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)

SUPPLEMENTAL ANNOUNCEMENT TO 2019 ANNUAL REPORT

Reference is made to the Company's annual report for the year ended 31 December 2019 (the "2019 Annual Report"). Unless the context otherwise requires, capitalized terms in this reply shall have the same meanings as defined in the 2019 Annual Report.

The Board would like to provide additional information pursuant to paragraph 11(8) of Appendix 16 of the Listing Rules ("App 16 para 11(8)") in relation to the Company's various fundraising rounds.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

1. 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 gross and net proceeds from the Company's initial public offering amounted to approximately HK$1,463,245,000 and HK$1,386,405,000 respectively. As at 31 August 2020, the amount of net proceeds has been fully utilized.

2. In addition to the information disclosed under the section headed "USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING" in the 2019 Annual Report, the Board would like to present the following comparative information in tabular form as per the recommendation in the "Note" to App 16 para 11(8):

Use of net proceeds	Original intended use of net proceeds	Amount utilized as at 31 December 2019	Amount utilized as at 30 June 2020	Revised use of net proceeds *(Note 3)*	Amount unutilized as at 31 August 2020	Expected timeline of full utilization of said unutilized balance
	(HK$)	(HK$)	*(HK$)*	*(HK$)*	*(HK$)*	
Expansion of the retail network of self-managed stores *(Note 1)*	540,700,000	819,141,000	873,300,000	886,760,000 (fully utilized as of 31 August 2020)	-	N/A
Construction and operation of logistics centers in Dongguan, Tianjin and Chongqing *(Note 2)*	350,800,000	361,972,000	361,972,000	361,972,000 (fully utilized as of 31 August 2020)	-	N/A
Acquisitions of businesses, brands or products and further development of strategic alliances *(Note 3)*	174,700,000	90,069,000	90,069,000	90,069,000 (fully utilized as of 31 August 2020)	-	N/A
Establishment of design, research and development center *(Note 3)*	91,500,000	-	-	-	-	N/A
Upgrade of information technology infrastructure *(Note 3)*	91,500,000	45,621,000	46,391,000	47,604,000 (fully utilized as of 31 August 2020)	-	N/A
Working capital and other general corporate purposes *(Note 3)*	137,205,000	-	-	-	-	N/A

Note 1 : The Group has increased the allocated amount for expansion of the retail network of self-managed stores since 2014 due to the Group's business growing at a much faster rate than was contemplated during the initial public offering, which resulted in the opening of a larger number of self-managed stores.

Note 2 : Being approximately HK$226,182,000 for the Tianjin logistics center and approximately HK$135,790,000 for the Dongguan logistics center. Upon and since its listing, the Company has raised funds by equity offerings in HK$ and incurs expenditure predominantly in RMB given its geographical focus on the PRC.

Given the fluctuating exchange rate between RMB and HK$ since 2014, the HK$ equivalent amount spent on the construction and operation of logistics centers in Dongguan and Tianjin is marginally higher than the amount originally allocated. The project for constructing the Chongqing logistics center has been cancelled due to the changes in business environment.

Note 3 : Given the over-allocation of the net proceeds for the expansion of the Company's retail network of self-managed stores as explained above and the resulting smaller amount of unutilized net proceeds, and the changing business environment, the Board has made reasonable reductions in the amounts allocated for the other intended uses in August 2020.

The Board believes that the above reallocation of the use of net proceeds is in the interest of the Company and its shareholders as a whole, in response to the changing market conditions in light of the challenges as a result of the general slowdown of mainland China economy and the COVID-19 pandemic.

USE OF PROCEEDS FROM THE FOSUN SUBSCRIPTION AND THE WINDCREEK SUBSCRIPTION

In addition to the information disclosed under the section headed "USE OF PROCEEDS FOR FUNDS RAISED" in the 2019 Annual Report, the Board would like to present the following comparative information in tabular form as per the recommendation in the "Note" to App 16 para 11(8):

Use of net proceeds	**Intended use of net proceeds**	**Amount utilized as at 31 December 2019**	**Amount utilized as at 30 June 2020**	**Amount unutilized as at 31 August 2020**	**Expected timeline of full utilization of said unutilized balance *(Note 1)***
	(HK$)	*(HK$)*	*(HK$)*	*(HK$)*	
Fosun Subscription:					
Financing the reforms in sales and distributions channels of the Group	39,000,000	-	-	34,837,000	Before the end of 2021
Potential mergers, acquisitions and cooperation opportunities	30,000,000	-	-	30,000,000	Before the end of 2023
General working capital	530,000,000	462,545,000	515,238,000	6,112,000	Before the end of 2021
Windcreek Subscription:					
Financing the reforms in sales and distributions channels of the Group	239,000,000	-	-	239,000,000	Before the end of 2023
Potential mergers, acquisitions and cooperation opportunities	70,000,000	-	-	70,000,000	Before the end of 2023
General working capital	200,000,000	-	-	200,000,000	Before the end of 2023

Note 1 : The expected timeline of full utilization of said unutilized balance is based on the best estimation of the future market conditions made by the Group. It may be subject to change due to future development of market conditions.

REASONS FOR DELAY IN UTILIZATION OF PROCEEDS

As explained in the Company's interim results announcement dated 28 August 2020, 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 ended 30 June 2020.

The abovementioned factors have contributed to the delay in the Company's utilization of the net proceeds from the Fosun Subscription and the Windcreek Subscription.

GENERAL

The above supplemental information does not affect other information contained in the 2019 Annual Report and all other information therein remains unchanged.

Save as disclosed above, there is no material delay or change in the use of proceeds. Should there be any, further announcement(s) will be made by the Company as and when appropriate.

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

Hong Kong, 22 September 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.