# 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)**

## INTERIM RESULTS
## FOR THE SIX MONTHS ENDED 30 JUNE 2020

**FINANCIAL HIGHLIGHTS**

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **Unaudited 2020** | Unaudited 2019 |
| Revenue | *RMB'000* | **1,332,575** | 2,210,207 |
| Operating (loss)/profit | *RMB'000* | **(108,636)** | 43,005 |
| (Loss)/profit attributable to owners of the Company | *RMB'000* | **(131,349)** | 35,466 |
| Gross profit margin | % | **48.7%** | 41.1% |
| Operating (loss)/profit margin | % | **–8.2%** | 1.9% |
| Margin of (loss)/profit attributable to owners of the Company | % | **–9.9%** | 1.6% |
| (Loss)/earnings per share – Basic and diluted | *RMB cents* | **(5.89)** | 1.57 |

**INTERIM FINANCIAL INFORMATION**

The board of directors (the "Board") of Cosmo Lady (China) Holdings Company Limited (the "Company") announces the unaudited consolidated interim financial information of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2020, together with the comparative figures for the corresponding period of 2019 and selected explanatory notes. The interim financial information has been reviewed by the Company's audit committee and the Company's auditor, PricewaterhouseCoopers, in accordance with the Hong Kong standard on Review Engagement 2410 "Review of Interim Financial Information performed by the independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2020** | 2019 |
| | | **Unaudited** | Unaudited |
| | *Note* | ***RMB'000*** | *RMB'000* |
| **Revenue** | *4* | **1,332,575** | 2,210,207 |
| Cost of sales | | **(683,191)** | (1,302,689) |
| **Gross profit** | | **649,384** | 907,518 |
| Selling and marketing expenses | | **(609,442)** | (733,311) |
| General and administrative expenses | | **(148,999)** | (144,134) |
| Net impairment losses on financial assets | | **(5,592)** | (7,011) |
| Other income | *5* | **18,452** | 30,758 |
| Other losses – net | | **(12,439)** | (10,815) |
| **Operating (loss)/profit** | | **(108,636)** | 43,005 |
| Finance income | | **2,256** | 6,737 |
| Finance expenses | | **(26,207)** | (12,269) |
| **Finance expenses – net** | | **(23,951)** | (5,532) |
| Share of profit/(loss) of equity investments | | **1,184** | (5,443) |
| **(Loss)/profit before income tax** | *6* | **(131,403)** | 32,030 |
| Income tax credit | *7* | **2,577** | 7,680 |
| **(Loss)/profit for the period** | | **(128,826)** | 39,710 |
| Other comprehensive (loss)/income for the period | | | |
| *Item that may be reclassified subsequently to profit or loss* | | | |
| Exchange differences | | **7,966** | (776) |
| *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 | | **(12,157)** | – |
| **Total comprehensive (loss)/income for the period** | | **(133,017)** | 38,934 |
| **(Loss)/profit attributable to:** | | | |
| Owners of the Company | | **(131,349)** | 35,466 |
| Non-controlling interests | | **2,523** | 4,244 |
| | | **(128,826)** | 39,710 |
| **Total comprehensive (loss)/income attributable to:** | | | |
| Owners of the Company | | **(135,540)** | 34,690 |
| Non-controlling interests | | **2,523** | 4,244 |
| | | **(133,017)** | 38,934 |
| **(Loss)/earnings per share attributable to owners of the Company during the period** | *8* | ***RMB cents*** | *RMB cents* |
| – Basic and diluted (loss)/earnings per share | | **(5.89)** | 1.57 |

