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 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

		Year ended 31 December	
		2019	2018
Revenue	*RMB'000*	**4,081,885**	5,096,453
Operating (loss)/profit	*RMB'000*	**(1,389,193)**	483,978
(Loss)/profit attributable to owners of the Company	*RMB'000*	**(1,297,812)**	378,229
Gross profit margin	%	**22.6%**	41.7%
Operating (loss)/profit margin	%	**–34.0%**	9.5%
Margin of (loss)/profit attributable to owners of the Company	%	**–31.8%**	7.4%
(Loss)/earnings per share			
– Basic	*RMB cents*	**(57.76)**	17.15
– Diluted	*RMB cents*	**(57.76)**	17.10
Final dividend per share	*HK cents*	**–**	3.75
	(RMB cents)	**–**	(3.20)
Special final dividend per share	*HK cents*	**–**	6.20
	(RMB cents)	**–**	(5.30)

ANNUAL RESULTS

The board of directors (the "Board") of Cosmo Lady (China) Holdings Company Limited (the "Company") announced the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019, together with comparative figures for the corresponding period of 2018 and selected explanatory notes, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**4,081,885**	5,096,453
Cost of sales		**(3,159,299)**	(2,972,889)
Gross profit		**922,586**	2,123,564
Selling and marketing expenses		**(1,612,604)**	(1,471,006)
General and administrative expenses		**(304,106)**	(260,589)
Net impairment losses on financial assets	*6*	**(419,550)**	(4,492)
Other income	*5*	**35,919**	90,937
Other (losses)/gains – net		**(11,438)**	5,564
Operating (loss)/profit		**(1,389,193)**	483,978
Finance income		**9,947**	19,977
Finance expenses		**(30,287)**	(10,056)
Finance (expenses)/income – net		**(20,340)**	9,921
Share of profit of equity investments		**2,995**	8,383
(Loss)/profit before income tax	*6*	**(1,406,538)**	502,282
Income tax credit/(expense)	*7*	**106,746**	(122,673)
(Loss)/profit for the year		**(1,299,792)**	379,609
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss			
Exchange differences		**17,388**	34,433
Item that will not be reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income		**(9,446)**	–
Total comprehensive (loss)/income for the year		**(1,291,850)**	414,042
(Loss)/profit attributable to:			
Owners of the Company		**(1,297,812)**	378,229
Non-controlling interests		**(1,980)**	1,380
		(1,299,792)	379,609
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(1,289,870)**	412,662
Non-controlling interests		**(1,980)**	1,380
		(1,291,850)	414,042
(Loss)/earnings per share	*8*	***RMB cents***	*RMB cents*
Basic (loss)/earnings per share		**(57.76)**	17.15
Diluted (loss)/earnings per share		**(57.76)**	17.10

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**515,402**	564,357
Land use rights		**–**	85,231
Right-of-use assets		**516,522**	–
Intangible assets		**39,871**	44,972
Investment in joint ventures		**285,174**	165,405
Investment in an associate		**–**	385
Financial assets at fair value through profit or loss		**102,729**	106,000
Financial assets at fair value through other comprehensive income		**74,414**	60,494
Deposits, prepayments and other receivables		**113,757**	14,417
Deferred income tax assets		**178,444**	79,983
		1,826,313	1,121,244
Current assets			
Inventories		**679,845**	1,164,933
Trade receivables	*10*	**276,111**	825,627
Deposits, prepayments and other receivables		**694,154**	790,493
Financial assets at fair value through profit or loss		**8,822**	7,885
Term deposits and restricted bank deposits		**630**	9,855
Cash and cash equivalents		**854,164**	1,496,163
		2,513,726	4,294,956
Total assets		**4,340,039**	5,416,200
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*11*	**140,312**	140,755
Share premium	*11*	**1,656,669**	1,866,386
Other reserves		**418,807**	416,471
Retained earnings		**320,835**	1,623,937
		2,536,623	4,047,549
Non-controlling interests		**15,989**	15,056
Total equity		**2,552,612**	4,062,605
LIABILITIES			
Current liabilities			
Trade payables	*12*	**460,642**	711,105
Accruals and other payables		**370,292**	283,790
Contract liabilities		**133,675**	85,763
Current income tax liabilities		**–**	72,285
Borrowings	*13*	**150,000**	183,960
Lease liabilities		**199,147**	–
Deferred income		**436**	2,958
		1,314,192	1,339,861
Non-current liabilities			
Borrowings	*13*	**305,190**	–
Lease liabilities		**165,880**	–
Deferred income tax liabilities		**1,070**	1,247
Deferred income		**1,095**	12,487
		473,235	13,734
Total liabilities		**1,787,427**	1,353,595
Total equity and liabilities		**4,340,039**	5,416,200

