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## **Cosmo Lady (China) Holdings Company Limited**

**都市麗人(中國)控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 2298)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **HIGHLIGHTS**

On adoption of various transformation measures, the operating performance of the Group showed marked improvement since the fourth quarter of 2020:

- Same-store-sales growth of self-managed stores in the fourth quarter of 2020 increased by approximately 7.4%;
- After optimizing and adjusting sales and distribution channels, the sales in the fourth quarter of 2020 gradually recovered to a level similar to that of 2019;
- The cumulative sold-out rates of 2020 autumn-winter season products increased by approximately 10.0% year-on-year;
- The gross profit margin in 2020 showed a marked improvement and reached approximately 48.8% (2019: 22.6%);
- As at 31 December 2020, around 61.5% of inventories (in term of cost) purchased in 2019 or before has been cleared, and the amount of inventories has returned to a healthy level;
- Cash flows generated from operating activities in 2020 turned into positive reaching a level of approximately RMB555 million (2019: negative RMB248 million);
- The Group achieved turnaround in the fourth quarter of 2020 and a profit in the second half of 2020, leading to a smaller loss in the full year 2020 than in the first half of 2020; and
- The unaudited sales performance for 1 January to 14 March 2021:
  - Sales increased by approximately 40.2% year-on-year;
  - Same-store-sales growth of self-managed stores: increased by approximately 37.2% year-on-year; and
  - Same-store-sales growth of franchised stores: increased by approximately 28.4% year-on-year.

## 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 2020, together with comparative figures for 2019 and selected explanatory notes, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
<b>Revenue</b>	4	<b>3,057,491</b>	4,081,885
Cost of sales		<u>(1,566,711)</u>	<u>(3,159,299)</u>
<b>Gross profit</b>		<b>1,490,780</b>	922,586
Selling and marketing expenses		(1,354,586)	(1,612,604)
General and administrative expenses		(287,521)	(304,106)
Net impairment losses on financial assets		(15,889)	(419,550)
Other income	5	75,187	35,919
Other gains/(losses) – net		<u>6,857</u>	<u>(11,438)</u>
<b>Operating loss</b>		<b>(85,172)</b>	(1,389,193)
Finance income		4,743	9,947
Finance expenses		<u>(55,434)</u>	<u>(30,287)</u>
<b>Finance expenses – net</b>		<b>(50,691)</b>	(20,340)
Share of profit of equity investments		<u>8,934</u>	<u>2,995</u>
<b>Loss before income tax</b>	6	<b>(126,929)</b>	(1,406,538)
Income tax credit	7	<u>10,603</u>	<u>106,746</u>
<b>Loss for the year</b>		<b>(116,326)</b>	(1,299,792)
<b>Other comprehensive loss for the year</b>			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences		(18,277)	17,388
<i>Item that will not be reclassified to profit or loss</i>			
Changes in the fair value of equity investments at fair value through other comprehensive income		<u>(2,122)</u>	<u>(9,446)</u>
<b>Total comprehensive loss for the year</b>		<b>(136,725)</b>	(1,291,850)
<b>Loss attributable to:</b>			
Owners of the Company		(118,095)	(1,297,812)
Non-controlling interests		<u>1,769</u>	<u>(1,980)</u>
		<b>(116,326)</b>	(1,299,792)
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		(138,494)	(1,289,870)
Non-controlling interests		<u>1,769</u>	<u>(1,980)</u>
		<b>(136,725)</b>	(1,291,850)
<b>Loss per share</b>	8	<b>RMB'000</b>	<b>RMB'000</b>
Basic loss per share		(5.32)	(57.76)
Diluted loss per share		<u>(5.32)</u>	<u>(57.76)</u>

## CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2020	2019
	Note	RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		695,368	515,402
Right-of-use assets		522,894	516,522
Intangible assets		33,975	39,871
Investment in joint ventures		295,107	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		67,893	74,414
Deposits, prepayments and other receivables		13,396	113,757
Deferred income tax assets		211,226	178,444
		<u>1,839,859</u>	<u>1,826,313</u>
<b>Current assets</b>			
Inventories		793,730	679,845
Trade and notes receivables	10	302,157	276,111
Deposits, prepayments and other receivables		574,129	694,154
Financial assets at fair value through profit or loss		4,623	8,822
Term deposits and restricted bank deposits		266,344	630
Cash and cash equivalents		714,569	854,164
		<u>2,655,552</u>	<u>2,513,726</u>
<b>Total assets</b>		<u><b>4,495,411</b></u>	<u><b>4,340,039</b></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	11	140,312	140,312
Share premium	11	1,656,669	1,656,669
Other reserves		401,310	418,807
Retained earnings		187,289	320,835
		<u>2,385,580</u>	<u>2,536,623</u>
Non-controlling interests		22,067	15,989
<b>Total equity</b>		<u><b>2,407,647</b></u>	<u><b>2,552,612</b></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and notes payables	12	719,562	460,642
Accruals and other payables		321,107	370,292
Contract liabilities		61,261	133,675
Current income tax liabilities		15,805	–
Borrowings	13	198,674	150,000
Lease liabilities		214,434	199,147
Deferred income		267	436
		<u>1,531,110</u>	<u>1,314,192</u>
<b>Non-current liabilities</b>			
Borrowings	13	339,077	305,190
Lease liabilities		215,855	165,880
Deferred income tax liabilities		893	1,070
Deferred income		829	1,095
		<u>556,654</u>	<u>473,235</u>
<b>Total liabilities</b>		<u><b>2,087,764</b></u>	<u><b>1,787,427</b></u>
<b>Total equity and liabilities</b>		<u><b>4,495,411</b></u>	<u><b>4,340,039</b></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
<b>As at 1 January 2020</b>	140,312	1,656,669	418,807	320,835	2,536,623	15,989	2,552,612
<b>Comprehensive income</b>							
Loss for the year	-	-	-	(118,095)	(118,095)	1,769	(116,326)
<b>Other comprehensive loss</b>							
Exchange differences	-	-	(18,277)	-	(18,277)	-	(18,277)
Changes in the fair value of equity investments at fair value through other comprehensive income	-	-	(2,122)	-	(2,122)	-	(2,122)
<b>Total comprehensive loss for the year</b>	-	-	(20,399)	(118,095)	(138,494)	1,769	(136,725)
<b>Transactions with owners</b>							
Transaction with non-controlling interests	-	-	(3,308)	-	(3,308)	3,308	-
Equity-settled share-based compensation	-	-	8,823	-	8,823	-	8,823
Shares purchased for share award scheme	-	-	(18,064)	-	(18,064)	-	(18,064)
Contribution from non-controlling interests	-	-	-	-	-	1,001	1,001
<b>Total transactions with owners</b>	-	-	(12,549)	-	(12,549)	4,309	(8,240)
Appropriation to statutory reserves	-	-	15,451	(15,451)	-	-	-
<b>As at 31 December 2020</b>	140,312	1,656,669	401,310	187,289	2,385,580	22,067	2,407,647
<b>As at 1 January 2019</b>	140,755	1,866,386	416,471	1,623,937	4,047,549	15,056	4,062,605
<b>Comprehensive income</b>							
Loss for the year	-	-	-	(1,297,812)	(1,297,812)	(1,980)	(1,299,792)
<b>Other comprehensive loss</b>							
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)
<b>Total comprehensive loss for the year</b>	-	-	7,942	(1,297,812)	(1,289,870)	(1,980)	(1,291,850)
<b>Transactions with owners</b>							
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
<b>Total transactions with owners</b>	(443)	(209,717)	(10,896)	-	(221,056)	2,913	(218,143)
Appropriation to statutory reserves	-	-	5,290	(5,290)	-	-	-
<b>As at 31 December 2019</b>	140,312	1,656,669	418,807	320,835	2,536,623	15,989	2,552,612