## CONDENSED CONSOLIDATED BALANCE SHEET

| | Note | **As at 30 June 2020 Unaudited** ***RMB'000*** | As at 31 December 2019 Audited *RMB'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **672,361** | 515,402 |
| Right-of-use assets | | **595,585** | 516,522 |
| Intangible assets | | **36,153** | 39,871 |
| Investment in joint ventures | | **286,358** | 285,174 |
| Investment in an associate | | **–** | – |
| Financial assets at fair value through profit or loss | | **–** | 102,729 |
| Financial assets at fair value through other comprehensive income | | **62,257** | 74,414 |
| Deposits, prepayments and other receivables | | **14,571** | 113,757 |
| Deferred income tax assets | | **193,686** | 178,444 |
| | | **1,860,971** | 1,826,313 |
| **Current assets** | | | |
| Inventories | | **742,211** | 679,845 |
| Trade receivables | *10* | **288,113** | 276,111 |
| Deposits, prepayments and other receivables | | **528,532** | 694,154 |
| Financial assets at fair value through profit or loss | | **6,333** | 8,822 |
| Term deposits and restricted bank deposits | | **116,945** | 630 |
| Cash and cash equivalents | | **800,763** | 854,164 |
| | | **2,482,897** | 2,513,726 |
| **Total assets** | | **4,343,868** | 4,340,039 |
| **EQUITY** | | | |
| **Capital and reserves attributable to owners of the Company** | | | |
| Share capital | *11* | **140,312** | 140,312 |
| Share premium | *11* | **1,656,669** | 1,656,669 |
| Other reserves | | **407,883** | 418,807 |
| Retained earnings | | **189,486** | 320,835 |
| | | **2,394,350** | 2,536,623 |
| Non-controlling interests | | **21,850** | 15,989 |
| **Total equity** | | **2,416,200** | 2,552,612 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and notes payables | *12* | **590,139** | 460,642 |
| Accruals and other payables | | **245,061** | 370,292 |
| Contract liabilities | | **74,260** | 133,675 |
| Current income tax liabilities | | **5,445** | – |
| Borrowings | *13* | **191,305** | 150,000 |
| Lease liabilities | | **235,456** | 199,147 |
| Deferred income | | **351** | 436 |
| | | **1,342,017** | 1,314,192 |
| **Non-current liabilities** | | | |
| Borrowings | *13* | **357,477** | 305,190 |
| Lease liabilities | | **226,231** | 165,880 |
| Deferred income tax liabilities | | **981** | 1,070 |
| Deferred income | | **962** | 1,095 |
| | | **585,651** | 473,235 |
| **Total liabilities** | | **1,927,668** | 1,787,427 |
| **Total equity and liabilities** | | **4,343,868** | 4,340,039 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Unaudited | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 2020** | **140,312** | **1,656,669** | **418,807** | **320,835** | **2,536,623** | **15,989** | **2,552,612** |
| **Comprehensive income** | | | | | | | |
| Loss for the period | **–** | **–** | **–** | **(131,349)** | **(131,349)** | **2,523** | **(128,826)** |
| **Other comprehensive (loss)/income** | | | | | | | |
| Exchange differences | **–** | **–** | **7,966** | **–** | **7,966** | **–** | **7,966** |
| Changes in the fair value of equity investments at fair value through other comprehensive income | **–** | **–** | **(12,157)** | **–** | **(12,157)** | **–** | **(12,157)** |
| **Total comprehensive (loss)/income for the period** | **–** | **–** | **(4,191)** | **(131,349)** | **(135,540)** | **2,523** | **(133,017)** |
| **Transactions with owners** | | | | | | | |
| Equity-settled share-based compensation | **–** | **–** | **4,010** | **–** | **4,010** | **–** | **4,010** |
| Shares purchased for share award scheme | **–** | **–** | **(10,743)** | **–** | **(10,743)** | **–** | **(10,743)** |
| Contribution from non-controlling interests | **–** | **–** | **–** | **–** | **–** | **3,338** | **3,338** |
| **Total transactions with owners** | **–** | **–** | **(6,733)** | **–** | **(6,733)** | **3,338** | **(3,395)** |
| **As at 30 June 2020** | **140,312** | **1,656,669** | **407,883** | **189,486** | **2,394,350** | **21,850** | **2,416,200** |
| **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** | | | | | | | |
| Profit for the period | – | – | – | 35,466 | 35,466 | 4,244 | 39,710 |
| **Other comprehensive income** | | | | | | | |
| Exchange differences | – | – | (776) | – | (776) | – | (776) |
| **Total comprehensive income for the period** | – | – | (776) | 35,466 | 34,690 | 4,244 | 38,934 |
| **Transactions with owners** | | | | | | | |
| Dividends relating to 2018 paid in June 2019 | – | (196,706) | – | – | (196,706) | – | (196,706) |
| Shares bought back on-market and cancelled | (443) | (13,011) | – | – | (13,454) | – | (13,454) |
| Contribution from non-controlling interests | – | – | – | – | – | 1,285 | 1,285 |
| **Total transactions with owners** | (443) | (209,717) | – | – | (210,160) | 1,285 | (208,875) |
| **As at 30 June 2019** | 140,312 | 1,656,669 | 415,695 | 1,659,403 | 3,872,079 | 20,585 | 3,892,664 |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **Unaudited** | Unaudited |
| | ***RMB'000*** | *RMB'000* |
| **Cash flows from operating activities** | | |
| Cash generated from/(used in) operations | **312,171** | (211,828) |
| Income tax paid | **(18,199)** | (49,742) |
| **Net cash generated from/(used in) operating activities** | **293,972** | (261,570) |
| **Cash flows from investing activities** | | |
| Proceeds from disposal of property, plant and equipment | **2,036** | 271 |
| Interest received | **2,256** | 6,844 |
| Purchases of property, plant and equipment | **(108,503)** | (101,168) |
| Purchases of intangible assets | **(95)** | (3,535) |
| Investment income from financial assets at fair value through profit or loss | **20** | – |
| Term deposits with initial term of over three months | **–** | 210 |
| Capital contribution to joint ventures | **–** | (115,000) |
| Repayment from a related party | **1,480** | – |
| **Net cash used in investing activities** | **(102,806)** | (212,378) |
| **Cash flows from financing activities** | | |
| Capital injections from non-controlling interests | **3,338** | 1,285 |
| Proceeds from borrowings | **260,909** | 309,812 |
| Repayments of borrowings | **(167,317)** | (186,360) |
| Dividends paid | **–** | (196,706) |
| Interest paid for borrowings | **(15,285)** | (8,953) |
| Purchase of the Company's shares for share award scheme | **(10,743)** | – |
| (Pledge)/release of restricted bank deposits | **(116,315)** | 9,225 |
| Principal elements of lease payments | **(200,490)** | (36,752) |
| Payment for repurchase of the Company's shares | **–** | (13,454) |
| **Net cash used in financing activities** | **(245,903)** | (121,903) |
| Net decrease in cash and cash equivalents | **(54,737)** | (595,851) |
| Cash and cash equivalents at beginning of the period | **854,164** | 1,496,163 |
| Effect of foreign exchange rate changes | **1,336** | (4,516) |
| **Cash and cash equivalents at end of the period** | **800,763** | 895,796 |

