



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

都市丽人

全国销量领先的专业内衣



Ordifen 欧迪芬



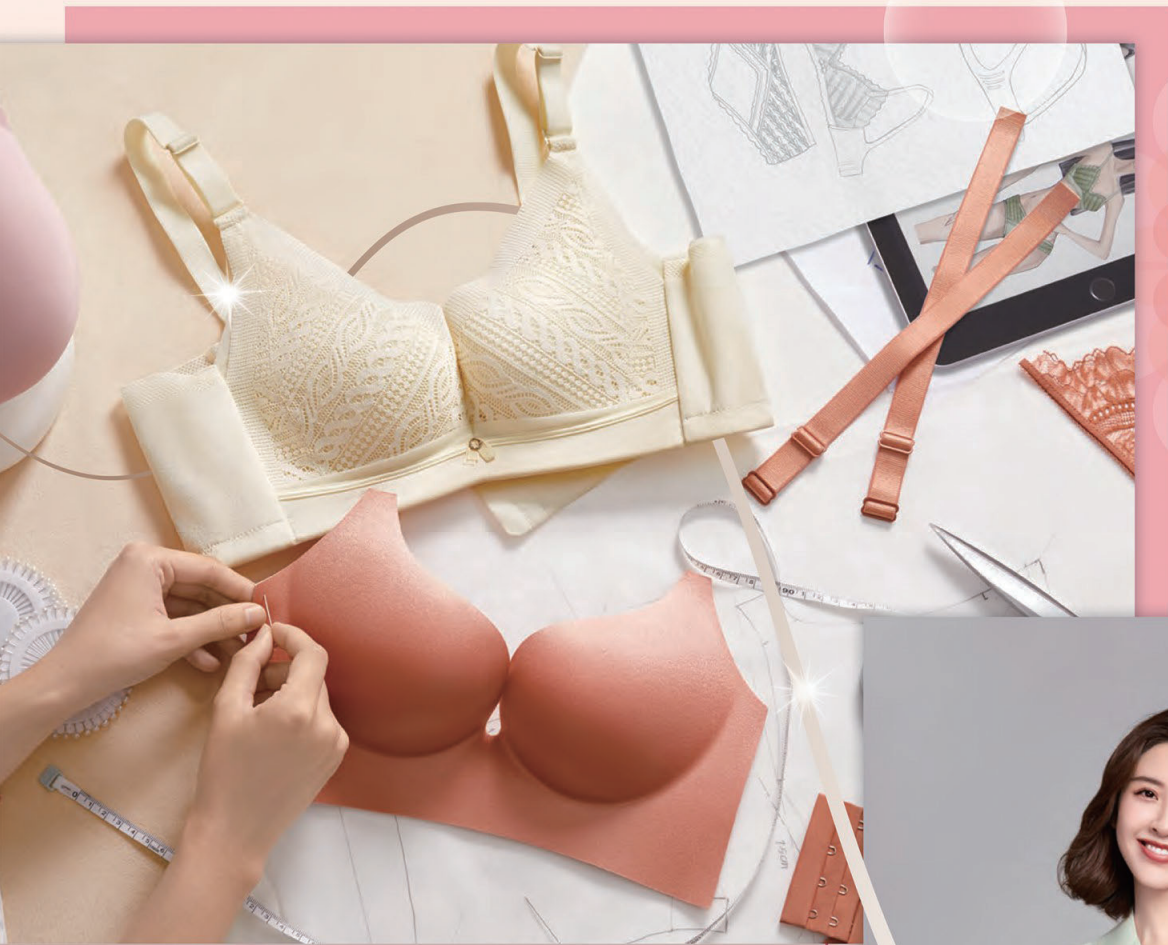
2022

INTERIM REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zheng Yaonan (*Chairman and Chief Executive Officer*)
Mr. Zhang Shengfeng (*Deputy Chairman*)
Ms. Wu Xiaoli

Non-executive Directors

Mr. Lin Zonghong
Mr. Wen Baoma
Mr. Chen Xin
Ms. Fung Yat Carol

Independent Non-executive Directors

Mr. Yau Chi Ming
Dr. Dai Yiyi
Mr. Chen Zhigang
Dr. Lu Hong Te

COMPANY SECRETARY

Mr. Loo Hong Shing Vincent *FCA, AHKSA*

BOARD COMMITTEES

Audit Committee

Mr. Yau Chi Ming (*Chairman*)
Dr. Dai Yiyi
Mr. Chen Zhigang
Dr. Lu Hong Te

Remuneration Committee

Dr. Dai Yiyi (*Chairman*)
Mr. Zhang Shengfeng
Mr. Chen Zhigang
Dr. Lu Hong Te

Nomination Committee

Mr. Zheng Yaonan (*Chairman*)
Mr. Yau Chi Ming
Mr. Chen Zhigang
Dr. Lu Hong Te

Risk Management Committee

Mr. Chen Zhigang (*Chairman*)
Mr. Yau Chi Ming
Dr. Dai Yiyi
Dr. Lu Hong Te

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China Limited
Dongguan Rural Commercial Bank
China Construction Bank Corporation

