**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 INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2015

## FINANCIAL HIGHLIGHTS

| | | Six months ended June 30, | | |
|---|---|---|---|---|
| | | **2015** | 2014 | Change |
| Revenue | *RMB'000* | **2,207,351** | 1,735,524 | +27.2% |
| Operating profit | *RMB'000* | **347,892** | 260,181 | +33.7% |
| Profit attributable to equity holders of the Company | *RMB'000* | **270,350** | 192,185 | +40.7% |
| Gross profit margin | % | **44.7%** | 40.1% | +11.5% |
| Operating profit margin | % | **15.8%** | 15.0% | +5.3% |
| Profit margin attributable to equity holders of the Company | % | **12.2%** | 11.1% | +9.9% |
| Earnings per share — basic and diluted | *RMB cents* | **14.18** | 12.72 | +11.5% |

## INTERIM RESULTS

The board of directors (the "**Board**") of Cosmo Lady (China) Holdings Company Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended June 30, 2015, together with comparative figures for the corresponding period of 2014 and selected explanatory notes, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | *Note* | **Six months ended June 30, 2015 Unaudited** *RMB'000* | 2014 Unaudited *RMB'000* |
|---|---|---|---|
| **Revenue** | *4* | **2,207,351** | 1,735,524 |
| Cost of sales | *6* | **(1,220,653)** | (1,038,891) |
| **Gross profit** | | **986,698** | 696,633 |
| Selling and marketing expenses | *6* | **(577,806)** | (382,431) |
| General and administrative expenses | *6* | **(82,633)** | (87,723) |
| Other income | *5* | **22,957** | 33,374 |
| Other (losses)/gains — net | *5* | **(1,324)** | 328 |
| **Operating profit** | | **347,892** | 260,181 |
| Finance income | *7* | **11,012** | 4,070 |
| **Profit before income tax** | | **358,904** | 264,251 |
| Income tax expenses | *8* | **(88,554)** | (72,066) |
| **Profit for the period** | | **270,350** | 192,185 |
| **Other comprehensive income/(loss) for the period** | | | |
| *Item that may be reclassified subsequently to profit or loss* — Exchange differences | | **6,723** | (32) |
| **Total comprehensive income for the period** | | **277,073** | 192,153 |
| Profit attributable to: | | | |
| Equity holders of the Company | | **270,350** | 192,185 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Company | | **277,073** | 192,153 |
| **Earnings per share attributable to equity holders of the Company during the period** | *9* | | |
| — basic | | **14.18** | 12.72 |
| — diluted | | **14.18** | 12.72 |

## CONDENSED CONSOLIDATED BALANCE SHEET

| | *Note* | **As at June 30, 2015 Unaudited** *RMB'000* | As at December 31, 2014 Audited *RMB'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **414,254** | 271,339 |
| Land use rights | | **92,511** | 93,551 |
| Intangible assets | | **34,209** | 25,407 |
| Deferred income tax assets | | **25,391** | 23,610 |
| Loan to a third party | *11* | **105,000** | — |
| Deposits, prepayments and other receivables | | **42,531** | 30,275 |
| | | **713,896** | 444,182 |
| **Current assets** | | | |
| Inventories | | **673,126** | 638,606 |
| Trade receivables | *12* | **296,944** | 280,805 |
| Deposits, prepayments and other receivables | | **405,671** | 324,716 |
| Bank balances and cash | | **976,406** | 1,080,562 |
| | | **2,352,147** | 2,324,689 |
| **Total assets** | | **3,066,043** | 2,768,871 |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | | **117,320** | 117,320 |
| Share premium | | **1,431,994** | 1,431,994 |
| Other reserves | | **241,961** | 231,699 |
| Retained earnings | | **575,694** | 456,519 |
| **Total equity** | | **2,366,969** | 2,237,532 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade payables | *13* | **298,528** | 269,958 |
| Accruals and other payables | | **337,543** | 209,752 |
| Current income tax liabilities | | **61,239** | 51,629 |
| | | **697,310** | 531,339 |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | | **1,764** | — |
| **Total liabilities** | | **699,074** | 531,339 |
| **Total equity and liabilities** | | **3,066,043** | 2,768,871 |
| **Net current assets** | | **1,654,837** | 1,793,350 |
| **Total assets less current liabilities** | | **2,368,733** | 2,237,532 |

## 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 hereinafter referred to as the "**Group**") are principally engaged in the designing, marketing and selling of intimate wear products in the People's Republic of China (the "**PRC**"). The Company's ordinary shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") since June 26, 2014.

The condensed consolidated interim financial information for the six months ended June 30, 2015 is presented in Renminbi ("**RMB**"), unless otherwise stated. The condensed consolidated interim financial information is unaudited but has been reviewed by the audit committee of the Company and approved for issue by the Company's board of directors on August 17, 2015.

### 2 Basis of preparation

The condensed consolidated interim financial information for the six months ended June 30, 2015 has been prepared in accordance with International Accounting Standard ("**IAS**") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the financial statements of the Group for the year ended December 31, 2014, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

The preparation of the condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements of the Group for the year ended December 31, 2014.

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those adopted in the financial statements of the Group for the year ended December 31, 2014, except as mentioned below.

#### (a) Amended standards adopted by the Group

The following amended standards are mandatory for accounting periods beginning on or after January 1, 2014.

| | |
|---|---|
| IAS 19 (amendment) | Defined benefit plans: employee contribution |
| IFRSs (amendment) | Annual improvements to IFRSs 2010–2012 cycle |
| IFRSs (amendment) | Improvements to IFRSs 2011–2013 cycle |

The adoption of these amended standards does not have any material effect on the Group's operating results or financial position.

