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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, 2015

FINANCIAL HIGHLIGHTS

		Year ended December 31,		
		2015	2014	Change
Revenue	*RMB'000*	**4,953,415**	4,007,636	+23.6%
Operating profit	*RMB'000*	**688,803**	575,056	+19.8%
Profit attributable to equity holders of the Company	*RMB'000*	**540,008**	425,227	+27.0%
Gross profit margin	%	**42.7%**	39.1%	+9.2%
Operating profit margin	%	**13.9%**	14.3%	-2.8%
Margin of profit attributable to equity holders of the Company	%	**10.9%**	10.6%	+2.8%
Earnings per share				
— basic	*RMB cents*	**28.33**	24.86	+14.0%
— diluted	*RMB cents*	**28.33**	24.86	+14.0%
Final dividend per share	*HK$ cents*	**11.00**	10.00	+10.0%

ANNUAL RESULTS

The board of directors (the "**Board**") of Cosmo Lady (China) Holdings Company Limited (the "**Company**") is pleased to announce the annual results of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2015, together with comparative figures for the corresponding period of 2014 and selected explanatory notes, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,	
	Note	**2015**	2014
		RMB'000	*RMB'000*
Revenue	*4*	**4,953,415**	4,007,636
Cost of sales		**(2,838,621)**	(2,440,117)
Gross profit		**2,114,794**	1,567,519
Selling and marketing expenses		**(1,306,751)**	(890,308)
General and administrative expenses		**(197,495)**	(185,792)
Other income	*5*	**76,735**	79,098
Other gains — net	*6*	**1,520**	4,539
Operating profit		**688,803**	575,056
Finance income	*7*	**21,766**	12,400
Profit before income tax		**710,569**	587,456
Income tax expense	*8*	**(170,561)**	(162,229)
Profit for the year		**540,008**	425,227
Other comprehensive income/(loss) for the year			
(Items that may be subsequently reclassified to profit or loss)			
Exchange differences		**5,478**	(4,479)
Total comprehensive income for the year		**545,486**	420,748
Profit attributable to equity holders of the Company		**540,008**	425,227
Total comprehensive income attributable to equity holders of the Company		**545,486**	420,748
Earnings per share	*11*	***RMB cents***	*RMB cents*
Basic and diluted		**28.33**	24.86

CONSOLIDATED BALANCE SHEET

	Note	As at December 31, 2015 RMB'000	2014 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		**448,999**	271,339
Land use rights		**91,471**	93,551
Intangible assets		**40,110**	25,407
Investment in a joint venture		**1,990**	—
Available-for-sale financial assets		**15,600**	—
Loan to a third party	*12*	**105,000**	—
Deposits, prepayments and other receivables		**32,780**	30,275
Deferred income tax assets		**30,318**	23,610
		766,268	444,182
Current assets			
Inventories		**800,377**	638,606
Trade receivables	*13*	**517,705**	280,805
Deposits, prepayments and other receivables		**438,343**	324,716
Bank balances and cash		**960,074**	1,080,562
		2,716,499	2,324,689
Total assets		**3,482,767**	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		**244,196**	231,699
Retained earnings		**845,352**	456,519
Total equity		**2,638,862**	2,237,532
Liabilities			
Current liabilities			
Trade payables	*14*	**495,411**	269,958
Accruals and other payables		**283,556**	209,752
Current income tax liabilities		**63,160**	51,629
		842,127	531,339
Non-current liabilities			
Deferred income tax liabilities		**1,778**	—
Total liabilities		**843,905**	531,339
Total equity and liabilities		**3,482,767**	2,768,871

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, 2015	**117,320**	**1,431,994**	**231,699**	**456,519**	**2,237,532**
Comprehensive income					
Profit for the year	**—**	**—**	**—**	**540,008**	**540,008**
Other comprehensive income					
Exchange differences	**—**	**—**	**5,478**	**—**	**5,478**
Total comprehensive income for the year	**—**	**—**	**5,478**	**540,008**	**545,486**
Transactions with equity holders					
Equity-settled share-based compensation	**—**	**—**	**7,019**	**—**	**7,019**
Dividends	**—**	**—**	**—**	**(151,175)**	**(151,175)**
Total transaction with equity holders	**—**	**—**	**7,019**	**(151,175)**	**(144,156)**
As at December 31, 2015	**117,320**	**1,431,994**	**244,196**	**845,352**	**2,638,862**
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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash generated from operations	**568,442**	75,457
Income tax paid	**(165,738)**	(129,568)
Net cash generated from/(used in) operating activities	**402,704**	(54,111)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**4,681**	1,213
Interest received	**18,711**	12,400
Purchases of property, plant and equipment	**(192,945)**	(114,279)
Purchases of land use rights	**—**	(18,586)
Purchases of intangible assets	**(12,166)**	(10,038)
Purchases of available-for-sale financial assets	**(15,600)**	—
Capital contribution to a joint venture	**(1,990)**	—
Term deposits with initial term of over three months	**149,790**	(150,000)
Loan to a third party	**(105,500)**	—
Acquisition of a business	**(74,800)**	—
Net cash used in investing activities	**(229,319)**	(279,290)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares for Reorganization	**—**	430,000
Payment for settlement of the Reorganization	**—**	(428,938)
Proceeds from issuance of new ordinary shares upon IPO	**—**	1,161,668
Shares issuance costs	**—**	(34,680)
Dividends paid	**(151,175)**	(163,538)
Net cash (used in)/generated from financing activities	**(151,175)**	964,512
Net increase in cash and cash equivalents	**22,210**	631,111
Cash and cash equivalents at beginning of the year	**921,337**	290,027
Effect of foreign exchange rate changes	**7,092**	199
Cash and cash equivalents at end of the year	**950,639**	921,337

NOTES

1. General information

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. The Group is 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 (the "**Stock Exchange**") on June 26, 2014.

The consolidated financial statements of the Group are presented in Renminbi ("**RMB**"), unless otherwise stated, and have been approved for issue by the Board on March 29, 2016.

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") and have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

(a) Effect of adopting amendments to standards

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning January 1, 2015. The adoption of these amendments to standards does not have any significant impact to the results or financial position of the Group.

IAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions
IFRSs (Amendment)	Annual Improvements 2010-2012 cycle and 2011-2013 cycle

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

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) 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, 2015 and have not been early adopted by the Group:

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

1 Effective for annual periods beginning on or after January 1, 2016
2 Effective for annual periods beginning on or after January 1, 2018
3 Effective for annual periods beginning on or after January 1, 2019

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.

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 designing, marketing and selling of intimate wear products. All of its revenue is derived in the PRC.

None of the revenue derived from any single external customer amounted to more than 10% of the Group's revenue (2014: None).