*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 interim condensed consolidated financial information for the six months ended 30 June 2020 ("Interim Financial Information") is presented in Renminbi ("RMB"), unless otherwise stated. The Interim Financial Information is unaudited but has been reviewed by the audit committee of the Company and approved for issue by the Company's board of directors on 28 August 2020.

## 2 BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim financial reporting" and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group for the year ended 31 December 2019.

The accounting policies used in the preparation of the Interim Financial Information are consistent with those adopted in the consolidated financial statements of the Group for the year ended 31 December 2019, except for the adoption of new and amended standards as set out below.

### (a) New and amended standards adopted by the Group

The Group has early adopted Amendment to IFRS 16 – COVID-19-Related Rent Concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before 30 June 2021; and c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totalling RMB24,822,000 have been accounted for as negative variable lease payments and recognised in selling and marketing expenses in the statement of profit or loss for the six months ended 30 June 2020, with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 January 2020.

A number of new or amended standards became applicable for the current reporting period. Except for the amendment to IFRS16 set out above, the Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(b) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

## 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 the designing, marketing and selling of intimate wear products. Substantially all of its revenue are derived in the PRC for the six months ended 30 June 2020 and 30 June 2019.

None of the revenue derived from any single external customer amounted to more than 10% of the Group's revenue for the six months ended 30 June 2020 (2019: None).

## 4 REVENUE

| | **Six months ended 30 June** | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| Sales to franchisees | **512,055** | 1,081,587 |
| Retail sales | **421,774** | 711,623 |
| E-commerce | **382,318** | 323,629 |
| Revenue from product sales | **1,316,147** | 2,116,839 |
| Trading of raw materials | **16,428** | 93,368 |
| Total revenue | **1,332,575** | 2,210,207 |

| | **As at 30 June 2020** | As at 31 December 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Contract liabilities related to sales to franchisees | **65,409** | 108,227 |
| Contract liabilities related to trading of raw materials | **8,851** | 25,448 |
| | **74,260** | 133,675 |

## 5 OTHER INCOME

| | **Six months ended 30 June** | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| Other income: | | |
| Government grants *(Note)* | **6,138** | 13,461 |
| Logistic warehousing and delivery income | **8,155** | 9,672 |
| Software usage fee income | **235** | 549 |
| Franchisee fee income | **65** | 469 |
| Others | **3,859** | 6,607 |
| | **18,452** | 30,758 |