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

| | |
|---|---|
| IAS 16 and IAS 38 (amendment) | Clarification of acceptable methods of depreciation and amortisation (1) |
| IAS 16 and IAS 41 (amendment) | Agriculture: bearer plants (1) |
| IAS 27 (amendment) | Equity method in separate financial statements (1) |
| IAS 28 and IFRS 10 (amendment) | Sale of contribution of assets between an investor and its associate or joint venture (1) |
| IFRS 11 (amendment) | Accounting for acquisition of interests in joint operation (1) |
| IFRS 14 | Regulatory deferral accounts (1) |
| IFRSs (amendment) | Annual improvements to IFRSs 2012–2014 cycle (1) |
| IFRS 9 | Financial instruments (2) |
| IFRS 15 | Revenue from contracts with customers (2) |

(1) Effective for the Group for annual period beginning on January 1, 2016

(2) Effective for the Group for annual period beginning on January 1, 2018

The Group is in the process of making an assessment on the impact of these new standards and amendments to standards on the consolidated financial statements of the Group in the initial application.

**(c)** Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

## 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 make strategic decisions.

The Group is principally engaged in the designing, marketing and selling of intimate wear products. All of its revenues are derived in the PRC for the six months ended June 30, 2015.

None of the revenue derived from any single external customer amounted to more than 10% of the Group's revenue for the six months ended June 30, 2015.

## 4 Revenue

| | **Six months ended June 30,** | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| Sales to franchisees | **1,402,352** | 1,152,120 |
| Retail sales | **804,999** | 583,404 |
| | **2,207,351** | 1,735,524 |

## 5 Other income and other (losses)/gains — net

| | Six months ended June 30, | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| Other income: | | |
| Franchise fee income | **1,443** | 1,797 |
| Software usage fee income | **1,946** | 2,011 |
| Government grants | **11,309** | 14,872 |
| Service fee income | **2,627** | 11,813 |
| Others | **5,632** | 2,881 |
| | **22,957** | 33,374 |
| Other (losses)/gains — net: | | |
| Net foreign exchange (losses)/gains — net | **(1,303)** | 457 |
| Loss on disposal of property, plant and equipment — net | **(21)** | (129) |
| | **(1,324)** | 328 |

## 6 Expenses by nature

| | Six months ended June 30, | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| Costs of inventories recognised in cost of sales | **1,187,253** | 992,047 |
| Employee benefit expenses (including directors' emoluments) | **217,616** | 121,921 |
| Operating lease rentals in respect of land and buildings | **205,021** | 60,575 |
| Concessionaire fee in respect of outlets under cooperative arrangement | **59,183** | 187,190 |
| Depreciation and amortization | **30,765** | 17,215 |
| Write-down of inventories | **11,976** | 23,660 |
| Net provision/(write-back of provision) for impairment of trade receivables | **505** | (577) |
| Listing expenses | **—** | 22,676 |
| Miscellaneous | **168,773** | 84,338 |
| **Total cost of sales, selling and marketing expenses and general and administrative expenses** | **1,881,092** | 1,509,045 |

## 7 Finance income

| | Six months ended June 30, | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| Interest income on short-term bank deposits | **4,854** | 2,356 |
| Interest income on loan to a third party | **3,094** | — |
| Other interest income | **3,064** | 1,714 |
| Finance income | **11,012** | 4,070 |

## 8 Income tax expenses

| | Six months ended June 30, | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| Current income tax — PRC corporate income tax | **90,335** | 75,593 |
| Deferred income tax | **(1,781)** | (3,527) |
| | **88,554** | 72,066 |

### (a) PRC corporate income tax

The income tax provision of the Group's subsidiaries in the PRC was calculated at the tax rate of 25% on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

### (b) Hong Kong profits tax

No provision for Hong Kong profits tax has been made in the condensed consolidated interim financial information, as the Group did not have assessable profit in Hong Kong for the period.

### (c) Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the British Virgin Islands (the "**BVI**") was incorporated under the International Business Companies Act of the BVI and, accordingly, is exempted from BVI income tax.

## 9 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 period.

| | Six months ended June 30, | |
|---|---|---|
| | **2015** | 2014 |
| Profit for the period attributable to equity holders of the Company *(RMB'000)* | **270,350** | 192,185 |
| Weighted average number of ordinary shares for purposes of basic earnings per share *(thousands of shares)* | **1,906,457** | 1,511,228 |
| Basic earnings per share *(RMB cents per share)* | **14.18** | 12.72 |

*Note:*

The weighted average number of ordinary shares for purposes of basic earnings per share for the six months ended June 30, 2014 has been retrospectively adjusted for the effects of the capitalization of the ordinary shares 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 period.

## 10 Dividends

The Board does not recommend the payment of any interim dividend to shareholders of the Company for the six months ended June 30, 2015.

## 11 Loan to a third party

Loan to a third party of RMB105,000,000 represents an entrusted loan advanced to Shanghai Ordifen Co., Ltd. ("**Shanghai Ordifen**"), a third party, through Shenzhen branch of China Merchants Bank Co., Ltd. ("**CMB**"), as lending agent, pursuant to an entrusted loan entrustment agreement, entered into between a subsidiary of the Group and CMB, and an entrusted loan agreement, entered into between CMB and Shanghai Ordifen, as part of the acquisition of the business of Shanghai Ordifen, details of which are disclosed in Note 14.

The loan is interest bearing at 9% per annum, repayable in 2017 and secured by a joint guarantee provided by two shareholders of Shanghai Ordifen and a charge over a parcel of land in Shanghai and the building located thereon owned by Shanghai Ordifen.

## 12 Trade receivables

| | As at June 30, 2015 *RMB'000* | As at December 31, 2014 *RMB'000* |
|---|---|---|
| Due from third parties | **299,033** | 282,416 |
| Less: provision for impairment | **(2,089)** | (1,611) |
| | **296,944** | 280,805 |

As at June 30, 2015 and December 31, 2014, the carrying amounts of the trade receivables of the Group are denominated in RMB and approximate their fair values.