4. Revenue

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Sales to franchisees	**3,155,892**	2,689,850
Retail sales	**1,622,952**	1,244,013
E-commerce	**174,571**	73,773
	4,953,415	4,007,636

5. Other income

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Franchise fee income	**2,440**	3,334
Software usage fee income	**4,283**	4,230
Government grants *(a)*	**50,909**	41,101
Service fee income *(b)*	**7,149**	23,497
Others	**11,954**	6,936
	76,735	79,098

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 — net

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Loss on disposal of property, plant and equipment — net	**(94)**	(139)
Net foreign exchange gains	**1,614**	4,678
	1,520	4,539

7. Finance income

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Interest income on available-for-sale financial assets	**8,170**	7,249
Interest income on loan to a third party	**7,861**	—
Interest income on short-term bank deposits	**5,735**	5,151
	21,766	12,400

8. Income tax expense

	Year ended December 31,	
	2015	2014
	RMB'000	*RMB'000*
Current income tax		
— Hong Kong profits tax (note (a))	**—**	—
— PRC corporate income tax	**177,269**	170,244
	177,269	170,244
Deferred income tax	**(6,708)**	(8,015)
Income tax expense	**170,561**	162,229

(a) Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% for the year ended 31 December 2015 (2014: 16.5%).

(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 31 December 2015 (2014: 25%), based on the existing legislation, interpretations and practices in respect thereof.

(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 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. Expenses by nature

	Year ended December 31, 2015 RMB'000	2014 RMB'000
Costs of inventories recognized in cost of sales	**2,758,818**	2,358,988
Employee benefit expenses (including directors' emoluments)	**476,242**	265,747
Operating lease rentals in respect of land and buildings	**444,633**	140,673
Concessionaire fee in respect of outlets under cooperative arrangements	**117,943**	389,601
Marketing and promotion expenses	**108,740**	63,207
Depreciation and amortization	**70,358**	38,296
Government charges and levies	**44,952**	31,186
Logistic warehousing and delivery expenses	**37,908**	12,932
Consumables recognized in expenses	**35,945**	18,775
Utilities expenses	**34,289**	13,210
E-commerce platforms commission expenses	**34,283**	16,836
Travelling expenses	**27,714**	14,033
Write-down of inventories	**20,699**	36,695
Consulting service expenses	**10,950**	12,607
Auditor's remuneration	**3,080**	2,750
Listing expenses	**—**	22,676
Write-back of impairment of trade receivables	**(146)**	(1,055)
Miscellaneous	**116,459**	79,060
Total cost of sales, selling and marketing expenses and general and administrative expenses	**4,342,867**	3,516,217

10. Dividends

At a meeting held on March 29, 2016, the directors recommended a final dividend of HK$11.0 cents (equivalent to approximately RMB9.31 cents) per ordinary share of the Company, totaling approximately HK$209,710,000 (equivalent to approximately RMB177,420,000) for the year ended December 31, 2015. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements for the year ended December 31, 2015, but will be reflected as an appropriation for the year ending December 31, 2016.

At a meeting held on March 9, 2015, the directors recommended a final dividend of HK$10.0 cents (equivalent to approximately RMB7.93 cents) per ordinary share of the Company, totaling approximately RMB151,182,000 for the year ended December 31, 2014, which was paid during the year and has been reflected as an appropriation for the year ended 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,	
	2015	2014
Profit for the year attributable to equity holders of the Company *(RMB'000)*	**540,008**	425,227
Weighted average number of ordinary shares for purposes of the basic earnings per share *(thousands of shares)*	**1,906,457**	1,710,467
Basic earnings per share *(RMB cents per share)*	**28.33**	24.86

Note: The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended December 31, 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 year (2014: Nil).

12. Loan to a third party

Loan to a third party of RMB105,000,000 represents an entrusted loan advanced to Shanghai Ordifen Company Limited ("**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 during the year.

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 and the building thereon situated in Shanghai owned by Shanghai Ordifen.

13. Trade receivables

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Due from third parties	**519,170**	282,416
Less: provision for impairment	**(1,465)**	(1,611)
Trade receivables — net	**517,705**	280,805

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, 2015 is as follows:

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Trade receivables, gross		
— Within 30 days	**324,271**	153,555
— Over 30 days and within 60 days	**76,202**	89,133
— Over 60 days and within 90 days	**46,968**	21,432
— Over 90 days and within 180 days	**41,165**	12,851
— Over 180 days and within 360 days	**21,475**	2,740
— Over 360 days	**9,089**	2,705
	519,170	282,416

14. Trade payables

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Due to third parties	**489,652**	266,470
Due to related parties	**5,759**	3,488
	495,411	269,958

	As at December 31,	
	2015	2014
	RMB'000	*RMB'000*
Trade payables		
— Within 30 days	**69,468**	21,588
— Over 30 days and within 60 days	**125,427**	94,225
— Over 60 days and within 90 days	**154,705**	68,690
— Over 90 days and within 180 days	**94,683**	62,839
— Over 180 days and within 360 days	**30,864**	22,048
— Over 360 days	**20,264**	568
	495,411	269,958

MARKET REVIEW

Maintained a Stable Growth of China's Economy

China's economy explored to a series of material events in 2015. According to the National Bureau of Statistics of China, the gross domestic product ("**GDP**") of China in 2015 was RMB67,671 billion, representing a year-on-year increase of 6.9%. Such increase being below 7.0% has only occurred for the first time since 1990. Furthermore, 2015 was a year of high volatility in the China's stock market and the continuous depreciation of Renminbi against United States dollars resulted in pressure on China's economy.

In order to maintain a stable growth of economy, the China's government continued its economic reforms and introduced a series of steady growth measures, such of which is delivering results currently. The China's government expects that, the average growth rate of GDP in the next five years will be over 6.5% and the GDP and the per capita income of both urban and rural residents in 2020 will be doubled compared to 2010.

Recently, the growth of consumption has continued to drive the growth of the economy. According to the Ministry of Commerce of China, the ratio of consumption to the growth of the economy accounted to 66.4% in 2015, representing an increase of 15.4% compared to last year. Such increase was mainly due to the continuous improvement of living standards in China and the stable pace of economic growth. In 2015, the national per capita disposable income of China increased by 7.4% and reached RMB21,966. While the per capita disposable income of urban residents rose by 6.6% to RMB31,195, that of rural residents increased by 7.5% to RMB11,422. In 2015, total retail sales of consumer goods in China increased by 10.7% to RMB30,093 billion, among which 86.1% of sales was attributable to the retail activities taken place in urban areas, representing a growth of 10.5% compared to 2014. Retail sales in rural areas also grew at 11.8% compared to 2014. It is expected that the China's economy will demonstrate a more healthy growth and sustainable development in the future, according to the data shown above.