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
<b>Cash flows from operating activities</b>		
Cash generated from/(used in) operations	593,593	(183,752)
Income tax paid	(38,161)	(64,177)
<b>Net cash generated from/(used in) operating activities</b>	<b>555,432</b>	<b>(247,929)</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	3,686	1,719
Proceeds from disposal of land use rights	–	7,788
Interest received	4,743	9,947
Investment income from financial assets at fair value through profit or loss	1,297	157
Dividends from financial assets at fair value through other comprehensive income	11,402	–
Payment for financial assets at fair value through other comprehensive income	–	(23,366)
Purchases of property, plant and equipment	(139,072)	(193,497)
Purchases of intangible assets	(1,996)	(8,219)
Repayment from/(advance to) a joint venture	2,306	(3,267)
Capital contribution to joint ventures	(999)	(116,389)
Received in advance for proposed disposal of financial assets at fair value through profit or loss	–	100,000
Received from term deposits with initial term of over three months	630	–
Release of restricted bank deposits	–	9,225
<b>Net cash used in investing activities</b>	<b>(118,003)</b>	<b>(215,902)</b>
<b>Cash flows from financing activities</b>		
Purchase of the Company's shares for share award scheme	(18,064)	(18,840)
Payments for repurchase of the Company's shares	–	(13,454)
Capital injections from non-controlling interests	1,001	2,913
Pledge of restricted bank deposit	(266,344)	–
Proceeds from bank borrowings	269,284	470,000
Repayments of bank borrowings	(186,723)	(198,770)
Interest paid for bank borrowings	(32,942)	(20,324)
Principal elements of lease payments	(338,487)	(218,115)
Dividends paid	–	(196,706)
<b>Net cash used in financing activities</b>	<b>(572,275)</b>	<b>(193,296)</b>
Net decrease in cash and cash equivalents	(134,846)	(657,127)
Cash and cash equivalents at beginning of the year	854,164	1,496,163
Effect of foreign exchange rate changes	(4,749)	15,128
<b>Cash and cash equivalents at end of the year</b>	<b>714,569</b>	<b>854,164</b>

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 Windward 3, Regatta Office Park, PO Box 1350, 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 30 March 2021.

**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 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IFRS 7 and IAS 39
- Revised Conceptual Framework for Financial Reporting

The Group also elected to adopt the following amendments early:

- COVID-19-Related Rent Concessions – amendments to IFRS 16

The 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, except for the Amendment to IFRS 16 set out above.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting period and have not been early adopted by the Group. These standards are not 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 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to 2018–2020 Cycle	Improvements to IFRS	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1	Classification of liabilities as Current or Non-current	1 January 2023
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 2020, none of the revenue derived from any single external customer amounted to more than 10% of the Group's revenue (2019: none).

### 4 REVENUE

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Retail sales	1,150,951	1,378,873
Sales to franchisees	1,127,029	1,950,422
E-commerce	763,684	627,481
Trading of raw materials	15,827	125,109
	<b>3,057,491</b>	<b>4,081,885</b>
	<b>As at 31 December</b>	
	2020 RMB'000	2019 RMB'000
Contract liabilities related to sales to franchisees	52,730	108,227
Contract liabilities related to trading of raw materials	8,531	25,448
	<b>61,261</b>	<b>133,675</b>

The revenue recognised in the current reporting year relating to carried-forward contract liabilities as at 1 January 2020 is approximately RMB133,675,000.

## 5 OTHER INCOME

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Logistics warehousing and delivery income ( <i>Note (a)</i> )	30,630	10,252
Dividends from financial assets at fair value through other comprehensive income	18,057	–
Government grants ( <i>Note (b)</i> )	10,621	13,559
Software usage fee income	1,005	1,290
Investment income from financial assets at fair value through profit or loss	1,297	157
Others	13,577	10,661
	<b>75,187</b>	<b>35,919</b>

### Notes:

- (a) These mainly represented the amount of revenue of approximately RMB70,479,000 (2019: RMB 59,561,000) from logistics warehousing and delivery services net off against its direct cost of approximately RMB43,819,000 (2019: RMB50,051,000).
- (b) These mainly represented grants received from various local governments in the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

## 6 LOSS BEFORE INCOME TAX

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Operating expenses in respect of stores under cooperative arrangements	219,049	605,313
Employee benefit expenses (including directors' emoluments)	326,863	399,820
Other operating rental expenses	13,063	27,330
Depreciation and amortization	459,284	241,251
Marketing and promotion expenses	233,903	190,141
E-commerce platforms commission expenses	95,024	76,583
Provision for inventories	65,362	737,912
One-off waiving of trade receivables	–	326,602
Provision for impairment of trade receivables	12,983	68,665
Provision for impairment of other receivables	2,906	24,283