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 June 30, 2015, and December 31, 2014 is as follows:

| | As at June 30, 2015 *RMB'000* | As at December 31, 2014 *RMB'000* |
|---|---|---|
| Trade receivables, gross | | |
| — Within 30 days | **173,093** | 153,555 |
| — Over 30 days and within 60 days | **51,042** | 89,133 |
| — Over 60 days and within 90 days | **34,650** | 21,432 |
| — Over 90 days and within 180 days | **22,803** | 12,851 |
| — Over 180 days and within 360 days | **13,875** | 2,740 |
| — Over 360 days | **3,570** | 2,705 |
| | **299,033** | 282,416 |

## 13 Trade payables

| | As at June 30, 2015 *RMB'000* | As at December 31, 2014 *RMB'000* |
|---|---|---|
| Due to related parties | **6,718** | 3,488 |
| Due to third parties | **291,810** | 266,470 |
| | **298,528** | 269,958 |

As at June 30, 2015 and December 31, 2014, trade payables of the Group are denominated in RMB, non-interest bearing, and their carrying amounts approximate their fair values due to their short maturities.

The credit periods granted by suppliers generally range from 0 to 180 days. The ageing analysis of trade payables based on invoice date is as follows:

| | **As at June 30, 2015** *RMB'000* | As at December 31, 2014 *RMB'000* |
|---|---|---|
| Trade payables | | |
| — Within 30 days | **26,337** | 21,588 |
| — Over 30 days and within 60 days | **88,745** | 94,225 |
| — Over 60 days and within 90 days | **65,156** | 68,690 |
| — Over 90 days and within 180 days | **83,920** | 62,839 |
| — Over 180 days and within 360 days | **29,791** | 22,048 |
| — Over 360 days | **4,579** | 568 |
| | **298,528** | 269,958 |

## 14 Business combination

On March 1, 2015, Tianjin (Ordifen) Fashion Company Limited ("**Tianjin Ordifen**"), an indirect wholly-owned subsidiary of the Company and a number of independent third parties entered into an asset transfer agreement ("**Asset Transfer Agreement**"), pursuant to which Tianjin Ordifen agreed to acquire the business of the sale, design, research, development and manufacturing of branded intimate wear products (under the brand of Ordifen, Rubii and Ilsée) and certain related assets (the "**Acquisition**") for a consideration of RMB92,000,000, subject to certain downward adjustments according to the terms of the Asset Transfer Agreement. The control of the business acquired was passed to the Group in June 2015 and the final consideration was concluded at RMB79,800,000 by the contracting parties.

As part of the Acquisition, the Group agreed to provide financial assistance to Shanghai Ordifen by way of a two-year term entrusted loan of RMB105,000,000, details of which have been disclosed in Note 11.

Shanghai Ordifen is a well-established intimate wear retailer and manufacturer in the PRC focusing on the high-end market. The Ordifen brand originated from Taiwan and entered the PRC market back in 1993. It is one of the high-end intimate wear brands with the longest history in the PRC with great customer awareness. The Acquisition is in line with the Group's development strategies of, among others, optimizing its product and brand portfolio as it enables the Group to mark its presence in the high-end intimate wear market in the PRC. In addition, since the acquired business is in the same industry as the Group, the Group also expects to reduce costs through economies of scale. The goodwill of RMB2,887,000 arising from the Acquisition is mainly attributable to the operational synergy to be attained.

The following table summarizes the consideration paid for the Acquisition, the fair value of assets acquired and liabilities assumed at the date of acquisition, June 1, 2015.

| | **As at June 1, 2015** |
|---|---|
| | ***RMB'000*** |
| Purchase consideration | |
| — Cash paid | **45,000** |
| — Payable | **34,800** |
| **Total purchase consideration** | **79,800** |
| **Recognised amounts of identifiable assets acquired and liabilities assumed** | |
| Property, plant and equipment | **5,865** |
| Intangible assets | **7,100** |
| Inventories | **89,677** |
| Trade receivables | **20,124** |
| Other receivables | **11,072** |
| Trade payables | **(5,928)** |
| Other payables | **(49,219)** |
| Deferred income tax liabilities | **(1,778)** |
| Total identifiable net assets | **76,913** |
| Goodwill | **2,887** |
| | **79,800** |

As at the date of this announcement, the initial accounting for the Acquisition is determined on a provisional basis as the allocation of fair value to the identifiable assets and liabilities of the Acquisition is still progressing.

Acquisition-related costs were not significant and have been charged to general and administrative expenses. The revenue and the net profit contributed by the acquired business to the Group for the period since June 1, 2015 was RMB19,262,000 and RMB1,082,000 respectively. The Group's revenue and results for the period would not be materially different if the Acquisition had occurred on January 1, 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

China's economy has maintained a steady growth in the first half of 2015 despite the sluggish global market sentiment. According to the National Bureau of Statistics of China, the gross domestic product of China in the first half of 2015 was RMB29,687 billion, representing a year-on-year increase of 7.0% which indicates a slight deceleration in the pace of economic growth. During the same period, the disposable income of the Chinese residents continued to rise. In the first half of 2015, the national per capita disposable income of China increased by 9.0% and reached RMB10,931. While the per capita disposable income of urban residents rose by 8.1% and stood at RMB15,699, that of rural residents increased by 9.5% to RMB5,554. In line with the sustaining increment of the residents' per capita disposal income, the retail sales market in China showed considerable growth over the first half of 2015. During the first half of 2015, total retail sales of consumer goods in China increased by 10.4% and amounted to RMB14,158 billion, among which 86.1% of sales was attributable to the retail activities taken place in urban areas, representing a growth of 10.2% compared to the same period last year. Retail sales in rural areas attained a growth of 11.6% compared to the same period last year.