*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

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| Employee benefit expenses (including directors' emoluments) | **157,940** | 183,386 |
| Operating expenses in respect of stores under cooperative arrangement | **93,130** | 313,798 |
| Other operating rental expenses *(Note)* | **11,198** | 22,812 |
| Marketing and promotion expenses | **91,773** | 74,669 |
| E-commerce platforms commission expenses | **47,812** | 41,411 |
| Depreciation and amortisation | | |
| – Depreciation of right-of-use-assets | **165,900** | 39,710 |
| – Property, plant and equipment | **41,483** | 45,003 |
| – Intangible assets | **3,834** | 3,629 |
| Impairment of right-of-use-assets | **41,266** | – |
| Provision for inventories | **15,615** | 11,066 |
| Net impairment losses on financial assets | **5,592** | 7,011 |

*Note:* COVID-19-related rent concessions amounted to RMB24,822,000 has been included in selling and marketing expenses.

## 7 INCOME TAX CREDIT

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| Current income tax | | |
| – Hong Kong profits tax *(Note (a))* | **–** | – |
| – PRC corporate income tax *(Note (b))* | **12,754** | 24,885 |
| – Over-provision in prior year *(Note (d))* | **–** | (25,198) |
| | **12,754** | (313) |
| Deferred income tax | | |
| – Deferred income tax current period | **(15,331)** | (9,978) |
| – Over-provision in prior year *(Note (d))* | **–** | 2,611 |
| | **(15,331)** | (7,367) |
| Income tax credit | **(2,577)** | (7,680) |

*Notes:*

(a) **Hong Kong profits tax**

The applicable Hong Kong profits tax rate is 16.5% for the period (2019: 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 six months ended 30 June 2020 (2019: 25%) on the estimated assessable profits for the period, 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 the 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.

(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 relevant government authorities for being designated as a HNTE for financial years 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 years from 2018 to 2020. The over-provision for the six months ended 30 June 2019 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 period.

| | **Six months ended 30 June** | |
|---|---|---|
| | **2020** | 2019 |
| (Loss)/profit for the period attributable to owners of the Company *(RMB'000)* | **(131,349)** | 35,466 |
| Weighted average number of ordinary shares for purposes of basic (loss)/earnings per share *(thousands of shares)* | **2,229,672** | 2,252,467 |
| Basic (loss)/earnings per share *(RMB cents per share)* | **(5.89)** | 1.57 |

*Note:* The weighted average number of ordinary shares for the purpose of basic loss per share for the six months ended 30 June 2020 has been adjusted for the purchase of ordinary shares of the Company for the share award scheme during the six months ended 30 June 2020.

The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 June 2019 has been adjusted for the repurchase and cancellation of ordinary shares of the Company during the six months ended 30 June 2019.

### Diluted

For the six months ended 30 June 2020, diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share as there are no diluted potential shares.

## 9 INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend to shareholders of the Company for the six month ended 30 June 2020 (2019: Nil).

## 10 TRADE RECEIVABLES

| | **As at 30 June 2020** *RMB'000* | As at 31 December 2019 *RMB'000* |
|---|---|---|
| Due from third parties | **363,746** | 349,347 |
| Less: provision for impairment | **(75,633)** | (73,236) |
| Trade receivables – net | **288,113** | 276,111 |

(a) As at 30 June 2020, the carrying amounts of the trade receivables of the Group approximate their fair values and are all 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 grants franchise customers with a credit period of 180 to 360 days from the invoice date for their first order of products for new outlets. The Group also gives an additional credit period of 180 to 360 days to certain franchise customers under certain circumstances due to COVID-19.

(c) The ageing analysis of trade receivables based on invoice date, as at 30 June 2020, and 31 December 2019 is as follows:

| | **As at 30 June 2020** *RMB'000* | As at 31 December 2019 *RMB'000* |
|---|---|---|
| Trade receivables, gross | | |
| – Within 30 days | **122,106** | 88,808 |
| – Over 30 days and within 60 days | **50,514** | 65,006 |
| – Over 60 days and within 90 days | **25,809** | 51,064 |
| – Over 90 days and within 180 days | **28,049** | 49,485 |
| – Over 180 days and within 360 days | **112,552** | 50,676 |
| – Over 360 days | **24,716** | 44,308 |
| | **363,746** | 349,347 |

## 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 2020 | **2,249,457,213** | **140,312** | **1,656,669** | **1,796,981** |
| As at 30 June 2020 | **2,249,457,213** | **140,312** | **1,656,669** | **1,796,981** |
| As at 1 January 2019 | 2,256,234,213 | 140,755 | 1,866,386 | 2,007,141 |
| Shares bought back on-market and cancelled *(Notes (a) and (b))* | (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) 210,000 shares were purchased in late 2018 and cancelled in early 2019.