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
As at 1 January 2019	**140,755**	**1,866,386**	**416,471**	**1,623,937**	**4,047,549**	**15,056**	**4,062,605**
Comprehensive income							
Loss for the year	**–**	**–**	**–**	**(1,297,812)**	**(1,297,812)**	**(1,980)**	**(1,299,792)**
Other comprehensive income							
Exchange differences	**–**	**–**	**17,388**	**–**	**17,388**	**–**	**17,388**
Changes in the fair value of equity investments at fair value through other comprehensive income	**–**	**–**	**(9,446)**	**–**	**(9,446)**	**–**	**(9,446)**
Total comprehensive income for the year	**–**	**–**	**7,942**	**(1,297,812)**	**(1,289,870)**	**(1,980)**	**(1,291,850)**
Transactions with owners							
Dividends paid	**–**	**(196,706)**	**–**	**–**	**(196,706)**	**–**	**(196,706)**
Shares bought back on-market and cancelled	**(443)**	**(13,011)**	**–**	**–**	**(13,454)**	**–**	**(13,454)**
Equity-settled share-based compensation	**–**	**–**	**7,944**	**–**	**7,944**	**–**	**7,944**
Shares purchased for share award scheme	**–**	**–**	**(18,840)**	**–**	**(18,840)**	**–**	**(18,840)**
Contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**2,913**	**2,913**
Total transactions with owners	**(443)**	**(209,717)**	**(10,896)**	**–**	**(221,056)**	**2,913**	**(218,143)**
Appropriation to statutory reserves	**–**	**–**	**5,290**	**(5,290)**	**–**	**–**	**–**
As at 31 December 2019	**140,312**	**1,656,669**	**418,807**	**320,835**	**2,536,623**	**15,989**	**2,552,612**
As at 1 January 2018	133,792	1,603,035	275,445	1,343,841	3,356,113	–	3,356,113
Comprehensive income							
Profit for the year	–	–	–	378,229	378,229	1,380	379,609
Other comprehensive income							
Exchange differences	–	–	34,433	–	34,433	–	34,433
Total comprehensive income for the year	–	–	34,433	378,229	412,662	1,380	414,042
Transactions with owners							
Proceeds from shares issued *(Note 11)*	7,756	407,363	–	–	415,119	–	415,119
Dividends paid	–	(115,725)	–	–	(115,725)	–	(115,725)
Shares bought back on-market	(793)	(28,287)	–	–	(29,080)	–	(29,080)
Transaction with non-controlling interest	–	–	3,974	–	3,974	–	3,974
Equity-settled share-based compensation	–	–	5,607	–	5,607	–	5,607
Shares purchased for share award scheme	–	–	(1,121)	–	(1,121)	–	(1,121)
Capital injection from non-controlling interests	–	–	–	–	–	13,676	13,676
Total transactions with owners	6,963	263,351	8,460	–	278,774	13,676	292,450
Appropriation to statutory reserves	–	–	98,133	(98,133)	–	–	–
As at 31 December 2018	140,755	1,866,386	416,471	1,623,937	4,047,549	15,056	4,062,605

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash (used in)/generated from operations	**(183,752)**	174,764
Income tax paid	**(64,177)**	(123,967)
Net cash (used in)/generated from operating activities	**(247,929)**	50,797
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**1,719**	592
Proceeds from disposal of land use rights	**7,788**	–
Interest received	**9,947**	21,864
Investment income from financial assets at fair value through profit or loss	**157**	8,885
Dividend from financial assets at fair value through other comprehensive income	**–**	14,000
Payment for financial assets at fair value through other comprehensive income	**(23,366)**	(37,394)
Purchases of property, plant and equipment	**(193,497)**	(101,245)
Purchases of intangible assets	**(8,219)**	(5,006)
Payment for financial assets at fair value through profit or loss	**–**	(106,000)
Advance to a joint venture	**(3,267)**	(364)
Capital contribution to joint ventures	**(116,389)**	(135,000)
Payment received for proposed disposal of financial assets at fair value through profit or loss	**100,000**	–
Term deposits with initial term of over three months	**–**	100,000
Release of restricted bank deposits	**9,225**	–
Repayment from a related party	**–**	2,700
Net cash used in investing activities	**(215,902)**	(236,968)
Cash flows from financing activities		
Payments for purchase of the Company's shares for share award scheme	**(18,840)**	(1,121)
Payments for repurchase of the Company's shares	**(13,454)**	(29,080)
Capital injections from non-controlling interests	**2,913**	15,300
Proceeds from shares issued	**–**	415,119
Proceeds from borrowings	**470,000**	–
Repayments of borrowings	**(198,770)**	(39,120)
Interest paid for borrowings	**(20,324)**	(10,056)
Principal elements of lease payments	**(218,115)**	–
Dividends paid	**(196,706)**	(115,725)
Net cash (used in)/generated from financing activities	**(193,296)**	235,317
Net (decrease)/increase in cash and cash equivalents	**(657,127)**	49,146
Cash and cash equivalents at beginning of the year	**1,496,163**	1,405,285
Effect of foreign exchange rate changes	**15,128**	41,732
Cash and cash equivalents at end of the year	**854,164**	1,496,163

NOTES:

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 28 January 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 P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands.

The Company is an investment holding company. The Group is principally engaged in the designing, marketing and selling of intimate wear products in the People's Republic of China (the "PRC"). The Company's ordinary shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 26 June 2014.

The directors of the Company regarded Yao Li Investment Holdings Limited, a company incorporated in the British Virgin Islands (the "BVI") with limited liability and controlled by Mr. Zheng Yaonan, as being the ultimate holding company of the Company.

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and have been approved for issue by the Board on 25 March 2020.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") and under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are carried at fair value.

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

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group has adopted IFRS 16 from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.75%.

Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	As at 31 December 2019 *RMB'000*	As at 1 January 2019 *RMB'000*
Right-of-use assets		
Properties	**441,101**	**154,606**
Land use rights	**75,421**	**85,231**
	516,522	**239,837**
Lease liabilities		
Current	**199,147**	**69,656**
Non-current	**165,880**	**82,476**
	365,027	**152,132**

Additions to the right-of-use assets during the 2019 financial year were approximately RMB409,917,000.