## 7 INCOME TAX CREDIT

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
– Hong Kong profits tax ( <i>Note (a)</i> )	–	–
– PRC corporate income tax ( <i>Note (b)</i> )	22,356	17,090
– Over-provision in prior year ( <i>Note (d)</i> )	–	(25,198)
	<u>22,356</u>	<u>(8,108)</u>
Deferred income tax		
– Current deferred income tax	(32,959)	(101,249)
– Over-provision in prior year ( <i>Note (d)</i> )	–	2,611
	<u>(32,959)</u>	<u>(98,638)</u>
Income tax credit	<u>(10,603)</u>	<u>(106,746)</u>

### Notes:

#### (a) Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% for the year ended 31 December 2020 (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 year ended 31 December 2020 (2019: 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 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 represents the difference between 15% and 25% which was the then corporate tax rate used in 2018.

## 8 LOSS PER SHARE

### Basic

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Loss for the year attributable to equity holders of the Company (RMB'000)	<u>(118,095)</u>	<u>(1,297,812)</u>
Weighted average number of ordinary shares for the purposes of basic loss per share ( <i>thousands of shares</i> )	<u>2,221,102</u>	<u>2,247,066</u>
Basic loss per share ( <i>RMB cents per share</i> )	<u>(5.32)</u>	<u>(57.76)</u>

*Note:* The weighted average number of ordinary shares for the purpose of basic loss per share for the year ended 31 December 2020 has been adjusted for the effects of purchase and withholding of ordinary shares of the Company for the share award scheme of the Company during the year ended 31 December 2020.

### Diluted

For the year ended 31 December 2020, diluted loss per share is the same as the basic loss per share as there is no diluted potential shares.

## 9 DIVIDENDS

At a meeting held on 30 March 2021, the Board did not recommend a final dividend to the shareholders of the Company for the year ended 31 December 2020 (2019: nil).

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

## 10 TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables – due from third parties	383,745	349,347
Notes receivables	2,872	–
Less: loss allowance	<u>(84,460)</u>	<u>(73,236)</u>
Trade and notes receivables – net	<u>302,157</u>	<u>276,111</u>

(a) As at 31 December 2020, 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 2020 is as follows:

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables, gross		
– Within 30 days	143,215	88,808
– Over 30 days and within 60 days	41,710	65,006
– Over 60 days and within 90 days	42,608	51,064
– Over 90 days and within 180 days	60,935	49,485
– Over 180 days and within 360 days	38,498	50,676
– Over 360 days	56,779	44,308
	<u>383,745</u>	<u>349,347</u>

## 11 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2019	2,256,234,213	140,755	1,866,386	2,007,141
Shares bought back on-market and cancelled ( <i>Notes (a) and (b)</i> )	(6,777,000)	(443)	(13,011)	(13,454)
Dividends	–	–	(196,706)	(196,706)
As at 31 December 2019	<u>2,249,457,213</u>	<u>140,312</u>	<u>1,656,669</u>	<u>1,796,981</u>
As at 31 December 2020	<u>2,249,457,213</u>	<u>140,312</u>	<u>1,656,669</u>	<u>1,796,981</u>

*Notes:*

- (a) 210,000 shares purchased in late 2018 were cancelled in early 2019.
- (b) 6,567,000 shares purchased in 2019 were cancelled during 2019.

## 12 TRADE AND NOTES PAYABLES

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Due to third parties	469,754	440,928
Due to related parties	143	19,714
Trade payables	469,897	460,642
Notes payables	249,665	–
	<u>719,562</u>	<u>460,642</u>

As at 31 December 2020, 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 2020, trade payables are denominated in RMB. The ageing analysis of trade payables based on invoice date, as at 31 December 2020 is as follows:

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables		
– Within 30 days	187,983	76,738
– Over 30 days and within 60 days	69,689	50,898
– Over 60 days and within 90 days	97,634	150,834
– Over 90 days and within 180 days	111,152	130,202
– Over 180 days and within 360 days	3,191	47,521
– Over 360 days	248	4,449
	<u>469,897</u>	<u>460,642</u>