(b) 6,567,000 shares were purchased in 2019 and cancelled in 2019.

## 12 TRADE AND NOTES PAYABLES

| | **As at 30 June 2020** ***RMB'000*** | As at 31 December 2019 *RMB'000* |
|---|---|---|
| **Trade payables** *(Note (a))* | | |
| Due to third parties | **466,501** | 440,928 |
| Due to related parties | **7,323** | 19,714 |
| | **473,824** | 460,642 |
| **Notes payables** *(Note (b))* | **116,315** | – |
| | **590,139** | 460,642 |

*Notes:*

(a) As at 30 June 2020, trade payables of the Group are denominated in RMB, non-interest bearing, and the carrying amounts approximate their fair values.

At 30 June 2020, the ageing analysis of trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

| | **As at 30 June 2020** ***RMB'000*** | As at 31 December 2019 *RMB'000* |
|---|---|---|
| Trade payables | | |
| – Within 30 days | **115,090** | 76,738 |
| – Over 30 days and within 60 days | **98,851** | 50,898 |
| – Over 60 days and within 90 days | **127,513** | 150,834 |
| – Over 90 days and within 180 days | **98,618** | 130,202 |
| – Over 180 days and within 360 days | **28,491** | 47,521 |
| – Over 360 days | **5,261** | 4,449 |
| | **473,824** | 460,642 |

(b) The amount represents the bank's acceptance bills with credit terms of 3-4 months.

## 13 BORROWINGS

| | **As at 30 June 2020** *RMB'000* | As at 31 December 2019 *RMB'000* |
|---|---|---|
| Non-current | | |
| Secured bank borrowing *(Note)* | **357,477** | 189,990 |
| Unsecured bank borrowing | **–** | 115,200 |
| | **357,477** | 305,190 |
| Current | | |
| Secured bank borrowing *(Note)* | **191,305** | – |
| Unsecured bank borrowing | **–** | 150,000 |
| | **548,782** | 455,190 |

Movements in borrowings is analysed as follows:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2020** *RMB'000* | 2019 *RMB'000* |
| **Opening amount** | **455,190** | 183,960 |
| Repayments of borrowings | **(167,317)** | (186,360) |
| Proceeds from borrowings | **260,909** | 309,812 |
| **Closing amount** | **548,782** | 307,412 |

*Note:* The amount represents the bank borrowings that are secured by the Group's certain buildings and land use rights of RMB509,884,000.

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

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 weighted average borrowing rate of 5.53% (2019: 4.99%) and are within level 2 of the fair value hierarchy.

## BUSINESS REVIEW

The first half of 2020 has been exceptionally tough for mainland China economy. As affected adversely by the ongoing global trade disputes and the sudden outbreak of COVID-19, there has been a general slowdown of the mainland China economy and its retail industry. According to the National Bureau of Statistics of China, the GDP of mainland China for the first half of 2020 has declined by approximately 1.6% while the Purchasing Manager's Index of the manufacturing sector has dropped to 35.7 in February 2020.

The impact on apparel industry is even larger. The retail sales of apparel products in the first half of 2020 declined year-on-year by approximately 21.8% while the cumulative finished cloth volume of apparel enterprises above designated size for the period fell by 17.9%.

In addition, there is keen competition in China's intimate wear market which continues to undergo structural adjustments in respect of sales channel diversification, product quality and mix of products.

From early February 2020 onwards, following the requirements of various local authorities for social distancing and other public health warnings to prevent further spreading of COVID-19, the Group and its franchisees shut down temporarily most of their stores from February 2020 to around mid-March 2020. Such measures had limited to significant extent, foot traffic in the main shopping areas, and dampened consumer sentiment leading to a devastating impact on the operating result of the Group.