The increase in the national per capita disposable income of China as above-mentioned and the increase in retail sales of China's intimate wear industry in the past three years, according to Frost & Sullivan, entails enormous business potential for the Group. The Group will continue to focus on the largest segment of the intimate wear market, namely the mass market, as well as to expand its market share in the high-end intimate wear market, and will continue to build an extensive distribution network which enables it to reach consumers in different tiers of cities, counties and towns across China. The extensive distribution network of the Group includes on the one hand, five major types of outlets for the mass market, namely outlets in commercial streets, social communities, traffic hubs, school zones and commercial hypermarket complex; on the other hand, malls, department stores and shopping centres for the high-end market. Furthermore, it appears to the Group that the Chinese consumers are becoming more interested in high value-for-money products with fashionable design given the change in consumer habits. It is believed that the Group's strategy of offering consumers with products of high quality standards at affordable prices has effectively rendered it one of the most popular intimate wear brands among the Chinese consumers. Thanks to its continuing efforts, the Group remained the largest branded intimate wear enterprise in the PRC in terms of total retail sales in 2014.

## BUSINESS REVIEW

For the six months ended June 30, 2015, the Group recorded revenue of RMB2,207,351,000, representing a 27.2% growth as compared to the same period of 2014. Profit attributable to equity holders of the Company increased by 40.7% to RMB270,350,000. Earnings per share amounted to RMB14.18 cents (2014: RMB12.72 cents), representing an increase of 11.5%. While having continuously expanding its retail network with a net increase of 649 retail outlets (excluding the outlets of the Acquired Brands (as defined below)) over the six months ended June 30, 2015, the Group managed to attain a same store sales growth around 5% in the six months ended June 30, 2015.

### New venture into the high-end intimate wear market

On March 1, 2015, the Group entered into the Asset Transfer Agreement to acquire, among other things, the assets and businesses in connection with the sale, design, research, development and manufacturing of certain renowned high-end intimate wear brands, namely Ordifen (歐迪芬), Rubii (璐比) and Ilsée (伊夏) (the "**Acquired Brands**"). The Acquisition has facilitated the Group's access to the high-end intimate wear distribution channels in China, including department stores and shopping malls in tiers one and two cities in China and hence access to customers in the high-end intimate wear market, which marked the beginning of the Group's new venture into the high-end intimate wear market in China. Immediately after the Acquisition, the Group has launched several initiatives to realize the synergies of the integration and consolidation of the Acquired Brands into the Group's operation, including but not limited to the improvement of retail capability, the strengthening of marketing capability, the enhancement of logistic management, the research and development of new product categories and re-negotiation with suppliers for more favorable terms. The Group has successfully improved the retail management and reduced the cost of sales of the Acquired Brands, developed various new products under the Acquired Brands, as well as launched promotion campaigns that were well received by the market over the first half of the year.

As at June 30, 2015, there were 578 retail outlets of the Acquired Brands, which consist of 344 franchised outlets and 234 self-managed outlets. The majority of these retail outlets are located in the shopping malls and department stores in tiers one and two cities in China. The Group will improve the performance of the retail outlets on an on-going basis and will also consider establishing new retail outlets in places with high growth potential.

## Encouraging financial performance of the Acquired Brands

There has been improvement in the financial performance of the Acquired Brands since the consolidation of its accounts into the Group's accounts on June 1, 2015. As mentioned in the announcement published by the Company on March 1, 2015 (the "**Acquisition Announcement**"), the Acquired Brands recorded net loss for the previous two years. Thanks to the efforts of the Group in improving the operation and management of the Acquired Brands, they recorded a net profit after the consolidation of their accounts into the Group. Please see below selected profit and loss items and balance sheet items of the Acquired Brands for the month ended June 30, 2015 and as at June 30, 2015, respectively:

| | *RMB'000* |
|---|---|
| *Profit and loss items:* | |
| Revenue | 19,262 |
| Gross profit | 13,701 |
| Net profit | 1,082 |
| | |
| *Balance sheet items:* | |
| Total assets | 231,508 |
| Net assets | 101,082 |
| Inventories | 90,317 |
| Trade receivables | 16,950 |
| Trade payables | 24 |

## A vast distribution network across China

One of the competitive edges of the Group which distinguishes it from other market players is its massive distribution network covering more than 330 prefecture-level cities in all provinces as well as province-level municipalities and autonomous regions in China, which allows it to effectively reach an enormous amount of customers. As of June 30, 2015, without taking into account the distribution network of the Acquired Brands, the Group's distribution network comprised 7,675 retail outlets, of which 6,515 were franchised outlets and 1,160 were self-managed outlets. The Group attained a net increase of 649 retail outlets over the six months ended June 30, 2015 (excluding the outlets of the Acquired Brands), of which 466 were franchised outlets and 183 were self-managed outlets. The pace of the expansion is satisfactory and the Group will continue to open new outlets in locations where suitable business opportunities are identified.

## Promising growth in e-commerce

The performance of the Group's e-commerce business has been encouraging. During the first half of 2015, the Group's products have been available on a number of online sales platforms, including but not limited to Tmall.com, VIP.com and JD.com and recorded considerable increases in sales through these platforms. The Group expects to increase the number of online sales platforms in the second half of 2015 and will continue to reinforce the integration of its online and offline sales channels. Further, the Group was invited to join the selected core merchandiser alliance of juhuasuan.com, which is a large scale online sales platform operated by the Alibaba Group. Members of this alliance are entitled to extra resources and support regarding their online marketing activities through the online media platforms operated by the Alibaba Group.