### 13 BORROWINGS

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current		
Secured bank borrowing ( <i>Note</i> )	339,077	189,990
Unsecured bank borrowing	–	115,200
	<u>339,077</u>	<u>305,190</u>
Current		
Secured bank borrowing ( <i>Note</i> )	190,300	–
Unsecured bank borrowing	8,374	150,000
	<u>198,674</u>	<u>150,000</u>
	<u>537,751</u>	<u>455,190</u>

Movements in borrowings are analysed as follows:

	<i>RMB'000</i>
<b>Opening amount as at 1 January 2020</b>	<b>455,190</b>
Repayments of bank borrowings	(186,723)
Proceeds from bank borrowings	<u>269,284</u>
<b>Closing amount as at 31 December 2020</b>	<b><u>537,751</u></b>

*Note:* The amount represents the bank borrowing that are secured by the Group's certain buildings and land use rights of approximately RMB483,071,000 (2019: RMB360,590,000).

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 5.11% (2019: 6.46%) and are within level 2 of the fair value hierarchy. The carrying amounts of the Group's borrowings are denominated in RMB.

## **BUSINESS REVIEW**

In 2020, in response to the outbreak and rapid spread of the 2019 coronavirus (“COVID-19”), many countries and regions have adopted appropriate measures to alleviate its adverse impact. These measures included but not limited to large-scale travel restrictions, social quarantine and suspension of work and school. As a result, various economic activities were greatly reduced causing tremendous downward pressure on the global macro-economy.

The economy of China was also affected by the epidemic. According to the information of China’s National Bureau of Statistics, mainland China’s GDP in 2020 increased by only about 2.3%, the lowest growth rate in the last 3 decades. The various epidemic prevention measures has limited the foot traffic in the shopping areas and dampened consumer sentiment leading to devastating impact on the apparel industry in mainland China. The retail sales of apparel products in 2020 declined year-on-year by approximately 6.6% while the cumulative finished cloth volume of apparel enterprises above designated size fell by approximately 11.3%.

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

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. New product development**

- (a) Continuing the Group’s shift from fast-moving-fashionable-sexy products to high technology, healthy, comfortable, good-looking and value-for-money products;
- (b) Focusing on classic products and reducing significantly the number of stock keeping unit (“SKU”), for example, the total number of SKU for 2020 spring-summer season products and 2020 autumn-winter season products have been reduced by about 30% when comparing with that for 2019;
- (c) Launching more quality high technology new products (such as soft cup bras, no-feeling seamless underwear, dust-free cotton loungewear, thermal cloth using extra-fine yarn and special weaving technology, extra elastic underpants);
- (d) Launching the 2020 autumn-winter season products which were popular in the market, with their cumulative sold-out rate about 10% higher than that for 2019 autumn-winter season products; and
- (e) Promoting the 2021 spring-summer season products which have received positive appraisals from franchisees of the Group. The value of orders placed by our franchisees during the 2021 spring-summer season trade fair increased by more than 30%, when comparing with the value of orders placed during the 2020 spring-summer season trade fair.

### **2. Smart retail and membership management**

- (a) Continuing to strengthen the relationships with major platforms, including Alibaba (for example Rhino Smart Manufacturing Platform), JD.com and Vipshop, and proactively developing business with other e-commerce platforms (such as Tik Tak);
- (b) Stepping up efforts on developing online “smart retail”, including Tencent mini APP and live webcast, and integration of Tencent mini App and other sales system, realizing omni-channel marketing and extending business hours;
- (c) Cooperating with China Youzan Limited from the fourth quarter of 2020 onwards, to promote franchisees’ business through the use of Tencent mini APP, which will increase the interactions between franchisees and the loyalty program customers of the Group, bringing more sales opportunities to franchisees;

- (d) Arranging 9 online live-streams in 2020 bringing sales of around RMB150,000,000 to stores. Number of online live-streams will be increased in 2021, which are expected to bring more sales for stores; and
- (e) Enhancing membership system, refining membership management, establishing standardized membership identification system, setting up consumers database, introducing appropriate products and promotions to improve the purchasing rate, re-purchasing rate and activity rate of members, and making use of the private traffic of approximately 60 million members to boost sales.

