beauty and Freeday. The following table sets out an analysis of the total revenue by brand, each expressed in the absolute amount and as a percentage of the total revenue.

	Year ended December 31,			
	2014		2013	
	RMB'000	*%*	*RMB'000*	*%*
Cosmo Lady	**1,679,758**	**41.9**	1,255,530	43.1
Cosmo Elegance	**1,244,193**	**31.0**	922,403	31.6
Cosmo Blossom	**460,206**	**11.5**	382,868	13.1
Cosmo Esquire	**496,758**	**12.4**	310,881	10.7
Others	**126,721**	**3.2**	44,584	1.5
Total revenue	**4,007,636**	**100.0**	2,916,266	100.0

Revenue by geographic location

In order to facilitate sales and optimize decision-making, the Group manages its nationwide retail network across four sales regions, namely Southern China, Eastern China, South-Western China and Northern China (all as defined below), which report individually to the headquarters. The following table sets out an analysis of the total revenue by geographic region, each expressed in the absolute amount and as a percentage of the total revenue.

	Year ended December 31,			
	2014		2013	
	RMB'000	*%*	*RMB'000*	*%*
Southern China[(1)]	**1,800,279**	**44.9**	1,336,606	45.8
Eastern China[(2)]	**804,075**	**20.1**	693,503	23.8
South-Western China[(3)]	**748,986**	**18.7**	550,083	18.9
Northern China[(4)]	**654,296**	**16.3**	336,074	11.5
Total revenue	**4,007,636**	**100.0**	2,916,266	100.0

Notes:

(1) Southern China includes Guangdong, Fujian, Hubei, Hunan, Guangxi, Jiangxi and Hainan ("**Southern China**");

(2) Eastern China includes Shanghai, Jiangsu, Zhejiang, Anhui, Shandong and Henan ("**Eastern China**");

(3) South-Western China includes Sichuan, Chongqing, Shanxi, Gansu, Qinghai, Yunnan, Guizhou, Tibet, Xinjiang and Ningxia ("**South-Western China**"); and

(4) Northern China includes Heilongjiang, Jilin, Liaoning, Beijing, Inner Mongolia, Hebei, Tianjin and Shanxi ("**Northern China**").

Southern China and Eastern China have been the two largest regional markets, which in aggregate contributed approximately 65.0% and 69.6% of the total turnover for the year ended December 31, 2014 and 2013, respectively. The aggregate revenue contributed by Southern China and Eastern China as a percentage of the total revenue decreased during the year ended December 31, 2014 compared with 2013, because sales in Northern China out-perform all other region by more than double of its revenue over last year, mainly due to the lower market penetration rate of the Group in Northern China.

Cost of Sales

Cost of sales primarily consists of cost of inventories recognized in cost of sales, employee benefit expenses, government charges and levies, write-down of inventories, and others.

Cost of sales in the absolute amount increased by 32.1% during the year ended December 31, 2014 compared with the same period of 2013, because of business expansion. The table below sets forth an analysis of cost of sales, each expressed in the absolute amount and as a percentage of the total cost of sales.

	Year ended December 31,			
	2014		2013	
	RMB'000	*%*	*RMB'000*	*%*
Cost of inventories recognized in cost of sales	**2,358,988**	**96.7**	1,792,171	97.0
Employee benefit expenses	**21,003**	**0.9**	14,248	0.8
Taxes and levies	**23,017**	**0.9**	13,175	0.7
Write-down of inventories	**36,695**	**1.5**	27,415	1.5
Others	**414**	**0.0**	400	0.0
Total cost of sales	**2,440,117**	**100.0**	1,847,409	100.0

Gross Profit and Gross Profit Margin

During the year ended December 31, 2014, the Group recorded a gross profit of RMB1,567,519,000, representing an increase of 46.7% from 2013.

The gross profit margin of the Group increased from 36.7% for the year ended December 31, 2013 to 39.1% for the year ended December 31, 2014. The increase in gross profit margin of the Group was primarily due to the continuous improvement of the channel and product mix, the further integration of the industry supply chain and the enhancement of economies of scale.