Continued High Growth Rate of China's Intimate Wear Industry

Stimulated by the increasing income level and demand of higher quality life, Chinese consumers have raised their requirements on not only the outerwear products, but also the intimate wear products. Along with growing demand, the total retail sales value of intimate wear market in China have maintained a double-digit growth over the past five years, and stimulated by stronger marketing, as well as the development of various segment markets, the compound annual growth rate ("**CAGR**") of the total retail sales value of intimate wear market in China is expected to grow at approximately 13.2% in next five years, according to Frost & Sullivan.

From 2011 to 2015, the market share of mass market has enjoyed a significant growth, with a market share increasing from 47.8% to 51.0%, according to Frost & Sullivan. Given the huge potential consumer base and the increasing demand of existing consumers to renew their intimate wears, the mass market is expected to demonstrate large market potential, with a market increasing to 55.7% by the end of 2020, with a CAGR of 15.2% from 2015 to 2020. Affordable pricing has placed large impact on the fast growth of the mass market, when consumers have continuously sought for high value-for-money products. In addition, another key character of the mass market customers is that they continuously seek for a variety of products.

According to Frost & Sullivan, China intimate wear market is a highly fragmented market with over 3,000 market players. In 2015, the Group ranked number one in the overall China intimate wear market with a market share of 3.3%, as it targets the largest and fastest-growing mass market, which brings significant growth on consumer demand. Overlooking the whole market, the Group has become the largest branded intimate wear company in China in terms of total retail sales in the past few years. Considering each major product category of the overall China intimate wear market, the Group ranked number one in terms of bra, underpants, and sleepwear and loungewear and ranked the second in terms of retail sales of thermal clothes in 2015. Among all mass market players, the Group is the only leading market player, with a market share of 6.4% in terms of total retail sales of intimate wear mass market in 2015.

BUSINESS REVIEW

For the year ended December 31, 2015, as a result of the Group's concerted effort in striving the best interests for its stakeholders, the Group's revenue grew by 23.6% over the previous year to RMB4,953,415,000. Despite the challenges such as uncertainties around the China's economy in 2015 and also the warm weather in winter in the fourth quarter of 2015, the Group was able to timely refine and effectively adopt its strategic plans, achieved a satisfactory sales growth and was able to maintain a healthy mid single-digit same sales growth for the whole year 2015. Profit attributable to equity holders of the Company increased by 27.0% to RMB540,008,000. Earnings per share reached RMB28.33 cents in 2015 (2014: RMB24.86 cents), representing a year-on-year increase of 14.0%.

In 2015, the Group has continued its strategy to strive for sustainable growth in the mass market of the intimate wear industry, through enhancement of brand awareness, comprehensive development of multiple distribution channels and full spectrum of product categories under diversified brands. Meanwhile, the Group has also gained access to the high-end intimate wear market in China through its acquisition of certain renowned high-end brands, namely Ordifen (歐迪芬) and its sub-brands (the "**Acquisition**"), including but not limited to Rubii (璐比) and Ilsée (伊夏) (the "**Acquired Brands**") in the first quarter of 2015. Leveraging on its massive distribution networks, and diversified products and multiple brands strategies, the Group has further strengthened its core competences as a leader in the China's intimate wear industry over the year.

Milestone: Ascending into High-end Intimate Wear Segment

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 the Acquired Brands. Through the Acquisition (Please refer to the announcement published by the Company on March 1, 2015 for further details of the Acquisition), the Group successfully penetrated into the high-end intimate wear distribution channels in China, including department stores and shopping malls in first- and second-tier cities and hence being able to gain access to high-end consumers, which established a solid foundation to further develop in the high-end intimate wear market. 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 operations, which include connection of operating system between each outlet and the headquarters so that the Group could have a direct control of its newly acquired retail network, implementation of the enterprise resource planning (ERP) system, the improvement of retail, marketing and logistics capability and re-negotiation with suppliers for more favorable terms. The Group has successfully improved the retail management, reduced certain costs of operating 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 year.

As at December 31, 2015, there were 551 retail outlets of the Acquired Brands, which consist of 189 franchised outlets and 362 self-managed outlets, mainly located in the shopping malls and department stores in major cities of China.

There have been improvements in the financial performance of the Acquired Brands since the consolidation of their accounts into the Group's accounts on June 1, 2015. As a result of a series of improvement and strategic plans launched as mentioned above, the financial performance of the Acquired Brands has improved significantly after the Acquisition.

Despite the encouraging performance, the Group will continue to streamline and optimize the business operations and distribution networks of the Acquired Brands in future and more importantly, reinforce and elevate the brand awareness in the high-end market.

Extensive and Effective Distribution Network Across China

One of the competitive advantages of the Group is the massive and omni-channel distribution network covering more than 330 prefecture-level cities in all provinces as well as province-level municipalities and autonomous regions in China. According to Frost & Sullivan, the Group ranked number one in China in terms of number of retail outlets among all major intimate market players in 2015. Such extensive network facilitates the Group to effectively be connected with a wide range of consumers with different demographics. As of December 31, 2015, without taking into account the distribution network of the Acquired

Brands, the Group's distribution network comprised 8,058 retail outlets, of which 6,937 were franchised outlets and 1,121 were self-managed outlets. The Group attained a net increase of 1,032 retail outlets (excluding the outlets of the Acquired Brands) in 2015, of which 888 were franchised outlets and 144 were self-managed outlets. A major part of the expansion has taken place in locations where market presence by the Group is relatively low.

During 2015, the Group continued its progressive expansion strategy of its mass market retail network in five major types of areas including commercial streets, social communities, traffic hubs, school zones and commercial hypermarket complexes as well as high-end retail network in malls, department stores and shopping centers. In addition, the Group located its retail outlets across China, particularly in regions with high growth potential (mainly third- and fourth-tier cities and counties) in order to enhance market penetration and achieve a steady and sustainable business growth. In view of the uncertain economy conditions in China's economy, the Group has been more cautious and tightened the relevant policy in monitoring the outlets expansion plan.

Multiple Brands for Wide Spectrum of Consumers

The Group adopts a multi-brand strategy throughout the value chain of its operation in the intimate wear industry. The Group currently has ten major brands, which provide a variety of value-for-money products for its consumers of different demographics with divergent tastes and needs in the mass and high-end markets.

For mass market segment, the Group has been marketing its products to female consumers 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 demonstrates different design styles with different price ranges and for different age groups; while male and kids products are sold under the brands "Cosmo Esquire" (都市•鋒尚) and "Miyajia" (眯雅佳), respectively. For high-end market, the Group sells its products under Ordifen and its sub-brands.

