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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)

CHANGE IN USE OF PROCEEDS FOR FUNDS RAISED

References are made to (i) announcements of Cosmo Lady (China) Holdings Company Limited (the “Company”, together with its subsidiaries, collectively the “Group”) dated 5 May 2017 and 17 May 2017 regarding the issuance of new shares under general mandate (the “Fosun Subscription”), (ii) announcements of the Company dated 26 April 2018 and 25 May 2018 regarding the issuance of new shares under general mandate (the “Windcreek Subscription”, together with “Fosun Subscription” are collectively referred to as the “Subscriptions”), and (iii) the annual report of the Company for the year ended 31 December 2021 (the “2021 Annual Report”) in which the use of net proceeds from the Subscriptions up to 31 December 2021 was disclosed.

INTENDED USE OF PROCEEDS

The net proceeds from the Fosun Subscription and the Windcreek Subscription were approximately HK\$599,000,000 and HK\$509,000,000, respectively. As disclosed in the section headed “Use of Proceeds for Funds Raised” in the 2021 Annual Report, the net proceeds from the Subscriptions were intended to be applied 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.

CHANGE IN USE OF PROCEEDS

As at 31 December 2021, the Company utilised approximately HK\$569,000,000 of the net proceeds from the Fosun Subscription and approximately HK\$54,153,369 of the net proceeds from the Windcreek Subscription. The amounts of the net proceeds from the Fosun Subscription and Windcreek Subscription which remained unutilised as at 31 May 2022 were approximately HK\$30,000,000 and approximately HK\$432,844,000 respectively (the “Unutilised Net Proceeds”).

The board of directors (the “Board”) of the Company has resolved to change the allocation of the Unutilised Net Proceeds and the expected timeline of full utilisation as follows:

Intended uses of the net proceeds	Original intended use of net proceeds as stated in the 2021 Annual Report <i>HK\$</i>	Net proceeds utilised as at 31 May 2022 <i>HK\$</i>	Unutilised Net Proceeds as at 31 May 2022 <i>HK\$</i>	Revised allocation of utilised net proceeds <i>HK\$</i>	Expected timeline of full utilisation of said unutilised balance <i>(Note)</i>
<i>Fosun Subscription</i>					
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	-	30,000,000	-	N/A
General working capital	530,000,000	530,000,000	-	30,000,000	Before the end of 2023
Total	599,000,000	569,000,000	30,000,000	30,000,000	
<i>Windcreek Subscription</i>					
Financing the reforms in sales and distributions channels of the Group	239,000,000	50,601,000	188,399,000	88,399,000	Before the end of 2025
Potential mergers, acquisitions and cooperation opportunities	70,000,000	-	70,000,000	-	N/A
General working capital	200,000,000	25,555,000	174,445,000	344,445,000	Before the end of 2025
Total	509,000,000	76,156,000	432,844,000	432,844,000	

Note: The expected timeline of full utilisation of said unutilised 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 AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

As disclosed in the 2021 Annual Report, the resurgence of COVID-19 pandemic, downturn in the economy, occasional power outages and occasional severe weather pressed the mainland China's consumer market and economy during the year ended 31 December 2021. In addition, the pandemic continues in 2022 and has exerted a heavy blow on supply chains across the globe, and raw material commodity prices continued the hike amid the strong demand, while competition in the intimate wear industry in mainland China has been more intensified due to the emergence of internet intimate wear brands.

As such, the Group decides to re-allocate (i) HK\$30,000,000 from the Fosun Subscription originally intended for potential mergers, acquisitions and cooperation opportunities as general working capital, and (ii) HK\$100,000,000 and HK\$70,000,000 from the Windcreek Subscription originally intended for financing the reforms in sales and distribution channels, and potential mergers, acquisitions and cooperation opportunities respectively as general working capital.

The Board is of the view that the reallocation of the net proceeds from the Subscriptions is in line with the business strategy of the Group and is effective to enhance the financial position and liquidity of the Group in response to the challenging economic environment ahead under the impact of COVID-19 pandemic. Such reallocation will not adversely affect the operation and business of the Group and is in the best interest of the Company and its shareholders as a whole. The Company will continue to closely monitor the market conditions and amend the plans for the use of the Unutilised Net Proceeds where necessary, to cope with the changing market conditions and strive for better business performance for the Group. Save as disclosed in this announcement, there are no other changes in the use of the net proceeds of the Subscriptions.

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

Hong Kong, 30 June 2022

As at the date of this announcement, the Board comprises Mr. Zheng Yaonan, Mr. Zhang Shengfeng and Ms. Wu Xiaoli as executive Directors; Mr. Lin Zonghong, Mr. Wen Baoma, Mr. Chen Xin and Ms. Fung Yat Carol 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.