As at 31 December 2019, land use rights of approximately RMB13,081,000 were pledged as collateral for the Group's borrowings.

Amounts recognised in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

	Year ended 31 December	
	2019 *RMB'000*	2018 *RMB'000*
Depreciation charge of right-of-use assets		
– Properties	**134,549**	–
– Land use rights	**2,022**	–
Interest expense on lease liabilities (included in finance expenses)	**9,963**	–

Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

Certain new accounting standards, amendments to existing standards and interpretations have been published that are not mandatory for adoption during the current reporting period and have not been early adopted by the Group. None of these is expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Standards, Amendments or Interpretations	**Subject**	**Effective for annual accounting periods beginning on or after**
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020
Amendments to IFRS 3	Definition of a Business	1 January 2020
IAS 39, IFRS 7 and IFRS 9 (Amendments)	Hedge Accounting	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

3 SEGMENT INFORMATION

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

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

For the year ended 31 December 2019, none of the revenue derived from any single external customer amounted to more than 10% of the Group's revenue (2018: None).

4 REVENUE

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Sales to franchisees	**1,950,422**	2,800,790
Retail sales	**1,378,873**	1,494,518
E-commerce	**627,481**	712,450
Trading of raw materials	**125,109**	88,695
	4,081,885	5,096,453

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Contract liabilities related to sales to franchisees	**108,227**	77,621
Contract liabilities related to trading of raw materials	**25,448**	8,142
	133,675	85,763

5 OTHER INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Government grants *(Note)*	**13,559**	41,268
Dividends from financial assets at fair value through other comprehensive income	**–**	14,000
Logistic warehousing and delivery income	**10,252**	10,564
Investment income from financial assets at fair value through profit or loss	**157**	8,885
Software usage fee income	**1,290**	2,462
Franchise fee income	**768**	1,489
Others	**9,893**	12,269
	35,919	90,937

Note: These mainly represented grants received from various local governments in the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

6 (LOSS)/PROFIT BEFORE INCOME TAX

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Operating lease expenses in respect of stores under cooperative arrangements	**605,313**	677,488
Employee benefit expenses (including directors' emoluments)	**399,820**	376,097
Other operating rental expenses	**27,330**	30,845
Depreciation and amortization	**241,251**	87,602
Marketing and promotion expenses	**190,141**	160,963
E-commerce platforms commission expenses	**76,583**	80,748
Provision for inventories *(Note (a))*	**737,912**	27,902
One-off waiving of trade receivables *(Note (b))*	**326,602**	–
Provision for impairment of trade receivables	**68,665**	2,372
Provision for impairment of other receivables	**24,283**	2,120

Notes:

(a) In view of the deteriorating retail market and the difficulty in promoting sales of old inventories in the second half of the year, management has made a provision of RMB737,912,000 based on the revised strategy to dispose aged inventories through different channels at discounted price.

(b) Management has reached agreements with certain franchisees to waive their long outstanding balances in November 2019 as these franchisees were unable to fulfil their obligation to settle the balances and to continue operations.

7 INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current income tax		
– Hong Kong profits tax *(Note (a))*	**–**	–
– PRC corporate income tax *(Note (b))*	**17,090**	147,603
– Over-provision in prior year *(Note (d))*	**(25,198)**	–
	(8,108)	147,603
Deferred income tax		
– Current deferred income tax	**(101,249)**	(24,930)
– Over-provision in prior year *(Note (d))*	**2,611**	–
	(98,638)	(24,930)
Income tax (credit)/expense	**(106,746)**	122,673

Notes:

(a) Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% for the year ended 31 December 2019 (2018: 16.5%).

(b) PRC corporate income tax

The Company's subsidiary, Cosmo Lady Guangdong Holdings Limited ("Cosmo Lady Guangdong") was given the preferential corporate income tax at 15% under the High and New Technology Enterprises ("HNTE") in April 2019, which is effective for 3 years from 2018 to 2020. The Group's other subsidiaries in the PRC are subject to PRC corporate income tax at the rate of 25% for the year ended 31 December 2019 (2018: 25%) on the estimated assessable profits for the year, 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 BVI was incorporated under the International Business Companies Act of the BVI and, accordingly, is exempted from BVI income tax.

(d) Over-provision in prior year

Pursuant to the PRC Corporate Income Tax Law (the "CIT Law"), the CIT rate is 25%. In addition, the CIT Law provides, among others, a preferential tax rate of 15% for enterprises qualified as HNTE. During the year ended 31 December 2018, Cosmo Lady Guangdong submitted an application to the relevant government authorities for being designated as a HNTE for financial year from 2018 to 2020. In April 2019, Cosmo Lady Guangdong obtained the approval from the relevant government authorities as HNTE and was given the preferential CIT rate at 15% for financial year from 2018 to 2020. The over-provision represents the difference between 15% and 25% which was the then corporate tax rate used in 2018.

8 (LOSS)/EARNINGS PER SHARE

Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2019	2018
(Loss)/profit for the year attributable to equity holders of the Company *(RMB'000)*	**(1,297,812)**	378,229
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share *(thousands of shares)*	**2,247,066**	2,205,670
Basic (loss)/earnings per share *(RMB cents per share)*	**(57.76)**	17.15

Note: The weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share for the year ended 31 December 2019 has been adjusted for the effects of purchase and withholding of ordinary shares of the Company for the share award scheme and the repurchase and cancellation of ordinary shares of the Company during the year ended 31 December 2019.

Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding on an assumption of conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options.

	Year ended 31 December	
	2019	2018
(Loss)/profit for the year attributable to equity holders of the Company *(RMB'000)*	**(1,297,812)**	378,229
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share *(thousands of shares)*	**2,247,066**	2,205,670
Adjustment for share options *(thousands of shares)*	**–**	5,813
Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share *(thousands of shares)*	**2,247,066**	2,211,483
Diluted (loss)/earnings per share *(RMB cents per share)*	**(57.76)**	17.10

9 DIVIDENDS

At a meeting held on 25 March 2020, the Board does not recommend a final dividend to the shareholders of the Company for the year ended 31 December 2019 (2018: final dividend of HK3.75 cents (equivalent to approximately RMB3.20 cents) per ordinary share and special final dividend of HK6.20 cents (equivalent to approximately RMB5.30 cents) per ordinary share, totalling approximately HK$224,403,000 (equivalent to approximately RMB196,706,000) which was paid and has been reflected as an appropriation for the year ended 31 December 2019).

At a meeting held on 29 August 2019, the Board did not recommend the payment of interim dividend to shareholders of the Company for the six months ended 30 June 2019 (2018: HK$61,763,000 (equivalent to approximately RMB54,297,000)).

10 TRADE RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Due from third parties	**349,347**	830,401
Less: provision for impairment	**(73,236)**	(4,774)
Trade receivables – net	**276,111**	825,627

(a) As at 31 December 2019, the carrying amounts of the trade receivables of the Group approximate their fair values and are substantially denominated in RMB.

(b) The Group's trade receivables are primarily derived from sales to certain franchise customers with an appropriate credit history. The Group generally grants franchise customers with a credit period of 60 to 90 days from the invoice date for seasonal products. The Group also gives franchise customers a credit period of 180 to 360 days for their first order of products for new retail stores. The Group would also extend the credit period for certain franchise customers under certain circumstances. The ageing analysis of trade receivables based on invoice date, as at 31 December 2019 is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables, gross		
– Within 30 days	**88,808**	401,470
– Over 30 days and within 60 days	**65,006**	113,493
– Over 60 days and within 90 days	**51,064**	155,705
– Over 90 days and within 180 days	**49,485**	107,243
– Over 180 days and within 360 days	**50,676**	33,291
– Over 360 days	**44,308**	19,199
	349,347	830,401

11 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
As at 1 January 2018	2,146,457,000	133,792	1,603,035	1,736,827
Proceeds from shares issued *(Note (a))*	121,443,213	7,756	407,363	415,119
Shares bought back on-market and cancelled	(11,666,000)	(778)	(27,809)	(28,587)
Shares bought back on-market but not yet cancelled *(Note (b))*	–	(15)	(478)	(493)
Dividends	–	–	(115,725)	(115,725)
As at 31 December 2018	2,256,234,213	140,755	1,866,386	2,007,141
Shares bought back on-market and cancelled *(Notes (b) and (c))*	**(6,777,000)**	**(443)**	**(13,011)**	**(13,454)**
Dividends	**–**	**–**	**(196,706)**	**(196,706)**
As at 31 December 2019	**2,249,457,213**	**140,312**	**1,656,669**	**1,796,981**

Notes:

(a) Pursuant to an agreement dated 26 April 2018 entered into among the Company, Windcreek Limited, Image Frame Investment (HK) Limited, Vipshop International Holdings Limited and Quick Returns Global Limited, the Company allotted and issued 121,443,213 shares at the price of HK$4.2 per share on 25 May 2018.

(b) 210,000 shares purchased in late 2018 from the market were cancelled in early 2019.

(c) 6,567,000 shares purchased in 2019 from the market were cancelled during the year.

12 TRADE PAYABLES

	As at 31 December 2019 *RMB'000*	2018 *RMB'000*
Due to third parties	**440,928**	703,688
Due to related parties	**19,714**	7,417
	460,642	711,105

As at 31 December 2019, trade payables of the Group are non-interest bearing, and their fair values approximate their carrying amounts due to their short maturities.

At 31 December 2019, trade payables are denominated in RMB. The ageing analysis of trade payables based on invoice date, as at 31 December 2019 is as follows:

	As at 31 December 2019 *RMB'000*	2018 *RMB'000*
Trade payables		
– Within 30 days	**76,738**	128,260
– Over 30 days and within 60 days	**50,898**	185,045
– Over 60 days and within 90 days	**150,834**	229,615
– Over 90 days and within 180 days	**130,202**	82,371
– Over 180 days and within 360 days	**47,521**	39,235
– Over 360 days	**4,449**	46,579
	460,642	711,105

13 BORROWINGS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Non-current		
Secured bank borrowing *(Note)*	**189,990**	–
Unsecured bank borrowing	**115,200**	–
	305,190	–
Current		
Unsecured bank borrowing	**150,000**	183,960
	455,190	183,960

Movements in borrowings are analysed as follows:

	RMB'000
Opening amount as at 1 January 2019	**183,960**
Repayments of bank borrowings	**(198,770)**
Proceeds from bank borrowings	**470,000**
Closing amount as at 31 December 2019	**455,190**

Note: The amount represents the bank borrowing of approximately RMB189,990,000, which bears interest of 5.23% per annum, repayable by 17 June 2022 and is secured by the Group's certain buildings and land use rights of approximately RMB39,320,000.

The fair values of the non-current borrowings approximate their carrying amounts, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 6.46% (2018: 5.22%) and are within level 2 of the fair value hierarchy.