"Cosmo Lady", "Cosmo Elegance" and "Cosmo Blossom" remained the core brands which account for over 80% of the Group's revenue while "Freeday", a brand first introduced in the fourth quarter of 2014 with an image of Korean style with simple and fresh design, has created a new element of growth momentum for the Group in 2016. "Freeday" offers quality products with affordable price range and targets at young consumers who are fashion-conscious. During the year, the Group refined the design of its "Freeday" standalone outlets with simple and energetic image, and it was well accepted by the market, as reflected in meaningful sales growth thereafter. As at December 31, 2015, there were 60 "Freeday" standalone outlets. The Group believes this brand will continue its growing potential in 2016.

For male products, "Cosmo Esquire" continued to be the leading player in terms of the retail sales in men's intimate wear market in China in 2015, according to Frost & Sullivan. While the Group has been continuously enriching its men's products in view of high growth potential of the male intimate wear market, the market is indeed at an early stage in which male consumers are in the progress of developing their own brand awareness of intimate wear and importance of comfortable intimate wears. Nevertheless, the Group will continue to consolidate its capability to further penetrate into the male intimate wear market.

Diversified Product Portfolio

In order to satisfy increasing demands of consumers, the Group has been committing to diversify its product portfolio on various aspects such as product functionality and design. "Secret of City Beauty", a premium intimate wear brand launched in 2014, offers products of superior quality with functional body-shaping features and aims to attract the urban white-collar ladies and well-off housewives. In 2015, with the aim to consolidate the leading position and also provide a one-stop shopping experience in its outlets, the Group launched a new brand "Miyajia" which offers intimate wear products for kids and juveniles. Apart from its stylish design targeting needs of kids and juveniles, Miyajia also emphasizes comfort and hygiene in view of the increasing demand for safe and high quality clothing for children. As at December 31, 2015, products of "Miyajia" were available at approximately 6,700 outlets of the Group.

To further elevate its brand value, the Group has entered into a cooperation agreement with Walt Disney group during 2015 and is licensed to launch intimate wear products bearing Disney cartoon characters. Such products will be available under the brands of the Group, including "Miyajia" brand in the first half of 2016. The Group believes the opening of the Shanghai Disneyland in June 2016 will effectively stimulate the sales of its 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.

The Group realizes continuously upgrading product quality and functionality sharpens its competitive edge. Apart from investments in internal research and development, the Group is currently cooperating with various internationally renowned enterprises 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 the "Lycra" fiber).

In addition, as a socially responsible market leader, the Group has dedicated to promote women's health. In 2015, the Group has cooperated with "Pink Ribbon", an internationally well-known charity platform for breast cancer awareness, to foster knowledge on this aspect through a number of initiatives including design, promotion and sales of bras in "Pink Ribbon" series, which have been well received by the market. This raises consumers' awareness on women's health, and at the same time incorporates new elements in its products as a growth driver to diversify its product development strategy.

Encouraging Performance in E-commerce

The Group realizes the increasing importance of e-commerce as one of the sales channels in China's intimate wear industry and has launched its e-commerce platform in February 2014. Since the second quarter of 2014, the Group has adopted an effective strategy to partner with prominent online sales platforms including but not limited to Tmall.com, VIP.com and JD.com. During 2015, the Group has further consolidated such distribution channel through enhancing brand awareness and increasing traffic in online platforms, broadening its online sales network and reinforcing the integration of its online and offline sales channels. Further, the Group was invited to join the selected core merchandiser alliance of juhuasuan.com (a well-known Alibaba Group-operated online sales platform) during the year and was entitled to extra and priority use of resources and support on marketing activities through Alibaba Group's online media platforms. Such entitlement greatly catalyzed the sales growth of the overall e-commerce business.

Thanks to the Group's keen effort in developing e-commerce business, its performance in 2015 has been encouraging, particularly in Singles' Day on November 11, 2015, a renowned online shopping festival in China, in which the Group achieved an exciting growth on sales and traffic compared with 2014. For the year ended December 31, 2015, revenue attributed to e-commerce sales amounted to RMB174,571,000, accounting for 3.5% of the Group's total revenue (2014: 1.9%). Such amount also represented a 136.6% increase of e-commerce sales as compared to last year.

According to Frost & Sullivan, e-commerce sales accounted for 3.2% of the overall China intimate wear market in 2015. However, it will increase dramatically in the next 5 years, due to the development of the mobile internet and smartphone technology, accounting for 6.5% market share in 2020. Hence, the Group expects that the proportion of sales through e-commerce of the Group will grow significantly and continually in the coming future.

Consumers Loyalty: An Essence for Long-term Sustainable Growth

The Group runs a membership program and the number of registered members (the "**Members**") as at December 31, 2015 reached 37 million. This membership program has effectively enabled the Group to understand the spending behavior and habits of consumer groups from different backgrounds and in different regions, so that the Group could customize and launch differentiated marketing activities to strengthen customers loyalty of its brands.

In addition, the Group understands that engaging Members in its marketing and promotional activities is a key to success. In this regard, the Group's own e-commerce platform (www.dslrpark.com)* serves as an effective channel connecting the Group with its Members since, for example, Members can participate in member-only promotion campaigns periodically, enjoy different levels of discounts for their purchases depending on the type of their membership, and redeem the bonus points accumulated from their purchases to exchange for free gifts or get cash discounts for products on the Group's own 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.

Moreover, in order to strengthen management of Members, further the attachment of Members to the Group and assist with franchised outlets to engage in marketing activities focusing on Members with ease and accuracy, since November 2015, the Group has commenced the programming development of mobile applications ("**APPs**") for franchisees so that franchisees will be benefited by being able to obtain sale figures and purchasing behaviors of their Members in a timely and accurate manner. The program development of the APPs is now completed and in the phase of joint-test verification. It is expected that the APPs will be launched in the first half of 2016. After the programs are on-line, it is expected that the proportion of sales to Members will increase substantially and at the same time a strong basis is provided as a foundation for franchisees to launch tailor-made marketing activities for their Members.

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

Dedicated and Effective Brand Building Initiatives

Brand recognition is a key factor in consumers' purchase decisions and is critical to long-term business development. The Group has continuously invested in marketing activities to cultivate consumer loyalty and brand awareness through a wide variety of media, ranging from traditional channels such as television media, to promotional events, exhibitions, and various sponsorships. To optimize the effectiveness of its overall marketing strategy, the Group has continued to engage reputable artists with high popularity in China, Ms. Lin Chi-ling (林志玲小姐) and Mr. Huang Xiaoming (黃曉明先生), as the spokespersons for its core female brands and its male brand "Cosmo Esquire", respectively. Their participation in various promotion and marketing campaigns has fostered the corporate image of the Group as well as its brands.