Selling and Marketing Expenses

Selling and marketing expenses primarily consist of employee benefit expenses, operating lease rentals in respect of land and buildings, concession fees, marketing and promotion expenses, consumables recognized in expenses, depreciation and amortization, and others. The equity-settled share-based compensation included in employee benefit expenses for the year ended December 31, 2014 is RMB2,655,000 (2013: RMB2,540,000).

Selling and marketing expenses increased by 51.2% from RMB588,906,000 for the year ended December 31, 2013 to RMB890,308,000 for the year ended December 31, 2014. The increase was primarily attributable to the increase in the number of the self-managed outlets from approximately 721 as of December 31, 2013 to approximately 977 as of December 31, 2014 such that the aggregate of employee benefit expenses, operating lease rentals in respect of land and buildings, concession fees increased significantly during the years indicated.

General and Administrative Expenses

General and administrative expenses primarily consist of employee benefit expenses, government charges and levies, consulting service fees, listing expenses, depreciation and amortization, and others. The equity-settled share-based compensation included in employee benefit expenses for the year ended December 31, 2014 is RMB6,196,000 (2013: RMB3,186,000).

General and administrative expenses increased by 26.0% from RMB147,410,000 for the year ended December 31, 2013 to RMB185,792,000 for the year ended December 31, 2014. The increase was primarily attributable to an increase of RMB6,210,000 in listing expenses and an increase of RMB12,484,000 in employee benefit expenses incurred as a result of the growth of the Group's business.

Other Income

Other income consists of franchise fee income, software usage income, government grants, service fee income and others.

Other income increased by 103.0% from RMB38,957,000 for the year ended December 31, 2013 to RMB79,098,000 for the year ended December 31, 2014. The increase was primarily attributable to an increase of RMB18,149,000 in government grant received and a service fee income of RMB23,497,000 received during the year for interior services provided to franchisees.

Other Gains – net

Other net gains consist of net foreign exchange gains and net loss on disposal of property, plant and equipment.

Finance Income – net

Net finance income represents interest income derived from available-for-sale financial assets and short-term bank deposits, offset by finance costs. The Group had net finance income of RMB12,400,000 and RMB3,407,000 for the year ended December 31, 2014 and 2013, respectively.

Income Tax Expenses

Income tax expense primarily represents income tax payable by the Group under relevant PRC income tax rules and regulations. Income tax expense consists of current income tax and deferred income tax. Current income tax consists of PRC enterprise income tax at a rate of 25% that the PRC subsidiaries of the Group pay on their taxable income. Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Income tax expense increased from RMB99,365,000 for the year ended December 31, 2013 to RMB162,229,000 for the year ended December 31, 2014. The increase in income tax expense was primarily due to an increase in taxable income. The effective tax rate of the Group for the year ended December 31, 2013 and 2014 was 26.5% and 27.6%, respectively, all of which were slightly higher than the PRC statutory income tax rate of 25% primarily attributable to the tax effect of expenses not deductible for tax purpose. As of December 31, 2014, the Group had fulfilled all its tax obligations and did not have any unresolved tax disputes.

WORKING CAPITAL MANAGEMENT

	As of	
	December 31, 2014	December 31, 2013
Inventory turnover days	**78.0**	72.3
Trade receivables turnover days	**20.6**	22.0
Trade payables turnover days	**36.6**	45.1

The increase in inventory turnover days by 5.7 days was primarily due to the 57.9% increase in inventory balance from RMB404,356,000 as of December 31, 2013 to RMB638,606,000 as of December 31, 2014, arising from the increased proportion of sales through the self-managed outlets.

Trade receivables turnover days slightly decreased from 22.0 days in 2013 to 20.6 days in 2014, while trade payables turnover days decreased from 45.1 days for the year ended December 31, 2013 to 36.6 days for the year ended December 31, 2014.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy balance sheet. As of December 31, 2014, net working capital was RMB1,793,350,000, representing an increase of 408.2% or RMB1,440,466,000 as compared with December 31, 2013. As of December 31, 2014, current ratio was 4.4 times (2013: 1.6 times) (Current ratio is calculated by using the following formula: Current Assets/Current Liabilities), mainly attributable to net proceeds from the initial public offering received during the year ended December 31, 2014.

Net cash used in operations was RMB54,111,000 for the year ended December 31, 2014, (2013: net cash generated from operations RMB217,595,000), mainly attributable to the expansion of the Group's business especially the increase in number of self-managed outlets which occupied the Group's funding in rental deposits and prepaid rental.