For the six months ended June 30, 2015, revenue attributed to e-commerce sales amounted to RMB43,316,000, accounting for 2.0% of the Group's total revenue (six months ended June 30, 2014: 0.2%). Such amount also represented a 1,062.8% increase of e-commerce sales as compared to the same period last year. This growth is encouraging giving the hot season for e-commerce sales traditionally falls on the second half of the year.

The Group runs a membership program and the number of registered members as at June 30, 2015 amounted to over 35 million. This membership program has effectively allowed the Group to perform analysis on spending behavior of different consumer groups from different backgrounds so that the Group has been able to launch differentiated marketing activities to strengthen customer loyalty of its brands. The Group's e-commerce platform (www.dslrpark.com)* serves as an effective communication channel between the Group and its members since, for example, members can enjoy different levels of discounts for their purchases depending on the type of their membership, redeem the bonus points accumulated from their purchases to exchange for free gifts or get cash discounts for products on the e-commerce platform. The Group's membership program has also provided a vast and loyal customer base for it to further develop its e-commerce business.

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

## Full spectrum of product categories under diversified brands

The Group adopts a multi-brand strategy to cater for the divergent tastes and needs of consumers of different demographics. The Group currently has ten brands which cater for customers from the age of three in the mass and high-end markets. The Group has been marketing its products to female consumers in the mass market segment through various brands, including "Cosmo Lady" (都市•儷人), "Cosmo Elegance" (都市•絲語), "Cosmo Blossom" (都市•繽紛派), "Secret of City Beauty" (都市麗人的秘密) and "Freeday" (自在時光), each of which portrays different design styles with different price ranges; while male products are sold under the brand "Cosmo Esquire" (都市•鋒尚). The Group also sells high-end products under the Ordifen, Rubii and Ilsée brands. In view of the elevating popularity of "Secret of City Beauty" and "Cosmo Esquire", standalone stores have been opened for each of these two brands which aim to provide the customers with a more enjoyable and comfortable shopping environment, as well as to highlight the images for such brands.

In the first half of 2015, the Group introduced a new brand "Miyajia" (眯雅佳) which offers intimate wear products for kids and juveniles, including mainly underpants, socks, thermal clothes and sleepwear and loungewear. As at June 30, 2015, products of "Miyajia" brand were available at approximately 2,400 outlets of the Group. In view of the increasing demand for safe and high quality clothing for children, the Group is confident that the products of "Miyajia" brand, which emphasize comfort and hygiene, will be well received by the market.

Further, the Group has entered into a cooperation agreement with Walt Disney group and is licensed to launch intimate wear products bearing Disney cartoon characters. Such products are expected to be available under the brands of the Group, including "Miyajia" brand in 2016. It is believed the opening of the Shanghai Disneyland in or around December 2015 will effectively catalyze the popularity of the Group's Disney line products. The Group is also cooperating with Sanrio group and has been launching products with famous cartoon characters like Hello Kitty and Bad Badtz-Maru.

Besides, the Group strives to offer its customers one-stop shopping experience in which they are able to buy a great variety of products of supreme quality at competitive prices. The Group has been enriching its product offering during the first half of 2015. In particular, the product range of "Cosmo Esquire" brand has been significantly broadened and standalone stores of "Cosmo Esquire" brand have been opened. For the six months ended June 30, 2015, revenue attributed to product sales of "Cosmo Esquire" brand amounted to RMB206,890,000, accounting for 9.4% of the Group's total revenue (six months ended June 30, 2014: 8.6%). Such amount also represented a 38.3% increase of product sales of "Cosmo Esquire" brand as compared to the same period last year.

Currently, the Group is cooperating with various internationally renowned corporations to develop and improve its products, including cooperating with Mitsubishi Rayon Company Limited, one of the largest acrylic fiber companies in Japan, for the introduction of smart thermal clothing (regarding the "Warmtech" material and brand) and INVISTA (a subsidiary of Koch Industries, Inc., regarding "Lycra" fiber).

## Dedicated and successful marketing initiatives

In April 2015, the Group held a mega annual intimate wear fashion show for its 2015 collection that showcased its exquisite products as well as the latest fashion trends in the intimate wear industry. During the mega fashion show, our spokespersons, Ms. Lin Chi-ling (林志玲小姐) and Mr. Huang Xiaoming (黃曉明先生), other artists and professional models strolled down the catwalk with the Group's latest products which were well-received by the audiences and media and successfully generated publicity for the Group's products. More than 2,000 participants attended the event which effectively reinforced and elevated the Group's corporate and brand images and awareness.

Besides, the Group has continued the engagement of highly popular artists Ms. Lin Chi-ling and Mr. Huang Xiaoming as the spokespersons for the Group's core female brand "Cosmo Lady" together with its sub-brands and its male brand "Cosmo Esquire", respectively. In the first half of 2015, the Group has sponsored the Chinese variety show "Hurry Up, Brother" (奔跑吧兄弟) of Zhejiang Television which promoted the brand image of the Group. Various marketing initiatives, including TV commercials, paper-print/online advertisements, mini fashion shows held in different cities and promotion campaigns tailored for different festivals have also been launched throughout the first half of 2015, which boosted the Group's brand awareness and stimulated sales.

## Enhancement of logistics capabilities and optimization of supply and retail chain

In view of the escalation of its retail network, the Group has been strengthening its logistics capabilities. In addition to the existing central logistics center located at the Group's Dongguan headquarters and the regional logistics center in Tianjin, one additional new logistics center in Dongguan has commenced operation in July 2015. The new Dongguan logistics center has a construction floor area of 72,765 square meters and is equipped with modern and advanced facilities. With the establishment of this new logistics center, the Group anticipates that the order processing cycle will be materially shortened. Meanwhile, the construction of another new logistics center in Tianjin commenced in April 2015 and it is expected to be completed in the year of 2016.