**The Board has adopted and will adopt the following measures to mitigate the adverse impact of the factors mentioned above and continued to implement the transformation plan adopted in the second half of 2019:**

1. Re-opening stores gradually from the second half of March 2020 onwards when the gravest impact of epidemic gradually subsided – although still being affected by the impact of epidemic and the slowdown of mainland China economy, the same store retail sales of self-owned stores in May and June 2020 were around 83.5% of that for the same period in 2019;

2. E-commerce and membership management

    a) Stepping up efforts on developing online "new retailing", including Tencent mini APP and live webcast, realizing omni-channel marketing and extending business hours. Together with the use of the private traffic of 59 million members for boosting sales, the year-on-year sales growth in May and June 2020 in some key e-commerce platforms was around 34.7%;

    b) Enhancing membership system and refining membership management (e.g. introducing appropriate products, promotion and other activities, membership loyalty plan, etc.) to improve the purchasing rate, re-purchasing rate and activity rate of members; and

    c) Stepping up the business corporation with the key e-commerce platforms, Tmall, JD and VIP, in the second half of 2020 so as to maintain or surpass the growth rate of e-commerce business in the first half of 2020, cooperating with other e-commerce platforms; and launching new loungewear products and new men underwear products under new brand names on e-commerce channels.

3. Stepping up effort on clearing aged inventories – although being affected by the epidemic and slowdown of mainland China economy, part of the aged inventories (2019 or before) with cost of approximately RMB553,500,000, representing approximately 37.7% of the cost of these inventories, have been cleared;

4. New product development

    a) Continuing the Group's shift from fast-moving-fashionable-sexy products to practical, functional, comfortable, healthy and value-for-money products;

    b) Focusing on classic products and reducing significantly the number of stock keeping unit ("SKU"), for example, the number of SKU for 2020 Autumn/Winter products has been reduced by about 35% when comparing with the number of SKU for 2019 Autumn/Winter products);

c) Launching more quality, upgraded and new products (such as Air Bra, new thermal cloth products); and

d) Using new 3D technology for product research and development.

5. Establishing a new fast-response committee for improving supply chain management, product designing, product merchandising and product operating (such as ordering and re-ordering products accurately at appropriate pricing, transferring products flexibly, products life cycle management) in order to enhance efficiency, lower costs and shorten response time;

6. Stepping up investments in digital management for supporting operation and management (such as work shift system for stores, stock replenishment system for stores, stock ordering system, purchase orders management system, warehouse management system, etc.), and enabling the Group to response swiftly to the market change;

7. Adopting various measures to improve cash flows and cash position such that cash flows generated from operating activities improved from approximately negative RMB261,570,000 for the six months ended 30 June 2019 to approximately RMB293,972,000 for the six months ended 30 June 2020, and the cash and cash equivalents, term deposits and restricted bank deposits as at 30 June 2020 have increased to approximately RMB917,708,000 (31 December 2019: RMB854,794,000); and

8. New development on retail stores

   Defining clearly market position and implementing detail planning on the standards and structure for each type of stores:

   a) Opening and renovating around 100 seventh generation stores with new image up to 30 June 2020, and expecting to open and renovate around 420 seventh generation stores in the second half of 2020, and the performance of the seventh generation stores was outstanding in the first half of 2020;

   b) Opening 10 shopping mall stores with "family life concept" ("Cosmo Lady Home stores") up to 30 June 2020 and expecting to open 10 more Cosmo Lady Home stores in the second half of 2020 – two Cosmo Lady Home stores were renovated from old shopping mall stores, and sales of these stores have nearly doubled after the renovation;

   c) Opening 42 factory outlets/discount stores in the first half of 2020, and expecting to open 30 more stores in the second half of 2020 for clearance of aged inventories; and

   d) Opening a new flagship store with an area of about 1,000 sq metres, at Dongguan in June 2020 and applying this flagship model gradually in other major cities.

## 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 retail stores and online sales platforms.

During the period, due to the factors mentioned in the "Business Review" section, the Group's revenue from product sales fell by approximately 37.8% and total revenue fell by approximately 39.7%, when compared with the same period of last year.

***Revenue by sales channel***

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

| | **Six months ended 30 June** | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Sales to franchisees *(Note)* | **512,055** | **38.4** | 1,081,587 | 48.9 |
| Retail sales | **421,774** | **31.7** | 711,623 | 32.2 |
| E-commerce | **382,318** | **28.7** | 323,629 | 14.7 |
| Revenue from product sales | **1,316,147** | **98.8** | 2,116,839 | 95.8 |
| Trading of raw materials | **16,428** | **1.2** | 93,368 | 4.2 |
| Total revenue | **1,332,575** | **100.0** | 2,210,207 | 100.0 |

*Note:* The retail sales of franchisees fell by approximately 35.6%, which was better than the decline in sales to franchisees of approximately 52.7%, as the franchisees continued to clear the aged inventories purchased in previous years.