Net cash used in investing activities for the year ended December 31, 2014 was RMB279,290,000 (2013: RMB60,747,000). During the year ended December 31, 2014, the Group invested RMB114,279,000, RMB18,586,000 and RMB10,038,000 on payments and deposits for purchases of property, plant and equipment (including retail outlets' decorations), land use rights, and intangible assets, respectively.

During the year ended December 31, 2014, net cash generated from financing activities was RMB964,512,000 (2013: net cash used in financing activities RMB46,691,000), mainly attributable to net proceeds from the initial public offering of RMB1,161,668,000, partly offset by the payment of dividends to the then equity holders of RMB163,538,000.

As of December 31, 2014, the Group was in a net cash position of RMB921,337,000 (2013: RMB290,027,000).

CAPITAL EXPENDITURES

Capital expenditures increased from RMB69,109,000 for the year ended December 31, 2013 to RMB130,816,000 for the year ended December 31, 2014. Capital expenditures were used primarily for (i) construction expenditure of Dongguan Fumin Industrial Park to establish an additional regional logistics center in Dongguan, (ii) purchases of two parcels of land in Tianjin and Chongqing for the regional logistics centers, and (iii) additions to property, plant and equipment for the newly opened self-managed outlets.

PLEDGE OF ASSETS

As of December 31, 2014, no property, plant and equipment, and land use rights were pledged as security for banking facilities available to the Group.

CONTINGENT LIABILITIES

As of December 31, 2014, the Group did not have any significant contingent liabilities.

FINANCIAL RISK MANAGEMENT

Foreign Exchange Risk

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into certain forward foreign exchange contracts, when necessary, to manage its exposure against foreign currencies and to mitigate the impact on exchange rate fluctuations. During the year ended December 31, 2014, no forward foreign exchange contracts had been entered into by the Group.

The Group operates in the PRC with most of the Group's transactions denominated and settled in RMB. The Group's assets and liabilities, and transactions arising from its operations do not expose the Group to material foreign exchange risk as the Group's assets and liabilities as at December 31, 2014 were denominated in the respective group companies' functional currencies.

Cash Flow and Fair Value Interest Rate Risk

As the Group has no significant interest-bearing assets (other than bank balances and cash), the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no interest-bearing liabilities at the year-ended.

Credit Risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits and other receivables, bank balances and cash included in the consolidated balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has policies in place to ensure credit terms are only granted to franchisees with an appropriate credit history, and credit evaluations on them were performed periodically, taking into account their financial position, past experience and other factors. For customers to whom no credit terms were offered, the Group generally require them to pay deposits and/or advances prior to delivery of products. The Group typically does not require collaterals from customers. Provisions are made for the balance that is past due when the management considers the loss from non-performance by the customers is likely. Sales to retail customers are settled in cash or using major credit cards. The Group also makes deposits to the relevant landlords for lease of certain of the self-managed outlets. The management does not expect to incur any loss from non-performance by these counterparties.

As at December 31, 2014, all of the bank balances, term deposits and restricted bank deposits were deposited with highly reputable and sizable banks and financial institutions without significant credit risk in the PRC and Hong Kong. The management does not expect to incur any loss from non-performance by these banks and financial institutions. As at December 31, 2014 and 2013, the Group held bank balances, term deposits and restricted bank deposits totalling RMB537,108,000, and RMB235,080,000, respectively, with the four major state-owned banks of the PRC and Hong Kong.

Liquidity Risk

The liquidity position is monitored closely by the management. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance its operations and mitigate the effects of fluctuations in cash flows.

HUMAN RESOURCES

The Group employed a total of approximately 6,600 full-time employees as of December 31, 2014. The Group believes its human resources are its valuable assets and maintains its firm commitment to attracting, developing and retaining talented employees, in addition to providing dynamic career opportunities and cultivating a favorable working environment. The Group constantly invests in training across diverse operational functions and offer competitive remuneration packages and incentives to all employees. The Group regularly reviews its human resources policies for addressing corporate development needs.