Aiming to streamline its supply chain management, the Group has continued to develop and improve its information system connected to its raw material and OEM suppliers so that information sharing and flow among the Group's raw material and OEM suppliers and the Group is facilitated. On the retail front, the Group has adopted the OMS system which coordinates, among others, inventory and sales. The Group also equipped itself with a new BW system which specializes in financial planning and business warehouse and enables the Group to improve its retail sales.

As a result of the above initiatives, the procurement and production processes, shipment coordination and inventory management of the Group have been optimized and become more cost-effective.

### Community involvement and awards

The Group is committed to adding value and bringing benefits to its stakeholders and the community. At the same time, it has been striving for sustainable business growth, developing its employees, growing with its business partners, generating long term returns to its shareholders and contributing to the community in which it operates its business.

The Group is devoted to promoting a better community. During the six months ended June 30, 2015, the Group has made donations to a number of charitable organizations focusing on education and development of the underprivileged children and youth, such as the Fujian Youth Services Center (新閩青年服務中心) and the Guangdong Youth Development Foundation (廣東青少年發展基金).

The Group's efforts in talent cultivation was also well recognized. In June 2015, the Group was awarded with the accolade of "Training base for talents of the Chinese textile industry" ("中國紡織服裝人才培養基地") from the China Textile Industry Association and China Textile Education Society ("中國紡織工業聯合會" 以及 "中國紡織服裝教育學會") in recognition of the Group's efforts in nurturing talents for the textile industry in China.

## FINANCIAL REVIEW

### Revenue

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

The total revenue increased by 27.2% from RMB1,735,524,000 for the six months ended June 30, 2014 to RMB2,207,351,000 for the six months ended June 30, 2015. 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, as well as 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 8,253 outlets including 6,859 franchised outlets and 1,394 self-managed outlets in more than 330 prefecture-level cities across China as of June 30, 2015 and via online sales platforms. The following table sets out a breakdown of the total revenue by sales channel, each expressed in the absolute amount and as a percentage of the total revenue, for the periods indicated.

| | **Six months ended June 30,** | | | |
|---|---|---|---|---|
| | **2015** | | 2014 | |
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* |
| Sales to franchisees | **1,402,352** | **63.5** | 1,152,120 | 66.4 |
| Retail sales | **761,683** | **34.5** | 579,679 | 33.4 |
| E-commerce | **43,316** | **2.0** | 3,725 | 0.2 |
| **Total revenue** | **2,207,351** | **100.0** | 1,735,524 | 100.0 |

*Revenue by types 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 a breakdown of the total revenue by product category, each expressed in the absolute amount and as a percentage of the total revenue, for the periods indicated.

| | **Six months ended June 30,** | | | |
|---|---|---|---|---|
| | **2015** | | 2014 | |
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* |
| Bras | **1,150,376** | **52.1** | 882,617 | 50.9 |
| Underpants | **340,410** | **15.4** | 287,793 | 16.6 |
| Sleepwear and loungewear | **355,910** | **16.1** | 303,859 | 17.5 |
| Thermal clothes | **100,816** | **4.6** | 71,351 | 4.1 |
| Others (1) | **259,839** | **11.8** | 189,904 | 10.9 |
| **Total revenue** | **2,207,351** | **100.0** | 1,735,524 | 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, Freeday as well as newly acquired brands including Ordifen, Rubii and Ilsée. 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, for the periods indicated.

| | **Six months ended June 30,** | | | |
|---|---|---|---|---|
| | **2015** | | 2014 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Cosmo Lady | **899,908** | **40.8** | 752,325 | 43.3 |
| Cosmo Elegance | **691,548** | **31.2** | 587,188 | 33.8 |
| Cosmo Blossom | **290,395** | **13.2** | 206,512 | 11.9 |
| Cosmo Esquire | **206,890** | **9.4** | 149,576 | 8.6 |
| Ordifen, Rubii and Ilsée | **19,262** | **0.9** | — | — |
| Others | **99,348** | **4.5** | 39,923 | 2.4 |
| **Total revenue** | **2,207,351** | **100.0** | 1,735,524 | 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 a breakdown of the total revenue by geographic region, each expressed in the absolute amount and as a percentage of the total revenue, for the periods indicated.

| | **Six months ended June 30,** | | | |
|---|---|---|---|---|
| | **2015** | | 2014 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Southern China(1) | **902,996** | **40.9** | 800,146 | 46.1 |
| Eastern China(2) | **543,652** | **24.6** | 355,247 | 20.5 |
| South-Western China(3) | **417,374** | **18.9** | 336,703 | 19.4 |
| Northern China(4) | **343,329** | **15.6** | 243,428 | 14.0 |
| **Total revenue** | **2,207,351** | **100.0** | 1,735,524 | 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 65.5% and 66.6% of the total turnover for the six months ended June 30, 2015 and 2014, respectively. The aggregate revenue contributed by Southern China and Eastern China as a percentage of the total revenue decreased slightly during the six months ended June 30, 2015 compared with the same period of 2014, because sales in Northern China increased significantly by 41.0% over the same periods indicated.

## Cost of Sales

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

Costs of sales increased by 17.5% during the six months ended June 30, 2015 compared with the same period of 2014, because of business expansion. The table below sets forth a breakdown of cost of sales, each expressed in the absolute amount and as a percentage of the total cost of sales, for the periods indicated.

| | **Six Months Ended June 30,** | | | |
|---|---|---|---|---|
| | **2015** | | 2014 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Cost of inventories recognized in cost of sales | **1,187,253** | **97.3** | 992,047 | 95.5 |
| Employee benefit expenses | **11,486** | **0.9** | 13,284 | 1.3 |
| Government surcharges and levies | **9,693** | **0.8** | 9,706 | 0.9 |
| Write-down of inventories | **11,976** | **1.0** | 23,660 | 2.3 |
| Others | **245** | **0.0** | 194 | 0.0 |
| Total cost of sales | **1,220,653** | **100.0** | 1,038,891 | 100.0 |

## Gross Profit and Gross Profit Margin

During the six months ended June 30, 2015, the Group recorded a gross profit of RMB986,698,000, representing an increase of 41.6% over the same period of 2014.

