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
CONTINUED IMPLEMENTATION OF TRANSFORMATION PLAN

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 loss for the six months ending 30 June 2020

The board of directors (the "Board") of Cosmo Lady (China) Holdings Company Limited (the "Company", together with its subsidiaries, collectively 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 2020, the Board estimated that the loss attributable to the owners of the Company for the six months ending 30 June 2020 would not be less than RMB120 million as compared with the profit attributable to the owners of the Company of RMB35.5 million for the six months ended 30 June 2019.

Reference is made to note 40 of the 2019 annual report in which the Board has stated that the retail sales and sales to franchisees of the Group were affected due to the outbreak of COVID-19 in mainland China since the first quarter of 2020 and the consequential social distancing and community lockdown measures imposed by the relevant authorities to prevent further spreading of the virus. Collectively, such measures had a devastating impact on the operating performance of the Group by limiting, to a very significant extent, foot traffic in the main shopping areas where our self-managed stores and our franchisees are located.

In addition, apart from COVID-19, since the beginning of 2020, there has been a general slowing down of the mainland Chinese economy and its retail industry, given the ongoing trade disputes between China and its major trading partners. This has dampened consumer sentiment across various sectors and hence the operating performance of the Group for the six months ending 30 June 2020.

As the results for the six months ending 30 June 2020 have not been finalized, the information contained in this announcement is only a preliminary assessment by the Board based on the information currently available including the unaudited consolidated management accounts of the Group for the five months ended 31 May 2020, which have not been confirmed, reviewed or audited by the auditors of the Company.

Gradual recovery from the adverse impact of COVID-19

The mainland Chinese economy and various industries were heavily impacted by COVID-19 in the first half of 2020. Following the requirements of the relevant authorities' for social distancing and other public health warnings, the Group and its franchisees shut down about 90% of their stores temporarily from February 2020 to around mid March 2020.

The Board has strived to mitigate the adverse impact of COVID-19 by streamlining organisation structure, negotiating with landlords to reduce rental and temporarily reducing the salaries of senior officers.

From around the second half of March 2020 onwards, as the gravest impact of COVID-19 gradually subsided, the Group and its franchisees were able to gradually re-open their stores.

Since then, coupled with the continued implementation of the transformation plan mentioned below, the Group strived to improve its operating performance. In particular, retail sales at our self-managed stores and franchisees' stores in May 2020 was over 80% of that for May 2019 while e-commerce sales recorded around month-on-month growth in May 2020 (with double digit growth in certain e-commerce platforms) and is expected to continue improving in June 2020 and the second half of 2020.

The Group has adequate cash to meet its current business needs.

Continued implementation of transformation plan

As explained in the statement from chairman of the 2019 annual report and the announcement dated 29 May 2020 made by the Board, the Group has been undergoing transformation plan to revitalise its business. It has undertaken and will continue to undertake the following measures for the six months ending 30 June 2020:

1. Continuing the Group's shift from fast-moving-fashionable-sexy products to practical, functional and value-for-money products;

2. Stepping up investments in e-commerce channel and Tencent mini-App, realising omni-channel marketing;

3. Focusing on classic products and reducing significantly the number of SKU (stock keeping unit);

4. Continuing the clearance of aged inventories vigorously by offering appropriate discounts through a wide variety of sales and distribution channels and opening of over 100 factory stores swiftly;

5. Opening shopping mall stores with "family life concept" and opening or renovating the seventh generation stores with new image. Overall, about 200 stores are expected to be opened or renovated in May to August 2020, and it is expected that the trend of opening new stores will continue in the second half of the year; and

6. Opening a flagship store, with an area of about 1,000 square metres, at Dongguan on 24 June 2020. This flagship store model may be gradually adopted in other major cities in the future.

The Board will update shareholders and potential investors about the progress of the transformation plan in the future.

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 2020 which is expected to be published in late August 2020.

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, 26 June 2020

As at the date of this announcement, the Board comprises Mr. Zheng Yaonan, Mr. Zhang Shengfeng, Ms. Wu Xiaoli and Mr. Siu Ka Lok as executive Directors; Mr. Lin Zonghong, Mr. Wen Baoma, Mr. Jiang Bo 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.