E-commerce sales increased by about 18.1% when compared with the same period of last year mainly because the Group continued to invest resources in the development of e-commerce channels during the period.

In order to focus on implementing reforms and dealing with the impact of the epidemic, trading of raw materials activities declined significantly during the period.

***Revenue by type of product***

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

| | **Six months ended 30 June** | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Bras | **712,736** | **53.5** | 1,105,182 | 50.0 |
| Underpants | **251,120** | **18.8** | 383,861 | 17.4 |
| Sleepwear and loungewear | **200,970** | **15.1** | 302,435 | 13.7 |
| Thermal clothes | **49,999** | **3.8** | 93,235 | 4.2 |
| Other products *(Note)* | **101,322** | **7.6** | 232,126 | 10.5 |
| Revenue from product sales | **1,316,417** | **98.8** | 2,116,839 | 95.8 |
| Trading of raw materials | **16,428** | **1.2** | 93,368 | 4.2 |
| Total revenue | **1,332,575** | **100.0** | 2,210,207 | 100.0 |

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

**Gross profit margin**

During the period under review, the gross profit margin of the Group increased to around 48.7% (first half of 2019: 41.1%). This was primarily due to:

a) Continued implementation of transformation plan for improvement of supply chain management, product operating and product merchandising capabilities to lower cost and improve gross profit margin;

b) Drop in cost of raw materials by around 3.4% during the period; and

c) Sales of aged inventories, with full provision already made in last year, at a large discount to overseas market during the period.

**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 amortisation and others.

The decline in selling and marketing expenses by about 16.9% for the six months ended 30 June 2020 to approximately RMB609,442,000 (first half of 2019: RMB733,311,000) was primarily driven by the decrease in various store-related expenses as a result of adjusting sales and distribution channels proactively by closing certain loss-making retail stores during the period.

**General and administrative expenses**

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

The rise of general and administrative expenses by about 3.4% for the six months ended 30 June 2020 to approximately RMB148,999,000 (first half of 2019: RMB144,134,000) was mainly attributable to the increase in consulting expenses for employing Boston Consulting Group during the period.

**Other income**

Other income consists of government grants, logistic warehousing and delivery income, software usage fee income, franchise fee income and others. During the period, other income decreased by approximately 40% to approximately RMB18,452,000 (first half of 2019: RMB30,758,000), mainly due to the decline in government grants awarded by local governments and drop in logistic warehousing and delivery service income as a result of the epidemic.

**Finance expenses – net**

Finance expenses – net represents financial expenses on bank borrowings and lease liabilities less interest income on short-term bank deposits and advance to suppliers.

The finance income of approximately RMB2,256,000 (first half of 2019: RMB6,737,000) decreased mainly resulted from the drop in interest income on short-term bank deposits.

The increase in finance expense to approximately RMB26,207,000 (first half of 2019: RMB12,269,000) was in line with the increase in bank borrowings and lease liabilities.

**Income tax credit**

The Group recognized appropriate deferred tax assets in the financial statements resulting in income tax credit.

As at 30 June 2020, the Group had fulfilled all its tax obligations and did not have any unresolved tax disputes.

## INVENTORIES, TRADE RECEIVABLES AND TRADE AND NOTES PAYABLES

| | **As at 30 June 2020** *RMB'000* | As at 31 December 2019 *RMB'000* |
|---|---|---|
| Inventories | **742,211** | 679,845 |
| Trade receivables | **288,113** | 276,111 |
| Trade and notes payables | **590,139** | 460,642 |

As affected by the epidemic, the sales and cost of sales figures for the period were lower than normal so that the average inventories, trade receivables and trade payables turnover days have been distorted. As such, the inventories, trade receivables and trade and notes payables balances are analyzed instead.

As mentioned above, management has cleared a lot of aged inventories during the period. The increase in the overall balance was mainly due to the purchase of new practical, functional, comfortable, healthy and value-for-money inventories in the first half of 2020, and the remaining balance of such inventories as at 30 June 2020 was approximately RMB270,672,000.

There was no significant fluctuation in the trade receivables balance.