The carrying amounts of the Group's borrowings are denominated in RMB.

BUSINESS REVIEW

The year 2019 was full of challenges. Global growth recorded its weakest pace since the worldwide financial crisis a decade ago. Rising trade barriers and associated uncertainties weighed on business sentiment and activities globally. The delayed Brexit has brought extended uncertainties to the economy of the Euro market. In the face of complex domestic and international situations, China has been deepening supply-side structural reforms resolutely since the beginning of the year.

Against the backdrop of a weakening economy, the retail market in China encountered unprecedented challenges brought by, inter alia, fast-changing consumption patterns, more diverse consumer preferences, and technology-driven innovation. According to the National Bureau of Statistics of China, the growth rate of the industrial value added in the apparel industry for 2019 was 0.9%, a drop of 3.5% when compared with last year while the cumulative finished cloth volume of apparel enterprises above designated size for the year fell by 3.3%. The Group faced headwinds that impacted adversely upon the apparel industry which is consumer-oriented, and hence the operating performance of the Group.

The rapid network expansion in the past have led to the success of the Group and its market leadership. However, the abilities of different franchisees of the Group on retailing and re-ordering products are uneven, and the structural adjustments in respect of sales channel diversification, product quality and mix of products in the mainland China intimate wear market have resulted in the build-up of inventory in the Group's own stores and the stores of franchisees. In addition, certain business strategies previously adopted by the Group, such as its focus on fast-moving-fashionable-sexy intimate wear products, did not meet the needs of the majority of female consumers on practical, functional and value-for-money products. As such, store productivity and profitability were adversely affected, leading to weakened financial positions of the Group and its franchisees. The board of directors of the Company (the "Board") understands that it will be difficult for many franchisees to make improvement only with their own resources.

New managing team and launch of a transformation plan

Aiming at improving its business performance, the Group took various initiatives, including but not limited to:

a) Appointing a new chief executive officer (the "CEO"), Mr. Siu Ka Lok, and other new senior officers with extensive experience in apparel retail industry in mainland China in the second half of 2019 to lead and drive the strategic initiatives of the Group, and also enhance the Group's execution capabilities and efficiency; and

b) Engaging Boston Consulting Group, a global leading consulting firm, on a long-term basis in August 2019 to review, among others, the overall operation strategies, major brand operation models, inventory management, optimization of management hierarchy, omni channel retailing management, optimization of structure of self-managed stores; formulating business strategies and implementing strategies and prioritization of values measures.

After diligent consideration of a report submitted in late October 2019 by Boston Consulting Group which has detailed areas of financial and operational improvements, the Group has determinedly brought forth a transformation plan in November and December 2019:

a) Returning to focus on practical, functional and value-for-money products again;

b) Launching new commercial advertisements in December 2019 under the theme of "Be your own idol" with our new celebrity endorser, Ms. Guan Xiaotong, promoting new design quality products;

c) Opening 6 shopping mall stores in the fourth quarter of 2019 with "family life concept", and opening and renovating the seventh generation intimate wear stores in December 2019 with a completely new image to attract consumers;

d) Stepping up investments in e-commerce channel and Tencent mini App for breaking down the boundaries between online and offline marketing and realizing omni-channel marketing;

e) Developing business presence in the lower-tier cities in mainland China for filling the market gap;

f) Establishing sizeable channel for clearing aged and outdated inventories, such as outlets and discount stores, in order to maintain inventories at a healthy level for long term;

g) Optimizing structure of franchisees and exploring potential Southeast Asia markets; and

h) Tightening cost controls, optimizing organisation structure and cutting unnecessary expenses.

The Board believes that the measures mentioned above will gradually restore the healthy growth and profitability of the Group and its franchisees.

Transformation plan: large-scale provisions

In addition, having considered the transformation plan measures, actual financial performance of the Group and the applicable accounting standards, the Board and the CEO made the following accounting provisions in the financial statements of the Group:

a) One-off provision for inventories by an amount of approximately RMB737,912,000, anticipation of the practical difficulties faced by the Group in selling aged inventories to customers and the need to step up promotion in the foreseeable future;

b) One-off waiving amounts of approximately RMB326,602,000 owed by major customers in anticipation of the practical difficulties in recovering these outstanding balances, and the provision for impairment of trade receivables of approximately RMB68,665,000, totalling approximately RMB395,267,000; and

c) An amount of approximately RMB28,705,000, including various costs, such as forfeiture of deposits, write down of leasehold improvements, and various staff redundancy costs, incurred for the closure of certain loss-making stores of the Group, and the provision for impairment of leasehold improvements of other loss-making stores of approximately RMB23,071,000, totalling approximately RMB51,776,000.

The Board appreciates the grand scale of the above accounting provisions and the grave financial impact they will have on the results for the year ended 31 December 2019. The Board stresses that some of the accounting provisions are one-off in nature and are necessary steps to put the Group's finances at a footing from which notable improvements in the future would be possible.

FINANCIAL REVIEW

Revenue

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

During the year, as adversely affected by the reasons stated in the "Business Review" section, the revenue of the Group declined by approximately 19.9% to approximately RMB4,081,885,000.