### **3. New development on offline retail stores**

- (a) With the gravest impact of the epidemic gradually subsiding, the operating performance of offline retail stores in the second half of 2020 gradually improved. The same-store-sales growth of self-managed stores turned into positive from mid-September 2020 onwards, and the same-store-sales growth for the fourth quarter of 2020 was approximately 7.4%;
  - (b) Optimizing and adjusting sales and distribution channels by closing certain stores located at inappropriate areas and large loss-making stores;
  - (c) Up to 31 December 2020, 691 seventh generation stores with new image have been opened or renovated, and the sales performance of the seventh generation stores was outstanding in 2020. Franchisees have signed agreements in the first quarter of 2021 to open about 400 stores in the future, and it is expected that there will be net opening of 200 to 300 stores in 2021;
  - (d) Up to 31 December 2020, 15 shopping mall stores with “family life concept” have been opened or renovated, and the sales performance of these stores was satisfactory in the fourth quarter of 2020; and
  - (e) Up to 31 December 2020, around 100 factory outlets/discount stores have been opened for clearance of aged inventories.
4. Stepping up effort on clearing aged inventories – although being affected by the epidemic, part of the aged inventories (purchased in 2019 or before), representing approximately 61.5% of the cost of these inventories, have been cleared, and the amount of inventories has returned to a healthy level;
  5. Launching new brand stories, focusing on promotion of hot-selling products and stepping up efforts on brand communications;
  6. Improving supply chain management, product designing, product merchandising and product operating (such as ordering and re-ordering products accurately, transferring products flexibly, products life cycle management), and conducting on-site inspection of stores to understand the actual requirements of consumers in order to enhance efficiency, lower costs and shorten response time; and
  7. 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 make response swiftly to the market change.

## 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, due to the factors mentioned in the "Business Review" section, the Group's revenue from products sales declined by approximately 23.1%, and total revenue declined by approximately 25.1%.

### 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			
	2020		2019	
	RMB'000	%	RMB'000	%
Retail sales	1,150,951	37.6	1,378,873	33.8
Sales to franchisees	1,127,029	36.9	1,950,422	47.8
E-commerce	763,684	25.0	627,481	15.4
Revenue from products sales	3,041,664	99.5	3,956,776	97.0
Trading of raw materials	15,827	0.5	125,109	3.0
Total revenue	3,057,491	100.0	4,081,885	100.0

On adoption of various transformation measures, sales in the second half of 2020 has improved:

- Retail sales in the second half of 2020 increased by approximately 9.3% year-on-year to approximately RMB729,177,000 (2019: RMB667,250,000);
- E-commerce sales in the second half of 2020 increased by approximately 25.5% year-on-year to approximately RMB381,366,000 (2019: RMB303,852,000); and
- The 2020 autumn-winter season trade fair was held in March 2020. In view of the epidemic, there were less orders from franchisees, affecting the sales to franchisees in the second half of 2020.

Sales to franchisees in the second half of 2020 decreased by approximately 29.2% year-on-year to approximately RMB614,974,000 (2019: RMB868,835,000), but the decline was lower than that in the first half of 2020 of approximately 52.7%.

The retail sales of franchisees for the full year 2020 fell by approximately 29.5%, which was better than the decline in sales to franchisees of approximately 42.2%, reflecting that the actual sales performance of franchisees were better than their expectation.

In order to focus on implementing reforms and dealing with the impact of the epidemic, trading of raw materials activities in 2020 declined significantly.

### *The revenue by each type of product as a percentage of total revenue*

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

	Year ended 31 December	
	2020 %	2019 %
Bras	49.0	45.9
Underpants	17.6	18.3
Sleepwear and loungewear	14.3	14.1
Thermal clothes	9.3	8.8
Other products ( <i>Notes (a) and (b)</i> )	9.3	9.9
Revenue from product sales	99.5	97.0
Trading of raw materials	0.5	3.0
Total revenue	100	100

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

- (a) The sales of higher gross profit margin bras product, as a percentage of total revenue, increased to about 49.0% (2019: 45.9%) and;
- (b) The sales of lower gross profit margin trading of raw materials business, as a percentage of total revenue, dropped to about 0.5% (2019: 3.0%).

