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)

PROFIT WARNING
MEASURES TO IMPROVE FUTURE OPERATING RESULTS

This announcement is made pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Estimated decrease in net profit for the year ended 31 December 2016

The board of directors (the "**Board**") of Cosmo Lady (China) Holdings Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") announces that based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2016 (the "**Year**"), the Board estimated that the net profit for the Year would decrease by approximately 50% to 60% as compared to that of the year ended 31 December 2015, mainly due to (1) the more cautious consuming sentiment amid the slowdown in mainland China's economic development; (2) the increase in overall operating expenses as a percentage of revenue; and (3) the commencement of the structural adjustments in the mainland China intimate wear industry, including but not limited to further diversification of sales and distribution channels and the changes in mix of products sold during the Year affecting the Group's operation performance.

As the results for the Year have not been finalized, the information contained in this announcement is only a preliminary assessment by the Board based on information currently available including the unaudited consolidated management accounts of the Group for the Year, which have not been confirmed, reviewed or audited by the auditors of the Company.

MEASURES AND INITIATIVES TO IMPROVE FUTURE OPERATING RESULTS

With a view to improving the operating results of the Group in the future, the Group has formulated various measures and initiatives to revitalize the Group's business, including but not limited to the following:

1. **Reforms in the sales and distribution channels**

   (i) Closure of loss making outlets (mainly those located in department stores and street shops), and opening of new outlets in selected shopping malls;

   (ii) Stepping up effort in the development of e-commerce channels;

   (iii) Accelerating the upgrade of outlets image to the 5th generation and renovation of existing outlets to stimulate consumers' demand;

   (iv) Negotiation to form strategic alliances with potential business partners to develop Southeast Asian markets; and

   (v) Opening of discount outlets in third- and fourth-tier areas in mainland China for grasping market opportunities in these areas and clearing aged stock.

2. **Tightening cost control**

   The Group will implement further initiatives to tighten cost controls and improve profit by closing loss marking outlets, negotiating for lower outlet rentals, reducing expenditure on less-effective marketing and promotion activities and reducing unnecessary expenses.

3. **Product innovation**

   The Group will enhance efforts on market research and development so that the Group is able to introduce new products to promptly react to market changes and consumers' new requirements.

4. **Reforms in supply chain management**

   (i) Integration and consolidation of procurement, monitoring of product supply, inventory usage, raw material specification, quality control and resources allocation to optimize efficiency and reduce wastage of resources; and

   (ii) Enhancing procurement flexibility and increasing procurement frequency to timely respond to sales demand and optimize inventory control.

5. The Group will proactively seek suitable merger, acquisition, share subscription and/or cooperation opportunities with a view to further develop the Group's existing business and new businesses with synergy effect.

The Board is prudently optimistic that the operating performance of the Group will gradually improve after the implementation of the above measures.

Shareholders of the Company and potential investors are advised to read carefully the annual results announcement of the Company for the Year which is expected to be published in March 2017.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 20 January 2017

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.