With the aim to strengthen the Group's influence and its leading position in China's intimate wear industry, the Group organized a mega annual intimate wear fashion show "The One" in April 2015 for its latest product collections that showcased its high quality and trendy products as well as demonstrating its pioneering role of the intimate wear fashion trends in China. During the mega fashion show, the Group's spokespersons, other artists and professional models strolled down the catwalk with the Group's stylish products which were well-recognized by audiences and media.

Apart from the above, to mark a milestone of sales of the one-billionth intimate wear product, the Group held a celebration ceremony in November 2015. Professional models demonstrated traditional lingerie with both Eastern and Western styles under different themes such as various dynasties in Ancient China by way of a catwalk show, which illustrated the evolution of the intimate wear culture across time. The highlight of the ceremony was Ms. Lin Chi-ling showcasing the specially designed one-billionth commemorative and elegant intimate wear product. The event was widely covered by media and further enhanced the Group's leading role in the market.

As an effective means to heighten the Group's visibility and publicity, the Group has sponsored a number of popular Chinese variety shows in 2015 including "Hurry Up, Brother" (奔跑吧兄弟), "the Voice of China (season 4)" (中國好聲音4), "Challenger Alliance" (挑戰者聯盟) and "Chef Nic" (12道鋒味) of Zhejiang Television, and "Who's the Singer" (歌手是誰) of Beijing Television which greatly promoted the brand image of the Group. Other marketing initiatives, including television 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 year, which boosted the Group's brand awareness and stimulated sales.

Streamlined Retail and Supply Chain Management

In view of the continuous expansion, the Group understands outstanding logistics management is one of the top priorities for long-term sustainable growth and therefore has been fast fashioning its supply chain. In addition to the existing logistics center located at the Group's Dongguan headquarters and the regional logistics center in Tianjin, the new central logistics center in Dongguan has commenced operation since July 2015. The new Dongguan central logistics center has a construction floor area of over 70,000 square meters and is equipped with advanced automated facilities which greatly enhance the Group's logistics capabilities in terms of deliver and storage capacity and sorting efficiency, and also shorten the order processing cycle. Meanwhile, the construction of another new regional logistics center in Tianjin was started in April 2015 and it is expected to commence its operation in the year of 2017.

Apart from the above, in order to be able to cope with the ever-changing market environment, the Group has put into place the Order Management System ("**OMS**") in 2015. Through the operation of OMS, aiming at the fast and efficient supply chain management, orders from multiple channels can be unified into one single management system such that all information can be conveniently and helpfully visualized. The phase I of this OMS project was completed in April 2015, achieving a singular approach to warehouse inventory management, as well as supporting various logistics processes, such as direct distribution, transshipment and express courier of products. Phase II of OMS will be in operation in 2016 and by then the management of inventory of suppliers and the tracking of on-the-road products can be achieved.

In addition, the Group has been devoting to consolidate its supply chain management. For upper stream, the Group has been working to connect its information system to its raw material and OEM suppliers so that information sharing and flow between these suppliers and the Group is facilitated. This does not only increase the efficiency on both the Group and suppliers in production and ordering cycle, but also provides the Group meaningful data for negotiation on purchase terms.

For its retail side, the Group has adopted the point of sales terminals system which connects to the centralized system at the headquarters of the Group for daily analysis, so that the Group is able to timely understand and cope with market changes, responsively and agilely adjust production planning and marketing strategies so as to more accurately capture market opportunities and also better manage inventory risks. Targeting mobile payment as a payment method gradually becoming the trend, in 2015, the Group successfully had arrangements in place with Tencent and China Telecom to explore and develop this payment method through utilizing mobile payment systems which are based on the existing cashier systems in outlets – the Weixin Pay (微信支付) and Bestpay (翼支付). Not only more payment options are made available to customers, sales of products are also boosted through implementation of these systems.

The Group will continue to optimize its information technology systems in the retail management, procurement and production processes, shipment coordination and inventory management.

Devoting Product Innovation and Quality Control

In such a market of increasing fashion awareness and greater demand on intimate wear comfort, the Group has been investing in its product innovation capability to deliver new consumer-oriented products. Initiatives include continuous effort in computerized design system development, as well as recruitment and retention of talented designers. Currently, the Group has a committed in-house product design, research and development team of approximately 100 staff members for its major product categories, which launches products with new exterior designs and functionalities throughout the year to cope with consumer demand changes. As of December 31, 2015, the Group has a total of 117 registered patents in China.

Apart from product innovation, the Group has been committed to adopting a well-functioned quality control system in order to ensure delivery of high standard of products to its consumers. In view of the continuous business expansion, the Group is currently establishing a new quality control center of approximately 1,200 square meters in Dongguan with more sophisticated equipment installed. The Group will continue to pursue the highest standard of quality control management for the best interests of its consumers.

Corporate Social Responsibility and Awards

As a responsible corporate citizen, the Group is dedicated not only to providing high quality products to its customers, but also committed to giving back to the communities in which it operates its business. In 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 Chinese Humanist Association of Guangdong (廣東僑屆人文學會), 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 effort in contributing and leading the China intimate wear market were also widely recognized. In 2015, the Group was honored to be awarded with the following accolades: "China Textile and Apparel Industry Brand Contribution Award" ("中國針織行業品牌貢獻獎") from the China National Textile and Apparel Council (中國針織工業協會) in recognition of the Group's continuous contribution to the industry; and also "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 (中國紡織工業聯合會) and China Textile Education Society (中國紡織服裝教育學會) in recognition of the Group's effort in nurturing talents for the textile industry in China. The Group will continue to strive to deliver high quality products to its customers and contribute to the intimate wear industry.

FINANCIAL REVIEW

Revenue

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

The total revenue increased by 23.6% from RMB4,007,636,000 for the year ended December 31, 2014 to RMB4,953,415,000 for the year ended December 31, 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, the enhanced operational efficiency of the retail network and the improved performance of the online sales platforms.

Revenue by sales channel

The products of the Group are sold to consumers through an extensive network of 8,609 outlets including 7,126 franchised outlets and 1,483 self-managed outlets in more than 330 prefecture-level cities across China as of December 31, 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.

	Year ended December 31,			
	2015		2014	
	RMB'000	*%*	*RMB'000*	*%*
Sales to franchisees	**3,155,892**	**63.7**	2,689,850	67.1
Retail sales	**1,622,952**	**32.8**	1,244,013	31.0
E-commerce	**174,571**	**3.5**	73,773	1.9
Total revenue	**4,953,415**	**100.0**	4,007,636	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.