### **Gross profit margin**

During the year, despite the fact that raw material costs has increased in 2020, the gross profit margin of the Group increased to around 48.8% (2019: 22.6%). The significant increase was mainly due to:

- (a) Continued implementation of transformation plan for optimization of supply chain management, product operating and product merchandising capabilities to lower cost and improve gross profit margin;
- (b) The product capability and competitiveness have improved in 2020, and the sold-out rates in 2020 were better than that in 2019;
- (c) Change in sales mix, with higher gross profit margin products (e.g. corset) had better sales performance in 2020 than in 2019; and
- (d) Sales of inventories with provision already made in 2019.

### **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 decline of selling and marketing expenses by about 16.0% for the year ended 31 December 2020 to approximately RMB1,354,586,000 (2019: RMB1,612,604,000) was primarily driven by the decrease in various store-related expenses as a result of optimizing and adjusting sales and distribution channels by closing certain stores located at inappropriate areas and loss-making retail stores.



## General and administrative expenses

General and administrative expenses primarily consist of employee benefit expenses, impairment of right-of-use assets, consulting service expenses, travelling expenses, depreciation and amortization and others.

The decline of general and administrative expenses by about 5.5% for the year ended 31 December 2020 to approximately RMB287,521,000 (2019: RMB304,106,000) was mainly attributable to the decrease in employee benefit expenses.

## Other income

Other income mainly consists of government grants, logistics warehousing and delivery income, dividends from financial assets at fair value through other comprehensive income, software usage fee income and others. During the year, other income increased by approximately 109.3% to approximately RMB75,187,000 (2019: RMB35,919,000), mainly due to the increase of logistics warehousing and delivery service income and dividends from financial assets at fair value through other comprehensive income.

## Finance expenses – net

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

The finance income of approximately RMB4,743,000 (2019: RMB9,947,000) decreased mainly resulted from the drop in interest income on short-term bank deposits.

The increase in finance expenses to approximately RMB55,434,000 (2019: RMB30,287,000) 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 31 December 2020, the Group had fulfilled all its tax obligations and did not have any unresolved tax disputes.

## WORKING CAPITAL MANAGEMENT

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Inventories ( <i>Note (a)</i> )	793,730	679,845
	Year ended 31 December	
	2020	2019
Average inventory turnover days ( <i>Note (a)</i> )	172 days	107 days
Average trade receivables turnover days ( <i>Note (b)</i> )	35 days	49 days
Average trade payables turnover days ( <i>Note (c)</i> )	137 days	68 days

Reference is made to the Company's 2019 annual report in which an one-off provision for inventories of approximately RMB737,912,000, an one-off waiving amount of approximately RMB326,602,000 owed by major customers and a large provision for impairment of trade receivables of approximately RMB68,665,000 had been made.

Notes:

- (a) The average inventory turnover days increased to approximately 172 days (31 December 2019: 107 days), mainly attributable to the above one-off provision for inventories leading to the increase in cost of sales in 2019, and hence a lower average inventory turnover days in 2019.

As at 31 December 2020, around 61.5% of inventories (in term of costs) purchased in 2019 or before has been cleared, and the amount of inventory has returned to a healthy level. The inventory balance was higher than that for 31 December 2019, mainly due to the purchase of new high technology, healthy, comfortable, good-looking and value-for-money inventories in 2020, and the remaining balance of these new inventories as at 31 December 2020 was approximately RMB523,779,000.

- (b) The average trade receivables turnover days decreased to approximately to 35 days (31 December 2019: 49 days), mainly because the large trade receivable balance as at 31 December 2018 was used in the calculation of higher average trade receivable balance in 2019. After making the above one-off waiving amount and the large provision for impairment of trade receivables, the average trade receivable turnover days has returned to normal level.
- (c) The average trade payables turnover days increased to 137 days (31 December 2019: 68 days), mainly due to the above one-off provision for inventories leading to the increase in cost of sales in 2019, and hence a lower average trade payable turnover days in 2019, and the fact that suppliers have granted longer credit period to the Group.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a solid balance sheet. As at 31 December 2020, the Group's term deposits, restricted bank deposits and cash and cash equivalents amounted to approximately RMB980,913,000 (31 December 2019: RMB854,794,000) and bank borrowings amounted to approximately RMB537,751,000 (31 December 2019: RMB455,190,000). As at 31 December 2020, the current ratio was about 1.7 times (31 December 2019: 1.9 times).