Revenue by sales channel

The products of the Group were sold to consumers through an extensive network of stores in various cities across China and via online sales platforms. The breakdown of the total revenue by sales channel is as follows:

	Year ended 31 December			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Sales to franchisees *(Note)*	**1,950,422**	**47.8**	2,800,790	55.0
Retail sales	**1,378,873**	**33.8**	1,494,518	29.3
E-commerce	**627,481**	**15.4**	712,450	14.0
Trading of raw materials	**125,109**	**3.0**	88,695	1.7
Total revenue	**4,081,885**	**100.0**	5,096,453	100.0

The Group held equity interests in some raw materials suppliers and has an in-depth understanding of the cost structure of this industry. From the second half of 2018 onwards, the Group leveraged the economy of scale to make bulk purchase of raw materials and then sold partly to third parties.

Note: There was a low double digit decline for the retail sales of the franchisees.

Revenue by type of product

The Group's revenue is mainly generated from intimate wear products: bras, underpants, sleepwear and loungewear, thermal clothes and others. The breakdown of the total revenue by product is as follows:

	Year ended 31 December			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Bras	**1,872,085**	**45.9**	2,504,239	49.1
Underpants	**745,952**	**18.3**	819,577	16.1
Sleepwear and loungewear	**577,739**	**14.1**	651,553	12.8
Thermal clothes	**358,046**	**8.8**	529,315	10.4
Trading of raw materials	**125,109**	**3.0**	88,695	1.7
Others*(Note)*	**402,954**	**9.9**	503,074	9.9
Total revenue	**4,081,885**	**100.0**	5,096,453	100.0

Note: Includes leggings and tights, vests, hosiery and accessories.

Gross profit margin

During the year, the gross profit margin of the Group dropped to around 22.6% (2018: 41.7%). The significant decline was mainly due to the one-off large write down of aged inventories of approximately RMB737,912,000 as mentioned in the "Business Review" section. If this exceptional item is excluded, the gross profit margin is about 40.7%. The mild decline when compared with that of last year was mainly due to keen competition in the market and higher discount offered to customers.

Selling and marketing expenses

Selling and marketing expenses primarily consist of employee benefit expenses, operating expenses in respect of stores under cooperative arrangements, marketing and promotion expenses, e-commerce platforms commission expenses, depreciation and amortization and others.

The rise of selling and marketing expenses by about 9.6% for the year ended 31 December 2019 to approximately RMB1,612,604,000 (2018: RMB1,471,006,000) was primarily driven by (a) the increase in depreciation and amortization; and (b) the increase in advertising and promotion activities.

General and administrative expenses

General and administrative expenses primarily consist of employee benefit expenses, consulting service expenses, travelling expenses, depreciation and amortization and others.

The rise of general and administrative expenses by about 16.7% for the year ended 31 December 2019 to approximately RMB304,106,000 (2018: RMB260,589,000) was mainly attributable to the increase in consulting service expenses and provision for impairment of leasehold improvements of loss-making stores.

Other income

Other income consists of government grants, logistic warehousing and delivery income, software usage fee income and others. During the year, other income decreased by approximately 60.5% to approximately RMB35,919,000 (2018: RMB90,937,000), mainly due to the decline in government grants awarded by local governments and the dividend income received from financial assets.

Finance (expenses)/income – net

Finance (expenses)/income – net mainly represents financial expenses on bank borrowings less interest income on short-term bank deposits and financial assets.

The finance income of approximately RMB9,947,000 (2018: RMB19,977,000) decreased mainly resulted from the drop in interest income on short-term bank deposits.

The increase in finance expenses to approximately RMB30,287,000 (2018: RMB10,056,000) was in line with the increase in bank borrowings.

Income tax credit/(expense)

Income tax credit/(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").

A PRC subsidiary of the Company submitted an application to relevant government authorities for being designated as a High and New Technology Enterprises ("HNTE") for the years ended 31 December 2018 and 2019, and the year ending 31 December 2020. This subsidiary obtained approval from relevant government authorities as HNTE in April 2019 and is entitled to a preferential income tax rate of 15% instead of the normal standard tax rate of 25%. Therefore, overprovision made in the year ended 31 December 2018 was written back in the year ended 31 December 2019. In addition, the Group has also recognised relevant amount of deferred tax assets in the financial statements resulting in an income tax credit.

As at 31 December 2019, the Group had fulfilled all its tax obligations and did not have any unresolved tax disputes.

WORKING CAPITAL MANAGEMENT

	Year ended 31 December	
	2019	2018
Average inventory turnover days	**107 days**	140 days
Average trade receivables turnover days	**49 days**	49 days
Average trade payables turnover days	**68 days**	80 days

The decrease in inventory balance to approximately RMB679,845,000 (31 December 2018: RMB1,164,933,000) and the decrease in the average inventory turnover days to approximately 107 days (31 December 2018: 140 days) were mainly attributable to the one-off large provision for inventories of approximately RMB737,912,000 made as mentioned in the "Business Review" section.

The average trade receivables turnover days of about 49 days was comparable with that of last year (31 December 2018: 49 days) after taking into account the one-off waiving amount of approximately RMB326,602,000 owed by major customers and the provision for impairment of trade receivables of approximately RMB68,665,000 as mentioned in the "Business Review" section.

Average trade payables turnover days decreased from about 80 days for the year ended 31 December 2018 to about 68 days for the year ended 31 December 2019 mainly because less finished products were purchased from suppliers near 2019 year end in order to control our inventory level.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group's term deposits, restricted bank deposits and cash and cash equivalents amounted to approximately RMB854,794,000 (31 December 2018: RMB1,506,018,000) and bank borrowings amounted to approximately RMB455,190,000 (31 December 2018: RMB183,960,000). As at 31 December 2019, the current ratio was about 1.9 times (31 December 2018: 3.2 times).