	Year ended December 31,			
	2015		2014	
	RMB'000	*%*	*RMB'000*	*%*
Bras	**2,269,562**	**45.8**	1,854,044	46.3
Underpants	**795,833**	**16.1**	622,152	15.5
Sleepwear and loungewear	**715,422**	**14.4**	606,815	15.1
Thermal clothes	**600,198**	**12.1**	517,094	12.9
Others[1]	**572,400**	**11.6**	407,531	10.2
Total revenue	**4,953,415**	**100.0**	4,007,636	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 and its sub-brands. The following table sets out a breakdown of the total revenue by brand, each expressed in the absolute amount and as a percentage of the total revenue.

	Year ended December 31,			
	2015		2014	
	RMB'000	***%***	*RMB'000*	*%*
Cosmo Lady	**2,015,772**	**40.7**	1,679,758	41.9
Cosmo Elegance	**1,360,763**	**27.5**	1,244,193	31.0
Cosmo Blossom	**628,711**	**12.7**	460,206	11.5
Cosmo Esquire	**599,298**	**12.1**	496,758	12.4
Ordifen	**179,942**	**3.6**	—	—
Others	**168,929**	**3.4**	126,721	3.2
Total revenue	**4,953,415**	**100.0**	4,007,636	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 region, each expressed in the absolute amount and as a percentage of the total revenue.

	Year ended December 31,			
	2015		2014	
	RMB'000	***%***	*RMB'000*	*%*
Southern China(1)	**1,893,066**	**38.2**	1,800,279	44.9
Eastern China(2)	**1,241,543**	**25.1**	804,075	20.1
South-Western China(3)	**912,791**	**18.4**	748,986	18.7
Northern China(4)	**906,015**	**18.3**	654,296	16.3
Total revenue	**4,953,415**	**100.0**	4,007,636	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, 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 63.3% and 65.0% of the total turnover for the year ended December 31, 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 year ended December 31, 2015 compared with 2014, because sales in Northern China increased significantly by 38.5% over last year.

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 in the absolute amount increased by 16.3% during the year ended December 31, 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.

	Year ended December 31,			
	2015		2014	
	RMB'000	*%*	*RMB'000*	*%*
Cost of inventories recognized in cost of sales	**2,758,818**	**97.2**	2,358,988	96.7
Government surcharges and levies	**31,100**	**1.1**	23,017	0.9
Employee benefit expenses	**27,247**	**1.0**	21,003	0.9
Write-down of inventories	**20,699**	**0.7**	36,695	1.5
Others	**757**	**0.0**	414	0.0
Total cost of sales	**2,838,621**	**100.0**	2,440,117	100.0

Gross Profit and Gross Profit Margin

During the year ended December 31, 2015, the Group recorded a gross profit of RMB2,114,794,000, representing an increase of 34.9% from 2014.

Gross profit margin of the Group increased from 39.1% for the year ended December 31, 2014 to 42.7% for the year ended December 31, 2015. The increase in gross profit margin of the Group was primarily due to the continuous improvements to sales channels and product portfolio, 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, 2015 is RMB2,081,000 (2014: RMB2,655,000).

Selling and marketing expenses increased by 46.8% from RMB890,308,000 for the year ended December 31, 2014 to RMB1,306,751,000 for the year ended December 31, 2015. The increase was primarily attributable to (i) the increase in the number of the self-managed outlets from 977 as of December 31, 2014 to 1,483 as of December 31, 2015 which led to the significant increase of the aggregate of employee benefit expenses, operating lease rentals in respect of land and buildings, and concession fees during the year, (ii) the significant expansion of the e-commerce business causing the significant increase of the related selling and marketing expenses during the year, as well as (iii) the additional inclusion of the selling and marketing expenses from the Acquired Brands as a result of the Acquisition.

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 year ended December 31, 2015 is RMB4,938,000 (2014: RMB6,196,000).

General and administrative expenses increased by 6.3% from RMB185,792,000 for the year ended December 31, 2014 to RMB197,495,000 for the year ended December 31, 2015. The increase was primarily attributable to an increase of RMB32,466,000 in employee benefit expenses incurred as a result of the business expansion, partially offset by a decrease of RMB22,676,000 in the one-off listing expenses incurred in last year.

Other Income

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

Other income decreased slightly by 3.0% from RMB79,098,000 for the year ended December 31, 2014 to RMB76,735,000 for the year ended December 31, 2015. The decrease was primarily attributable to the significant decrease of RMB16,348,000 in service fee income as a result of the completion of the upgrade of outlet image to the fourth generation for a majority of the franchised outlets on or before 2014 to which the Group provided outlet interior design services and decoration subsidies to existing franchisees for opening additional outlets, partially offset by the increase of RMB9,808,000 in government grants received.

Other Gains — Net

Other net gains consist of net loss on disposal of property, plant and equipment, and net foreign exchange 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 RMB21,766,000 and RMB12,400,000 for the year ended December 31, 2015 and 2014, respectively.

Income Tax Expense

Income tax expense primarily represents income tax payable by the Group under relevant income tax rules and regulations of the People's Republic of China (the "**PRC**"). Items of income tax expense consist 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 RMB162,229,000 for the year ended December 31, 2014 to RMB170,561,000 for the year ended December 31, 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 year ended December 31, 2014 and 2015 was 27.6% and 24.0%, respectively. As of December 31, 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**	
	As of December 31,		**As of December 31,**	
	2015	2014	**2015**	2014
Inventory turnover days	92.5	78.0	**88.3**	78.0
Trade receivables turnover days	29.4	20.6	**29.6**	20.6
Trade payables turnover days	49.2	36.6	**49.9**	36.6

The increase in inventory turnover days by 14.5 days was primarily due to the increase in inventory balance from RMB638,606,000 as of December 31, 2014 to RMB800,377,000 as of December 31, 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 increased from 20.6 days for the year ended December 31, 2014 to 29.4 days for the year ended December 31, 2015 because of the temporary extension of credit period granted to franchisees in December 2015 in view of the warm weather in winter in the fourth quarter of 2015 which temporarily and negatively affected the retail sales performance and cash flows of the franchised outlets.

Trade payables turnover days increased from 36.6 days for the year ended December 31, 2014 to 49.2 days for the year ended December 31, 2015 because of increased bargaining power against the OEM suppliers.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy balance sheet. As of December 31, 2015, net working capital was RMB1,874,372,000, representing an increase of 4.5% or RMB81,022,000 as compared with December 31, 2014. As of December 31, 2015, current ratio was 3.2 times (2014: 4.4 times) (Current ratio is calculated by using the following formula: Current Assets/ Current Liabilities).

Net cash generated from operations was RMB402,704,000 for the year ended December 31, 2015 (2014: net cash used in operations was RMB54,111,000), mainly attributable to the expansion of the Group's business and better management of operating cash flows.