Gross profit margin of the Group increased from 40.1% for the six months ended June 30, 2014 to 44.7% for the six months ended June 30, 2015. 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 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 six months ended June 30, 2015 amounted to RMB1,040,000 (2014: RMB1,302,000).

Selling and marketing expenses increased by 51.1% from RMB382,431,000 for the six months ended June 30, 2014 to RMB577,806,000 for the six months ended June 30, 2015. The increase was primarily attributable to the increase in the number of the self-managed outlets from 833 as of June 30, 2014 to 1,394 as of June 30, 2015 leading to the increase in the outlets related expenses such as employee benefit expenses, operating lease rentals in respect of land and buildings and concession fees during the periods indicated.

## General and Administrative Expenses

General and administrative expenses primarily consist of employee benefit expenses, government charges and levies, consulting service fees, depreciation and amortization, and others. The equity-settled share-based compensation included in employee benefit expenses for the six months ended June 30, 2015 amounted to RMB2,499,000 (2014: RMB3,031,000).

General and administrative expenses decreased by 5.8% from RMB87,723,000 for the six months ended June 30, 2014 to RMB82,633,000 for the six months ended June 30, 2015. The decrease was primarily attributable to the listing expenses of RMB22,676,000 incurred in the six months ended June 30, 2014 decreased to nil in the six months ended June 30, 2015, partly offset by an increase in employee benefit expenses of RMB11,906,000 as a result of the growth of the Group's business.

## Other Income

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

## Other (losses)/gains — net

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

## Finance Income

Finance income represents interest income derived from short-term bank deposits, loan to a third party and other financial assets. The Group had finance income of RMB11,012,000 and RMB4,070,000 for the six months ended June 30, 2015 and 2014, 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 expenses 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 RMB72,066,000 for the six months ended June 30, 2014 to RMB88,554,000 for the six months ended June 30, 2015. The increase in income tax expense was primarily due to an increase in taxable income. The effective tax rate of the Group for the six months ended June 30, 2014 and 2015 was 27.3% and 24.7%, respectively. Decrease in the effective tax rate was primarily attributable to the decrease in the expenses that were not deductible for tax purposes incurred in the six months ended June 30, 2015. As of June 30, 2015, the Group had fulfilled all its tax obligations and did not have any unresolved tax disputes.

## WORKING CAPITAL MANAGEMENT

| | *The Group* | | *Excluding the Acquired Brands* | |
|---|---|---|---|---|
| | **Six months ended June 30, 2015** | Year ended December 31, 2014 | **Six months ended June 30, 2015** | Year ended December 31, 2014 |
| Inventory turnover days | **96.7** | 78.0 | **90.5** | 78.0 |
| Trade receivables turnover days | **23.6** | 20.6 | **23.1** | 20.6 |
| Trade payables turnover days | **41.9** | 36.6 | **42.1** | 36.6 |

The increase in inventory turnover days by 18.7 days was primarily due to the increase in inventory balance from RMB638,606,000 as of December 31, 2014 to RMB673,126,000 as of June 30, 2015, arising from the increased proportion of sales through the self-managed outlets as well as the impact of the completion of the acquisition of assets in respect of the Acquired Brands in June 2015.

Trade receivables turnover days slightly increased from 20.6 days for the year ended December 31, 2014 to 23.6 days for the six months ended June 30, 2015, while trade payables turnover days increased from 36.6 days for the year ended December 31, 2014 to 41.9 days for the six months ended June 30, 2015.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy balance sheet. As of June 30, 2015, net working capital was RMB1,654,837,000, representing a decrease of 7.7% or RMB138,513,000 as compared with that of December 31, 2014. As of June 30, 2015, current ratio was 3.4 times (December 31, 2014: 4.4 times) (Current ratio is calculated by using the following formula: current assets/current liabilities), mainly attributable to the payment of dividends to the then equity holders during the period.

Net cash generated from operations increased by RMB83,116,000 to RMB220,650,000 for the six months ended June 30, 2015 from RMB137,534,000 for the six months ended June 30, 2014, mainly attributable to the expansion of the Group's business.

Net cash used in investing activities for the six months ended June 30, 2015 was RMB65,513,000 (2014: RMB29,723,000). During the six months ended June 30, 2015, the Group invested RMB68,920,000, RMB4,550,000 and RMB45,000,000 on payments and deposits for purchases of property, plant and equipment (including retail outlets' decorations), intangible assets, and business acquisition respectively.

During the six months ended June 30, 2015, net cash used in financing activities was RMB114,713,000 (2014: net cash generated from financing activities RMB967,575,000), mainly attributable to the payment of dividends to the then equity holders of RMB114,713,000.

As of June 30, 2015, the Group was in a net cash position of RMB967,181,000 (December 31, 2014: RMB921,337,000).

## CAPITAL EXPENDITURES

Capital expenditures increased from RMB36,405,000 for the six months ended June 30, 2014 to RMB181,463,000 for the six months ended June 30, 2015. Capital expenditures were used primarily for (i) construction of Dongguan Fumin Industrial Park, which serves as an additional regional logistics center in Dongguan, (ii) the Acquisition, and (iii) additions to property, plant and equipment for the newly opened self-managed outlets.

## PLEDGE OF ASSETS

As of June 30, 2015, no property, plant and equipment, and land use rights were pledged as security for banking facilities available to the Group.