SUBSEQUENT EVENTS

On March 1, 2015, Tianjin (Ordifen) Fashion Company Limited, an indirect wholly-owned subsidiary of the Company, entered into an asset transfer agreement with, among others, Shanghai Ordifen Co., Ltd., Mr. Wang Wen-Tsung and Mr. Wang Chen-Hsing (collectively the "**Sellers**") to acquire the business of the design, research, development, sale and manufacturing of intimate wear products owned by the Sellers, including but not limited to the Ordifen, Rubii and Ilsée brands and certain assets in connection with the operation of such business (the "**Acquisition**"). Please refer to the announcement in relation to, among others, the Acquisition published by the Company on March 1, 2015 for further details.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company's ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on June 26, 2014. The total net proceeds from the initial public offering amounted to approximately HK$1,463 million (equivalent to approximately RMB1,162 million). The Group has, during the year ended December 31, 2014, utilized RMB58,910,000 (equivalent to approximately HK$74,353,000) to expand its retail network by increasing the number of its self-managed outlets, RMB45,600,000 (equivalent to approximately HK$57,554,000) to establish the regional logistics center in Dongguan, RMB10,867,000 (equivalent to approximately HK$13,716,000) to purchase two parcels of land in Tianjin and Chongqing for the establishment of new regional logistics centers, RMB9,010,000 (equivalent to approximately HK$11,372,000) to upgrade information technology infrastructure and RMB92,000,000 (equivalent to approximately HK$113,778,000) as consideration of the Acquisition, where the management sees adequate business growth potential for the Group. Furthermore, the Group also plans to use part of the net proceeds to establish an additional design, research and development center. At the end of the year, net proceeds not yet utilized were deposited with a licensed bank in Hong Kong and state-own banks in China.

OUTLOOK AND STRATEGY

The Group's outlook for China's economy in the short term future remains cautiously optimistic. The slowdown of the country's economic growth appears to have bottomed and the government is expected to set a GDP target of around 7% for 2015. It is also expected that the Chinese government's efforts to stimulate economic activities will provide support for growth and China will achieve healthy economic development for 2015. The continuous growth of population and urbanization in China, coupled with ongoing improvements of disposable income and living standards of the Chinese are expected to boost consumer spending and promote gradual growth in the retail industry in China. The increasing awareness of fashion concept and appreciation of product quality and functionality by the Chinese consumers are expected to further catalyze the retail sales of the intimate wear industry. The Group is confident to capitalize on these encouraging developments to further expand its business and accelerate its revenue growth.

The Group is committed to maintaining all outlets in its existing retail network to the highest standard and offer its customers unparalleled shopping experience, which will in turn promote a healthy same-store growth of its outlets. The Group will also extend its geographic coverage nationwide and deepen its market penetration by establishing additional outlets in regions with relatively lower market presence.

In addition, the Group has expanded its retail network to cover department stores, shopping malls and other large retail centers through the Acquisition, which could be a great supplement to its existing distribution network which consists of mainly street-level outlets. The Group will leverage on its strong management capability and industry expertise to effectively manage the operation of its outlets in these new channels and reach out to a wider group of potential customers.

In view of the encouraging performance of its online sales, the Group will continue to devote effort and resources to develop its e-commerce sales channels. The Group is in the active process of improving its comprehensive online shopping platform (www.cosmolady-park.com*), which will facilitate the integration of its online and offline sales channels and serve as a complementary sales channel to the physical outlets and give rise to coherent multi-channel customer experiences. The Group will also enhance its business relationship with the major e-commerce operators in China so as to showcase its products on business-to-customer platforms with high traffic and participate in diversified online marketing campaigns. Further, the Group will launch specific promotion and provide selected products offering in various festive seasons on its own e-commerce platforms and other major e-commerce platforms in China.

Besides, the Group will continue to enrich its product offering and diversify its brand portfolio. With the introduction of the new brands "Secret of City Beauty" and "Freeday", as well as intimate wear products for juvenile and kids, the Group believes it has successfully broaden its customer base and provided its existing customers with a larger variety of products with different styles. On an important note, the Acquisition marked the Group's initial presence in the high-end intimate wear market in China. The Group will leverage on the synergy to be brought by the established sales networks and well-known brands "Ordifen", "Rubii" and "Ilsée" transferred from the Sellers, as well as its own expertise and experience in China's intimate wear market, to develop the newly acquired business and further increase the Group's market share.