Net cash used in investing activities for the year ended December 31, 2015 was RMB229,319,000 (2014: RMB279,290,000). During the year ended December 31, 2015, the Group invested RMB192,945,000, RMB105,000,000 and RMB74,800,000 on payments and deposits for purchases of property, plant and equipment (including retail outlets' decorations), loan to a third party and business acquisition, respectively.

During the year ended December 31, 2015, net cash used in financing activities was RMB151,175,000 (2014: net cash generated from financing activities was RMB964,512,000), mainly attributable to the payment of dividends to the then equity holders in the amount of RMB151,175,000.

As of December 31, 2015, the Group was in a net cash position of RMB950,639,000 (2014: RMB921,337,000).

CAPITAL EXPENDITURES

Capital expenditures increased from RMB130,816,000 for the year ended December 31, 2014 to RMB346,954,000 for the year ended December 31, 2015. Capital expenditures for 2015 were used primarily for (i) construction of logistics centers in Dongguan and Tianjin, (ii) the Acquisition, (iii) additions to property, plant and equipment for the newly opened self-managed outlets, (iv) additions to computer software and (v) investments in available-for-sales financial assets and a joint venture.

PLEDGE OF ASSETS

As of December 31, 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 December 31, 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 tries to minimize these exposures through natural hedges, whenever possible or may enter into certain forward foreign exchange contracts, when necessary, to manage its exposure against foreign currencies risk and to mitigate the negative impact on exchange rate fluctuations. During the year ended December 31, 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 December 31, 2015 and December 31, 2014 were denominated in the respective group companies' functional currencies.

Interest Rate Risk

As the Group has no significant interest-earning assets (other than bank balances and cash and loan to a third party), the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no interest-bearing liabilities as at December 31, 2015 and December 31, 2014.

Price Risk

Except for the investments held by the Group and classified on the consolidated balance sheet as available-for-sale financial assets of RMB15,600,000 (2014: Nil), the Group is not exposed to any equity securities price risk.

Credit Risk

The Group has no significant concentrations of credit risk. The carrying amounts of loan to a third party, trade receivables, deposits and other receivables, cash and cash equivalents, term deposits 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 good credit histories, and credit evaluations were conducted on them periodically, taking into account their financial position, past experience and other factors. For customers to whom no credit terms were offered, the Group generally requires them to pay deposits and/or advances prior to delivery of products. The Group in general 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 credit cards issued by major banks. The Group also makes deposits to the relevant landlords for leases of certain of the self-managed outlets. The management does not expect to incur any loss from non-performance by these counterparties.

The Group also has policies in place to ensure that deposits with banks are mainly placed with either state-owned or reputable financial institutions in the PRC and Hong Kong. As of December 31, 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.

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 approximately 8,800 full-time employees as of December 31, 2015. The Group understands employees are valuable assets to its continuous success and hence has invested significantly in recruiting, nurturing and retaining talents. Staff attendances of over 13,500 were recorded in 1,300 staff training sessions held by the Group in 2015. The Group has been dedicating effort and resources to create a caring and encouraging work environment as well as cultivating the sense of belonging among its staff. Various staff welfare initiatives and programs have been carried out in 2015. Besides, the Group offers competitive remuneration packages and performance-based incentive schemes to all employees across different functional departments. The Group reviews regularly on its human resources policies to cater its corporate development needs on a timely manner.

ENVIRONMENTAL PROTECTION

Being a socially and environmentally responsible enterprise, the Group has been dedicating to achieve environmental sustainability through a number of initiatives in its daily operations. In particular, the Group regularly reviews the update of laws and regulations concerning environment protection and also ensures compliance to such legal compliance. The Group outsources the production of substantially all of its products to selected domestic OEM suppliers and therefore the operation of the Group does not produce material industrial waste and has a limited impact on the environment.

Concerning the Group's own production process, it has been accredited with ISO14001, which acknowledges that the environmental management system at the Group's production facility in Dongguan conforms to the relevant international standards set out by the International Organization for Standardization (ISO). All of the safety standards for the inspection of its products are based on relevant national standards and industrial standards, such as GB18401-2010 (national general safety technical code for textile products (國家紡織產品基本安全技術規範)), and are updated according to any changes to such national and industrial standards from time to time.

For the use of resources, the Group has been adopting policies on conservation of electricity, water and also papers. Initiatives include (i) trainings provided and campaigns launched to enhance employees' awareness of energy conservation in the workplace, (ii) encouraging the use of electronic systems and database for data storage and communication to reduce the use of papers and printings using double-sided papers or recycled papers; and (iii) setting yearly budget and obtaining explanation for over-utilization of the abovementioned resources in order to ensure continuous monitoring of their consumption.

During the year ended December 31, 2015, there was no reported instance of non-compliance relating to environmental protection laws and regulations, including the "Environmental Protection Law of the People's Republic of China" (中華人民共和國環境保護法) effective on January 1, 2015.

EFFECTIVE MANAGEMENT OF RELATIONSHIPS WITH STAKEHOLDERS

The Group believes its stakeholders stand with it on the roadmap of sustainability. Stable relationships and effective communication with its stakeholders and balancing interests of different stakeholders are keys to business success and sustainability.

Relationship with Consumers

The Group places top priority on the interests of its consumers and is committed to provide them with satisfactory shopping experience. To ensure continuous improvement of quality of its products and services, the Group regularly conducts analysis on operating data in its outlets to understand diversified consumers' demands and market trends in different regions. The Group also runs a membership program with registered members of 37 million, which enables it to understand the spending behavior and habits of its members so that the Group could customize and launch differentiated marketing activities to strengthen consumers' loyalty of its brands. Besides, in order to gain thorough understanding on consumers' demand, the Group regularly carries out market surveys and face-to-face interviews with selected consumers to directly obtain their feedback and exchange ideas.

Apart from the above, the Group established an internal training center to provide regular trainings to all salespersons in its outlet with the aim to offer high standard of services to consumers. Last but not least, the Group also engages its consumers through a number of measures including its own e-commerce platform, press release and media interview.

Relationship with Franchisees

Franchisees are vital business partners for the Group's long-term success. In order to continuously improve their performance, the Group maintains close relationship with them through several initiatives including but not limited to (i) upon new outlet opening, providing advice on outlet design, outlet location and product combination, (ii) providing regular trainings and guidance on outlet management, (iii) continuously cooperating with franchisees on monitoring of outlets' performance, including setting key performance indicators and targets for outlets and conducting periodic reviews on performance of the outlets, (iv) holding regular meetings and exchange sessions with franchisees to share market information between the Group and franchisees, and (v) connecting operating system between outlets and the Group's headquarters so that operational data could be analyzed timely to facilitate responsiveness to satisfy the needs of consumers.