The trade and notes payables balance increased because after negotiation, suppliers agreed to extend the credit period granted to the Group by one month.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a solid balance sheet. As at 30 June 2020, the Group's term deposits, restricted bank deposits and cash and cash equivalents amounted to approximately RMB917,708,000 (31 December 2019: RMB854,794,000) and bank borrowings amounted to approximately RMB548,782,000 (31 December 2019: RMB455,190,000). As at 30 June 2020, the current ratio was about 1.9 times (31 December 2019: 1.9 times).

As at 30 June 2020, 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 22.7% (31 December 2019: 17.8%). 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 15.3% (31 December 2019: negative 15.7%) 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 CONSULTANT

In the first half of this year, the Group continued to engage a global leading consulting firm, Boston Consulting Group, to assist the Group in various aspects (such as overall operation strategies, major brand operation models, improvement of store structure, implementation of strategies and prioritization of various measures, inventory management, optimization of management hierarchy and determining short, medium and long-term strategies).

## 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 30 June 2020, utilized approximately RMB774,874,000 (equivalent to approximately HK$873,300,000) to expand and maintain retail network of its self-managed retail stores, approximately RMB200,395,000 (equivalent to approximately HK$226,182,000) and RMB120,308,000 (equivalent to approximately HK$135,790,000) to construct and operate the logistics centres in Tianjin and Dongguan respectively, approximately RMB41,118,000 (equivalent to approximately HK$46,391,000) 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 30 June 2020, 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 30 June 2020, 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 RMB29,881,000 (equivalent to approximately HK$32,945,000) for financing on-market share purchases for employees' share award schemes; (d) as to approximately RMB36,940,000 (equivalent to approximately HK$40,728,000) for business development in Hong Kong and overseas businesses; and (e) as to approximately RMB28,600,000 (equivalent to approximately HK$31,533,000) 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 30 June 2020, 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 period, capital expenditure on property, plant and equipment and intangibles assets amounted to approximately RMB201,178,000 (first half of 2019: RMB40,677,000), which was mainly used for construction of the new office of the Group.

## PLEDGE OF ASSETS

At 30 June 2020, certain property, plant and equipment, and land use rights were pledged as securities for obtaining banking borrowings of approximately RMB548,782,000 (31 December 2019: RMB189,990,000).

## CONTINGENT LIABILITIES

At 30 June 2020, 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. During the period, the Group adjusted its sales and distribution channels proactively by closing certain loss-making self-owned stores. As at 30 June 2020, the Group's distribution network comprised 5,457 retail stores (31 December 2019: 5,970), out of which 1,032 (31 December 2019: 1,269) were self-managed retail stores and 4,425 (31 December 2019: 4,701) were franchised retail stores.

## HUMAN RESOURCES AND MANAGEMENT

The Group had approximately 3,169 full-time employees as at 30 June 2020 (31 December 2019: 3,530). 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 ISO14001:2015 Environment Management Systems. A corporate social responsibility report for the Group has been issued in accordance with the Environmental, Social and Governance reporting guide of the Stock Exchange and included in the 2019 annual report. A similar report will be included in the 2020 annual report which will be issued in next year.

## OUTLOOK AND STRATEGY

Apart from the aforementioned measures and reforms, the Group will also adopt the following measures in the second half of 2020:

1. Urging franchisees to develop business presence in the blank market in mainland China to fill the market gap;

2. Enhancing the overall structure of franchisees and managing by different grading of franchisees; and

3. Tightening cost controls, optimizing organization structure and reducing unnecessary expenses.

Although being affected adversely by epidemic and slowdown of mainland China economy, the Group has taken appropriate measures swiftly with reference to the changing market situation. For certain new products launched in June and July 2020, the sold-out rates have reached 50% or above in 30 days. It is expected that operating performance will improve significantly in the second half of 2020.

## INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend to shareholders of the Company for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

## CORPORATE GOVERNANCE PRACTICES

The Board has reviewed the Company's corporate governance practices and considers that the Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the period of six months ended 30 June 2020.

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

Neither the Company nor any of its subsidiaries purchased, redeemed nor sold any of the Company's listed securities during the six months ended 30 June 2020.

## SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct of the Company for Directors' securities transactions. Specific enquiry was made with all the Directors and all confirmed that they have complied with the requirements set out in the Model Code throughout the six months ended 30 June 2020.

## AUDIT COMMITTEE

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

The audit committee holds regular meetings to review the Group's financial information, financial reporting system and internal control procedures, including a review of the interim financial information for the six months ended 30 June 2020.

## PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2020

This interim 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 interim report 2020 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, 28 August 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.*