Going forward, the Group will continue to strive to consolidate the highly fragmented intimate wear market in China and further solidify its leadership in the industry.

CORPORATE GOVERNANCE

The Board and management of the Group are committed to abide by the principles of good corporate governance with emphasis on transparency and accountability. The Board has established the audit committee, the nomination committee and the remuneration committee with defined terms of reference, which are of no less exacting than those set out in the Corporate Governance Code and Corporate Governance Report ("**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"). All these committees comprise a majority of independent non-executive directors of the Company.

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with the code provisions set out in the CG Code throughout the year ended December 31, 2014, with the exception of code provision A.2.1.

According to code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same person. The Company deviates from this provision because Mr. Zheng Yaonan ("**Mr. Zheng**") performs both the roles of the chairman of the Board and the chief executive officer of the Company. Mr. Zheng with the established market reputation in the intimate wear industry in China is the founder of the Group and has extensive experience in its business operation and management in general. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies which is in the best interests of the Company. Under the leadership of Mr. Zheng, the Board works effectively and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions are made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive directors on the Board offering independent perspectives, the Board is of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.

Full details of the Company's corporate governance practices will be set out in the Company's 2014 annual report.

AUDIT COMMITTEE REVIEW

The audit committee was established to, without limitation, assist the Board to provide an independent review and supervision of the Group's financial and accounting policies, to oversee the financial control, internal control and risk management systems of the Group, to oversee the audit process, and to perform other duties and responsibilities as delegated by the Board.

The audit committee comprises three independent non-executive directors of the Company, namely, Mr. Yau Chi Ming, Dr. Dai Yiyi and Mr. Chen Zhigang. The chairman of the audit committee is Mr. Yau Chi Ming who has appropriate professional qualifications.

The audit committee has reviewed the annual results of the Group for the year ended December 31, 2014.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the directors of the Company. Relevant employees who are likely to possess unpublished inside information of the Group are also subject to compliance with the Model Code. Following specific enquiry, each of the directors of the Company and the relevant employees has confirmed compliance with the Model Code for the year ended December 31, 2014.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2014.

FINAL DIVIDEND

The Board has recommended to pay to the shareholders of the Company a final dividend of HK$10.00 cents per ordinary share for the year ended December 31, 2014. The proposed final dividend payment is subject to approval by the shareholders of the Company at the annual general meeting ("**AGM**") to be held on April 30, 2015. If approved by shareholders, the proposed final dividend is expected to be paid on or about May 22, 2015 to shareholders whose names appear on the register of members of the Company on May 11, 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed as follows:

(1) Shareholders whose names appear on the register of members of the Company on Thursday, April 30, 2015 are entitled to attend and vote at the AGM. For determining shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, April 28, 2015 to Thursday, April 30, 2015, both days inclusive. To be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited no later than 4:30 p.m. on Monday, April 27, 2015.

(2) The final dividend will be payable on or about Friday, May 22, 2015 to the shareholders whose names appear on the register of members of the Company on Monday, May 11, 2015. For the purpose of ascertaining shareholder's entitlement for the final dividend, the register of members of the Company will be closed from Friday, May 8, 2015 to Monday, May 11, 2015, both days inclusive. To qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited no later than 4:30 p.m. on Thursday, May 7, 2015.

The address of Computershare Hong Kong Investor Services Limited is at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

ANNUAL GENERAL MEETING

The AGM will be held on April 30, 2015. Notice of the AGM will be sent to the shareholders of the Company in due course.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company at www.cosmo-lady.com.hk and the Stock Exchange at www.hkexnews.hk. The 2014 annual report and the notice of the AGM will be despatched to the shareholders of the Company and available on the same websites in due course.

By order of the Board
Cosmo Lady (China) Holdings Company Limited
ZHENG Yaonan
Chairman

Hong Kong, March 9, 2015

As at the date of this announcement, the Board comprises Mr. Zheng Yaonan, Mr. Zhang Shengfeng, Mr. Lin Zonghong, Mr. Cheng Zuming and Ms. Wu Xiaoli as executive directors; Mr. Wen Baoma as non-executive director; and Mr. Yau Chi Ming, Dr. Dai Yiyi and Mr. Chen Zhigang as independent non-executive directors.

* The content of this website does not form part of this announcement.