As at 31 December 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 22.3% (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 18.4% (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

During the year, the Group continued to engage a global leading consulting firm, Boston Consulting Group, to assist the Group in undergoing reforms 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 gross proceeds from the Company's initial public offering amounted to approximately HK\$1,463,245,000 while the net proceeds amounted to approximately HK\$1,386,405,000. By reference to the 2020 interim report of the Company published on 29 September 2020, the said net proceeds were fully utilized as of 31 August 2020.

## USE OF PROCEEDS FOR FUNDS RAISED

### Fosun Subscription

Reference is made to the announcements 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.

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 2020, the use of net proceeds was as follows:

Use of net proceeds	Intended use of net proceeds HK\$	Amount utilized as at 31 December 2020 HK\$	Expected timeline of full utilization of said unutilized balance (Note)
Financing the reforms in sales and distributions channels of the Group	39,000,000	39,000,000	N/A
Potential mergers, acquisitions and cooperation opportunities	30,000,000	–	Before the end of 2023
General working capital	530,000,000	530,000,000	N/A

*Note:* 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.

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 announcements 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\$510,061,000 and net proceeds of approximately HK\$509,000,000.

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 2020, the use of the net proceeds was as follows:

<b>Use of net proceeds</b>	<b>Intended use of net proceeds HK\$</b>	<b>Amount utilized as at 31 December 2020 HK\$</b>	<b>Expected timeline of full utilization of said unutilized balance (Note)</b>
Financing the reforms in sales and distributions channels of the Group	239,000,000	31,698,369	Before the end of 2023
Potential mergers, acquisitions and cooperation opportunities	70,000,000	–	Before the end of 2023
General working capital	200,000,000	–	Before the end of 2023

*Note:* 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.

The net proceeds from the Windcreek Subscription have 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**

During the year, capital expenditure amounted to approximately RMB260,634,000 (2019: RMB221,827,000), which was mainly used for the construction of the new office of the Group.

#### **PLEDGE OF ASSETS**

As at 31 December 2020, certain property, plant and equipment, and land use rights were pledged for obtaining banking borrowings of approximately RMB529,377,000 (31 December 2019: RMB189,990,000).

#### **CONTINGENT LIABILITIES**

As at 31 December 2020, the Group did not have any significant contingent liabilities.

#### **HUMAN RESOURCES AND MANAGEMENT**

The Group had approximately 3,706 full-time employees as at 31 December 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 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 2020 annual report.

## **OUTLOOK**

2020 is a year out of ordinary. Despite various challenges, through the effort of our staff, the Company has become a better company. The business of the Group gradually recovered in 2020 and was back on a growth track in the fourth quarter of 2020, and the major channels of the Group, including self-managed stores, franchised stores, shopping mall stores, e-commerce, Tacent mini APP, performed remarkably.

The strategies in 2021 are to focus on consumer-orientation, digitization, sales and operation planning, and investment in brand equity and staff for driving long-term business growth.

We are confident of our operation and achieving sales growth in 2021, which is the first year of our 3-year new strategic plan.

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

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 2020.

## **CORPORATE GOVERNANCE PRACTICES**

The Board has reviewed the Company's corporate governance practices and considers that the Company was in compliance with 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") during the year ended 31 December 2020 and up to the date of this annual result announcement.

## **AUDIT COMMITTEE REVIEW**

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 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 2020. The audit committee has also reviewed the annual results of the Group for the year ended 31 December 2020.

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 2020 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.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

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 2020.

## **FINAL DIVIDEND**

The Board does not recommend the payment of final dividend for the year ended 31 December 2020 (2019: nil).

## **CLOSURE OF REGISTER OF MEMBERS**

For determining shareholders' entitlement to attend and vote at the annual general meeting to be held on 31 May 2021, the register of members of the Company will be closed from Wednesday, 26 May 2021 to Monday, 31 May 2021, 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 Special Administrative Region of the PRC, 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 Tuesday, 25 May 2021 for registration.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

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 2020 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, 30 March 2021

*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.*