As at 31 December 2019, the Group's gross gearing ratio, which was calculated on the basis of the amount of bank borrowings as a percentage of the total shareholders' equity, was approximately 17.8% (31 December 2018: 4.5%). The gross gearing ratio increased as a result of increase in bank borrowings. The net gearing ratio, which was calculated on the basis of the amount of bank borrowings less term deposits, restricted bank deposits and cash and cash equivalents as a percentage of the total shareholders' equity, was approximately negative 15.7% (31 December 2018: negative 32.5%) as the Group was at a net cash position.

FOREIGN CURRENCY RISK

Most of the Group's income, expenses and purchases of raw materials are denominated in Renminbi. The Group has never had any significant difficulties in obtaining sufficient foreign currencies for repatriation of profits declared by the subsidiaries in mainland China to the overseas holding companies.

APPOINTMENT OF PROFESSIONAL CONSULTANTS

External professional consultants were hired to conduct an appropriate review and provide recommendations on business strategies and corporate operations:

a) Engaging Boston Consulting Group, as mentioned in "Business Review" section; and

b) Engaging Shanghai oIBP SCM Co., Ltd., a reputable China consulting firm, in July 2019 to make scientific, systematic and data-based reforms on product merchandising management, including establishing a blueprint for the product merchandising management system, establishing a platform to collect, process and analyze data, designing product merchandising business plan, and predicting and monitoring performance for quick response.

Boston Consulting Group has submitted a report on its findings to the Group in late October 2019, detailing areas of financial and operational improvements for the Group's consideration and further actions. More recommendations will be made by Boston Consulting Group in the year ending 31 December 2020.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company's ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 26 June 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, up to 31 December 2019, utilized approximately RMB725,750,000 (equivalent to approximately HK$819,141,000) to maintain its retail network of its self-managed stores, approximately RMB200,395,000 (equivalent to approximately HK$226,182,000) and approximately RMB120,308,000 (equivalent to approximately HK$135,790,000) to construct and operate the logistics centres in Tianjin and Dongguan respectively, approximately RMB40,419,000 (equivalent to approximately HK$45,621,000) to upgrade information technology infrastructure and approximately RMB79,800,000 (equivalent to approximately HK$90,069,000) for acquiring the companies related to the "Ordifen" Brand. As at 31 December 2019, net proceeds not yet utilized were deposited with certain licensed banks.

USE OF PROCEEDS FOR FUNDS RAISED

Fosun Subscription

Reference is made to the announcement by the Company dated 5 May 2017 and 17 May 2017 regarding the issuance of new shares under general mandate (the "Fosun Subscription"). On 17 May 2017, the Company issued 240,000,000 shares at a price of HK$2.50 per share to a wholly-owned subsidiary of Fosun International Limited, raising gross proceeds of HK$600,000,000 and net proceeds of approximately HK$599,000,000 (equivalent to approximately RMB525,467,000).

It was set out at the time that the net proceeds from the Fosun Subscription were intended to be used by the Company for financing the reforms in sales and distribution channels of the Group, potential mergers, acquisitions and cooperation opportunities, and general working capital.

Up to 31 December 2019, no suitable mergers, acquisitions or cooperation opportunities have been identified. The Company has utilized part of the net proceeds in the following manner: (a) as to approximately RMB308,692,000 (equivalent to approximately HK$360,351,000) for the payment of dividends; (b) as to approximately RMB42,625,000 (equivalent to approximately HK$49,681,000) for financing on-market share repurchases by the Company; (c) as to approximately RMB17,271,000 (equivalent to approximately HK$21,178,000) for financing on-market share purchases for employees' share award schemes; (d) as to approximately RMB5,366,000 (equivalent to approximately HK$6,579,000) for business development in Hong Kong and overseas business; and (e) as to approximately RMB20,190,000 (equivalent to approximately HK$24,756,000) for administrative costs incurred in Hong Kong. The Company considers that the intended and actual uses of proceeds from the Fosun Subscription are in line with each other, given that the actual uses of proceeds are all in the nature of working capital expenditure.

The net proceeds not yet utilized from the Fosun Subscription has been deposited with certain licensed banks. The Company will continue to actively seek to identify opportunities suitable but has no definitive timetable nor expectation for when such opportunities will be found.

Windcreek Subscription

Reference is made to the announcement by the Company dated 26 April 2018 and 25 May 2018 regarding the issuance of new shares under general mandate (the "Windcreek Subscription"). On 25 May 2018, the Company issued an aggregate of 121,443,213 shares at a price of HK$4.20 per share to Windcreek Limited (an indirect wholly-owned subsidiary of JD.com, Inc.), Image Frame Investment (HK) Limited (a wholly-owned subsidiary of Tencent Holdings Limited), Vipshop International Holdings Limited (a wholly-owned subsidiary of Vipshop Holdings Limited) and Quick Returns Global Limited, raising gross proceeds of approximately HK$510,061,495 and net proceeds of approximately HK$509,000,000 (equivalent to approximately RMB415,119,000).

It was set out at the time that the net proceeds from the Windcreek Subscription were intended to be used by the Company for financing the reforms in sales and distribution channels of the Group, potential mergers, acquisitions and cooperation opportunities, and general working capital.

Up to 31 December 2019, no suitable mergers, acquisitions or cooperation opportunities have been identified. The net proceeds from the Windcreek Subscription of approximately RMB415,119,000 (equivalent to approximately HK$509,000,000) has been deposited with certain licensed banks. The Company will continue to actively seek to identify opportunities suitable but has no definitive timetable nor expectation for when such opportunities will be found.