## CONTINGENT LIABILITIES

As of June 30, 2015, 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 six months ended June 30, 2015, 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 June 30, 2015 and December 31, 2014 were denominated in the respective group companies' functional currencies.

### Interest Rate Risk

As the Group has no significant interest-bearing assets (other than restricted bank deposits and cash and cash equivalents), the Group's income and operating cash flows are substantially independent of changes in market interest rates.

### Credit Risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits and other receivables, cash and cash equivalents and restricted cash with banks included in the consolidated balance sheets represent the maximum exposure to credit risk in relation to the Group's 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 of June 30, 2015 and December 31, 2014, all of the bank balances 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 of June 30, 2015 and December 31, 2014, the Group held bank balances and restricted bank deposits totalling RMB763,211,000, and RMB537,108,000, respectively, with the four major state-owned banks of the PRC.

### 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 had 9,115 full-time employees as of June 30, 2015. The Group believes employees are crucial to its continuous success and hence places great emphasis on recruiting, developing and retaining talents. The Group recruits quality personnel from universities and technical schools and provides ongoing training and development opportunities to its staff members. Over six thousand staff members participated in more than 500 staff training programs that the Group held during the first half of 2015. The Group has been dedicating efforts and resources to create a caring and encouraging work environment as well as cultivate senses of belonging among its staff. Various staff welfare initiatives and programs have been carried out during the first half of 2015. Besides, the Group offers competitive remuneration packages and performance based incentives to all employees across different functional departments. The Group performs regular reviews on its human resources policies to cater for its corporate development needs on a timely manner.

## SUBSEQUENT EVENTS

There were no significant subsequent events affecting the Group that took place from June 30, 2015 to the date of this announcement.

## USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The total net proceeds from the Company's initial public offering amounted to approximately HK$1,463 million (equivalent to approximately RMB1,162 million). The Group has, during the six months ended June 30, 2015, utilized RMB94,706,000 (equivalent to approximately HK$120,071,000) to expand its retail network by increasing the number of its self-managed outlets, RMB49,327,000 (equivalent to approximately HK$62,538,000) and RMB11,088,000 (equivalent to approximately HK$14,058,000), respectively to establish the regional logistics centers in Dongguan and Tianjin, RMB6,412,000 (equivalent to approximately HK$8,129,000) to upgrade information technology infrastructure, and RMB45,000,000 (equivalent to approximately HK$57,052,000) as consideration paid for the Acquisition (Please refer to the Acquisition Announcement for further details of the acquisition). As at June 30, 2015, net proceeds not yet utilized were deposited with a licensed bank in Hong Kong and state-owned banks in China.

## OUTLOOK AND STRATEGY

The Group anticipated stable economic growth in China for 2015. While uncertainty in the global financial markets may exert impacts on the economy of China, coupled with internal challenges facing the Chinese economy, the Chinese government has been implementing policies and measures to stimulate economic development and to raise the living standards of citizens. On the other hand, the progress of urbanization in China has been encouraging and the Chinese consumer sentiment is positive given the increase in national per capita disposable income, which the Group believes are key drivers of its retail sales and prospects, since it possesses an extensive retail network not only in top-tier cities but also cities of lower tiers, counties and towns. Going forward, the Group will continue to expand its retail network into places where it has low market presence and places having high potential for growth.

The Group is of the view that numerous smaller and less competitive brands in the mass market segment in the Chinese intimate wear industry will be further marginalized or eliminated amid the vigorous rivalry. To capture opportunities arising from market consolidation, the Group is dedicated to, on the one hand, continuously enhancing its core competitiveness, including expanding its extensive distribution network comprising 8,253 retail outlets (franchised: 6,859 and self-managed: 1,394) and fast developing e-commerce channel, offering diversified brands including the newly acquired Ordifen, Rubii and Ilsée brands and the newly launched Miyajia brand, offering manifold product categories with the introduction of smart thermal clothing and the application of new Lycra fiber to its products, developing cost-effective retail and supply chain management with advanced information technology systems like the OMS and BW systems, and elevating its well-known brand image of providing best value for money to customers via its spokespersons (Ms. Lin Chi-ling and Mr. Huang Xiaoming) as well as marketing events like annual mega fashion show. On the other hand, the Group will, after the Acquisition, continue to explore potential targets for acquisition in the industry.

To further consolidate its leading position in the PRC intimate wear industry, the Group plans to implement a number of initiatives, including launching new brands and product categories with fashionable design and new features, expanding its e-commerce network and further the integration of its online and offline sales channels, upgrading its information technology systems, expanding its footprint overseas and collaborating with other reputable intimate wear brands.

Looking ahead, the Group will persist with its pursuit of further solidified leadership and greater market share in the currently fragmented intimate wear market in China.

## INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend to shareholders of the Company for the six months ended June 30, 2015.

## CORPORATE GOVERNANCE

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") throughout the six months ended June 30, 2015, with the exception of code provision A.2.1 due to the overlapping roles of chairman of the Board and chief executive officer of the Company performed by Mr. Zheng Yaonan. Please refer to the paragraph headed "Corporate Governance Principles and Practices" in the section headed "Corporate Governance Report" contained in the Company's 2014 annual report for full details of and reasons for such deviation. The Board will continue to review the effectiveness of the structure and composition of the Board and the senior management of the Group in light of prevailing circumstances to maintain a high standard of corporate governance practices of the Group.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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. Following specific enquiry, each of the directors of the Company has confirmed compliance with the required standard set out in the Model Code throughout the six months ended June 30, 2015.

## AUDIT COMMITTEE REVIEW

The audit committee of the Company, which 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, has reviewed the interim results for the six months ended June 30, 2015.

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.

## 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 six months ended June 30, 2015.

## PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM 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 2015 interim report 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, August 17, 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.*