Relationship with Suppliers

The Group understands sustainable supply of quality products is indispensable for long-term business development. In view of this, the Group has adopted a supplier management policy to ensure quality and sustainability of products supply.

For potential suppliers, the Group conducts comprehensive evaluation in choosing its suppliers in a number of aspects including product quality and safety, price competitiveness, compliance matters, labor safety, business sustainability and stability, etc. Factory visits are carried out to facilitate effective evaluation. Regular reviews on major suppliers are also carried out to ensure their continuous commitment to the above aspects. Recommendations are provided to substandard suppliers for improvement before being removed from the vendor list.

Relationship with Employees

The Group considers its employees the key to a sustainable business growth and hence has invested significantly in recruiting, nurturing and retaining talents. Apart from providing competitive remuneration packages and performance-based incentive schemes, the Group regularly offers training sessions and various staff welfare initiatives and programs to its employees to create a caring and encouraging work environment as well as cultivating their sense of belonging. The Group reviews regularly on its human resources policies to cater its corporate development needs on a timely manner.

Relationship with Investors

The Group places significant resources in maintaining effective relationship with investors. Senior management is regularly involved as they believe constructive feedback and ideas from investors are beneficial for its future corporate development. The Group has opened up a wide range of channels to engage its investors including but not limited to involvements of investors in (i) regulatory and statutory reporting such as annual reports, interim reports and announcements, (ii) annual general meeting and press conference to exchange ideas between management and participants, such as shareholders and media, for the Group's long-term corporate planning and strategies, (iii) face-to-face meetings and telephone conferences to directly communicate with shareholders and investors, (iv) its investor relations website (http://www.cosmo-lady.com.hk)* with financial results, press releases, announcements and live webcast presentations for interim and annual results timely published, and (v) media interview and press release with latest information of the Group disseminated to the investors and public.

Advice from investors is valuable intangible asset and the Group will continue to streamline its policy and practices on investor relations.

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

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

The Group and its operations are subject to requirements under various laws and regulations. These include laws and regulations in the PRC relating to, among others, commercial franchise, product quality and liabilities, product sales through internet, labors and occupation safety, trademark and patent, taxation, foreign exchange, environmental protection. Also, as an issuer listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company is also subject to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Group has been establishing a number of initiatives to ensure compliance with these requirements including but not limited to internal control and risk management systems, regular and close communication and consultation with legal advisor, trainings and oversight of various business units with the designated resources at different levels of the Group. During the year ended December 31, 2015, the Group is not aware of any material breach of or non-compliance with applicable laws and regulations that have significant impact on its business and operations.

SUBSEQUENT EVENTS

There were no significant subsequent events affecting the Group that took place from December 31, 2015 to the date of this announcement.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company's ordinary shares were listed on the Main Board of the Stock Exchange on June 26, 2014. 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 year ended December 31, 2015, utilized RMB136,534,000 (equivalent to approximately HK$167,866,000) to expand its retail network by increasing the number of its self-managed outlets, RMB69,007,000 (equivalent to approximately HK$84,843,000) and RMB52,966,000 (equivalent to approximately HK$65,121,000), respectively to establish the regional logistics centers in Dongguan and Tianjin, RMB16,338,000 (equivalent to approximately HK$20,087,000) to upgrade information technology infrastructure, and RMB74,800,000 (equivalent to approximately HK$91,965,000) as consideration paid for the Acquisition. As at December 31, 2015, net proceeds not yet utilized were deposited with licensed banks in Hong Kong and China.

OUTLOOK AND STRATEGY

The Group expects business environment will be more challenging but opportunistic in 2016. The sluggish China's economic growth as reflected in the key macro-economic indicators and uncertainties in the global financial markets are generally perceived to have impact on the growth of national per capita disposable income, progress of urbanization in China and also the consumer's sentiment. Despite, the Chinese government has been implementing policies and measures to stimulate economic development and consumption, and to raise the living standards of citizens. Going forward, the Group will continue to expand its retail network, especially in places where it has low market presence and areas of high potential for growth.

In such a challenging year of 2016, the Group is of the view that those market participants with lower brand awareness and competitiveness in the China's intimate wear industry will be further marginalized or eliminated amid the fierce competition. In such an opportunistic environment, to capture growth potential arising from market consolidation, the Group will continue to explore an opportunity for inorganic growth in the industry. Meanwhile, the Group will dedicate to enhance its core competitiveness and outperform its competitors through a number of initiatives, including (i) expanding and integrating its online and offline omni-channel distribution network particularly in crowded locations and also neighborhood areas in third and fourth-tier cities, (ii) offering diversified brands and value-for-money product categories while grasping high growth opportunities (especially on "Freeday", "Cosmo Esquire", Disney line products and also e-commerce channel), (iii) streamlining the operation and re-elevating the brand image of Acquired Brands, fast fashioning its retail and supply chain management with advanced information technology systems like the OMS and BW systems, and (iv) exalting its well-known corporate brand image via comprehensive marketing campaigns (such as mega fashion shows) and its spokespersons. The Group would also consider to expand its footprint overseas and collaborating with other reputable intimate wear brands.

Despite the uncertainties surrounding China in 2016, the Group has equipped to combat the up-coming challenges and prepared to further consolidate its leading position in the intimate wear market in China. In the longer term, the Group is optimistic on the prospects of the intimate wear industry in China backed by continuous urbanization, increase in consumers' awareness on quality and branded intimate wear and rising population as a result of the new two-child policy in China.

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, the remuneration committee and the risk management 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 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, 2015, 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 operations 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 advice in 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 2015 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, 2015.

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, 2015.

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, 2015.

FINAL DIVIDEND

The Board has recommended to pay to the shareholders of the Company a final dividend of HK$11.00 cents per ordinary share for the year ended December 31, 2015 (2014: HK$10.00 cents). 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 May 25, 2016. If approved by shareholders, the proposed final dividend is expected to be paid on or about June 14, 2016 to shareholders whose names appear on the register of members of the Company on June 2, 2016.

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 Wednesday, May 25, 2016 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 Monday, May 23, 2016 to Wednesday, May 25, 2016, 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 Friday, May 20, 2016.

(2) The final dividend will be payable on or about Tuesday, June 14, 2016 to the shareholders whose names appear on the register of members of the Company on Thursday, June 2, 2016. For the purpose of ascertaining shareholder's entitlement for the final dividend, the register of members of the Company will be closed from Tuesday, May 31, 2016 to Thursday, June 2, 2016, 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 Monday, May 30, 2016.

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 May 25, 2016. 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 2015 annual report and the notice of the AGM will be dispatched 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 29, 2016

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.