CAPITAL EXPENDITURE ON PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the year, capital expenditure on property, plant and equipment and intangibles assets amounted to approximately RMB221,827,000 (2018: RMB258,644,000), which was mainly used for the construction of the new office of the Group.

PLEDGE OF ASSETS

As at 31 December 2019, certain property, plant and equipment, and land use rights were pledged for obtaining banking borrowings of approximately RMB189,990,000 (31 December 2018: nil).

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities.

DISTRIBUTION NETWORK ACROSS CHINA

As the leader of the China's intimate wear industry, the Group has an extensive distribution network across China. As at 31 December 2019, the Group's distribution network comprised 5,970 stores (31 December 2018: 7,305), out of which 1,269 (31 December 2018: 1,406) were self-managed stores and 4,701 (31 December 2018: 5,899) were franchised stores.

HUMAN RESOURCES AND MANAGEMENT

The Group had approximately 3,530 full-time employees as at 31 December 2019 (31 December 2018: 4,540). The Group's remuneration package is determined with reference to the experience and qualifications of the individual employees and general market conditions. Bonus is linked to the Group's operating result as well as individual performance.

ENVIRONMENTAL MANAGEMENT

Being a socially and environmentally responsible enterprise, the Group is dedicated to achieving environmental sustainability through its daily operations and is in compliance with regulations including the "Environmental Protection Law of the People's Republic of China" and regulations set by the Environmental Protection Bureau of local governments. The Group has also attained ISO14001 Environment Management Systems. A corporate social responsibility report for the Group issued in accordance with the Environmental, Social and Governance reporting guide of the Stock Exchange has been included in the 2019 annual report.

OUTLOOK AND STRATEGY

To face the challenging business environment and adapt itself to the evolving market, the Group has formulated and is implementing various measures and initiatives. Apart from those mentioned in the "Business Review" section, the Group will also step into personal hygiene business in 2020. Quality face masks and anti-bacterial intimate wear products, including bras, underwear, vests and sleepwear, will be launched to the market in the second quarter or second half of 2020. In addition, air sanitizing and purifying liquid and spray will also be launched in the foreseeable future. Management believes that these can broaden product portfolio of the Group and bring fruitful returns to shareholders in the future.

The Group will closely monitor the manner and progress of execution of the plans and measures instituted in order to revitalize the Group's business.

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

For the year ended 31 December 2019, the Company repurchased a total of 6,567,000 shares on the Stock Exchange at an aggregate consideration (excluding transaction costs) of approximately HK$15,653,000 and all the shares repurchased have been duly cancelled. Particulars of the shares repurchased are as follow:

Month of repurchases	Number of shares repurchased	Highest price per share *(HK$)*	Lowest price per share *(HK$)*	Aggregate consideration *(HK$'000)*
January 2019	931,000	2.70	2.57	2,447
March 2019	2,900,000	2.31	2.25	6,663
April 2019	2,286,000	2.61	2.30	5,546
May 2019	450,000	2.25	2.18	997
	6,567,000			15,653

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

CORPORATE GOVERNANCE PRACTICES

The Board has reviewed the Company's corporate governance practices and considers that the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the year ended 31 December 2019 and up to the date of this annual result announcement, with the exception of Code Provision A.2.1.

According to Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same person. The Company deviated from this provision until 19 August 2019 because Mr. Zheng Yaonan ("Mr. Zheng") performed both the roles of the chairman of the Board and the CEO 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 business operations and management in general. Under the leadership of Mr. Zheng, the Board worked effectively and performed its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions were made in consultation with members of the Board and relevant Board committees, and there are four independent non-executive directors on the Board offering advice in independent perspectives, the Board was therefore of the view that there were adequate safeguards in place to ensure sufficient balance of powers within the Board.

Following the appointment of Mr. Siu Ka Lok as the CEO on 19 August 2019, the Company has complied with the requirement of the roles of chairman and chief executive under the Code Provision A.2.1 of the CG Code.

AUDIT COMMITTEE REVIEW

The audit committee comprises four independent non-executive directors of the Company, namely, Mr. Yau Chi Ming, Dr. Dai Yiyi, Mr. Chen Zhigang and Dr. Lu Hong Te. Mr. Yau Chi Ming, who has appropriate professional qualifications as required by the Listing Rules, is the chairman of the audit committee.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters for the year ended 31 December 2019. The audit committee has also reviewed the annual results of the Group for the year ended 31 December 2019.

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2019 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year as approved by the Board. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. Specific enquiry was made with all the Directors and all confirmed that they have complied with the requirements set out in the Model Code during the year ended 31 December 2019.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2019 (2018: HK3.75 cents per share and special final dividend of HK6.20 cents per share).

CLOSURE OF REGISTER OF MEMBERS

For determining Shareholders' entitlement to attend and vote at the annual general meeting held on 26 May 2020, the register of members of the Company will be closed from Thursday, 21 May 2020 to Tuesday, 26 May 2020, both days inclusive, during which period no transfer of shares of the Company will be effected.

In order to be eligible to attend and vote at the Annual General Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queens's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 20 May 2020 for registration.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the HKExnews website of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk and on the Company's website at http://www.cosmo-lady.com.hk. The 2019 annual report of the Company will be available on both websites and dispatched to the shareholders of the Company in due course.

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

Hong Kong, 25 March 2020

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