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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)

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 profit for the six months ending 30 June 2019

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 five months ended 31 May 2019, the Board estimated that the consolidated profit attributable to the owners of the Company for the six months ending 30 June 2019 would decrease by not less than 80% as compared to that of the six months ending 30 June 2018, mainly due to (1) the retail industry in China having been affected by a weaker economy such that the revenue of the Group is expected to decline by a high single digit percentage; and (2) lower gross profit margin as a result of (a) higher raw material costs, which was caused by increase in market prices of raw materials used by the Group and increase in costs of raw materials supplied by the certain suppliers of the Group who have been subject to more stringent environmental regulations; (b) higher discounts being offered to clear the Group’s aged inventories; and (c) higher discounts being offered to customers to match those of competitors.

As the results for the six months ending 30 June 2019 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 five months ended 31 May 2019, 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 improve 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:

1. expecting to appoint a new chief executive officer with extensive experience in apparel industry in several months to lead and drive the reforms and strategic initiatives of the Group, and also enhance the Group's execution capabilities and efficiency. Further announcement and updates will be made in this respect as and when appropriate and in compliance with the Listing Rules;
2. engaging a young popular celebrity, Ms. Guan Xiaotong, as the Group's new brand endorser, together with launching more new advertisements and promotional activities;
3. putting more effort on product research and development, and introduction of more new quality products to the market with appropriate price strategy to optimize gross profit margin;
4. developing brand portfolio with new retail format to expand the Group's retail footprint, especially in shopping malls and e-commerce channels;
5. continuing to seek strategic investment opportunities in quality suppliers for enhancing the quality of the Group's products, shortening manufacturing cycle, improving quick response capability and centralising purchase orders to improve gross profit margin; and
6. exploring opportunities for collaboration with international intimate wear companies to jointly develop the mainland China market and mergers with or acquisitions of China local intimate wear companies which can bring good growth to and improve market share of the Group.

The Group will closely monitor the manner and progress of implementation of the above measures and will review and if appropriate, adjust its strategy from time to time.

Shareholders of the Company and potential investors are advised to read carefully the interim results announcement of the Company for the six months ending 30 June 2019 which is expected to be published in late August 2019.

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, 28 June 2019

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