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
Stock Code: 2298

WEBSITE

<http://www.cosmo-lady.com.hk>

INVESTOR RELATIONS

Porda Havas International Finance Communications Group
Website: cosmo-lady@pordahavas.com

AUTHORIZED REPRESENTATIVES

Mr. Zheng Yaonan
Mr. Loo Hong Shing Vincent

REGISTERED OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE

Building N1, Fenggang Tianan Digital City
Fenggang Town, Dongguan City
Guangdong

PLACE OF BUSINESS IN HONG KONG

Unit 909, 9/F.
China Merchants Tower, Shun Tak Centre
Nos. 168-200 Connaught Road Central
Hong Kong

SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F., Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISOR

Hong Kong
Reed Smith Richards Butler

Financial Highlights

		For the six months ended 30 June	
		2022	2021
Revenue	RMB'000	1,618,373	1,827,227
Operating profit	RMB'000	46,803	34,702
Profit attributable to owners of the Company	RMB'000	10,123	15,113
Gross profit margin	%	46.6%	48.7%
Earnings per share			
– Basic	RMB cents	0.46	0.68
– Diluted	RMB cents	0.46	0.68

舒適又有型

都市麗人

全國銷量領先的專業內衣*

累計獲得457項國家專利*
贏得超6000萬女性選擇



*全國銷量領先數據來源：弗若斯特沙利文諮詢公司發佈的2013年-2021年行業數據

*累計457項國家專利數據來源：弗若斯特沙利文諮詢公司對專利數量的認證

Management Discussion and Analysis

BUSINESS REVIEW

As adversely affected by the resurgence of COVID-19 pandemic and the downturn of real estate market in mainland China, and the international trade disputes, the consumption power in mainland China generally declined. The GDP of mainland China for the first half of 2022 increased by 2.5% year-on-year (with only a 0.4% year-on-year growth for the second quarter of 2022), while the mainland China apparel product retail value for the first half of 2022 decreased by 6.5% year-on-year.

The pandemic and the prolonged lockdown condition of part of mainland China continued to exert a heavy blow on global supply chains, leading to raw material price hike. For example, the price of cotton, which is widely used in the intimate wear industry, has increased by around 35% in the first half of 2022 year-on-year.

Mainland China's intimate wear market is highly fragmented. In recent years, consumers pay more attention to the comfortability and healthiness of intimate wear, while the emergence of new brands, especially the internet brands, has further intensified the competition.

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In response to the above situation, Cosmo Lady (China) Holdings Company Limited (the “Company”) and its subsidiaries (the “Group”) have implemented and will implement the following reform measures for improving the operating results of the Group:

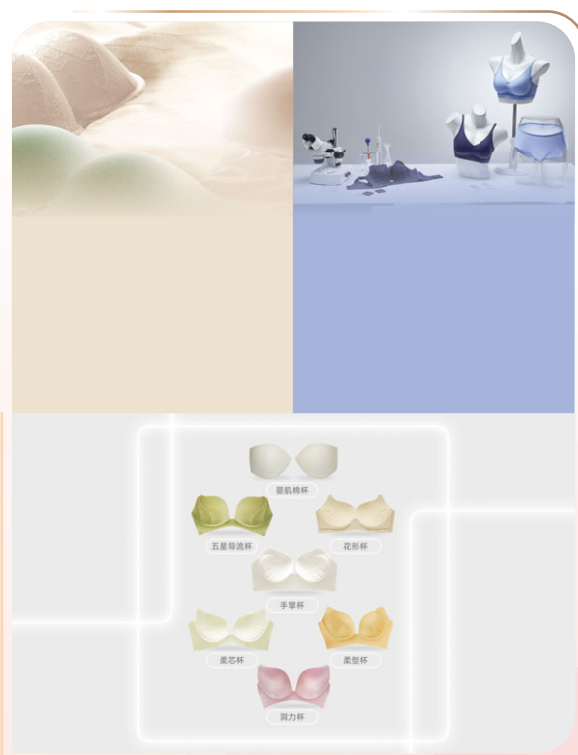
1. Brand upgrading

- (a) Defining the market position of the Group’s brands clearly, and promoting products and attracting consumers by stating “leading sales position and specialty in intimate wear in mainland China”;
- (b) Publishing the “China Ladies Intimate Wear White Paper” jointly with JD apparel, China Nonwovens and Industrial Textiles Association (intimate wear committee) and Forward Business and Intelligence Co., Ltd. to enhance brand equity;
- (c) Continuing to optimize membership system, refine membership management, introduce appropriate products to our 60 million members and drive the promotion activities between online private domain traffic and offline stores; and
- (d) Using many videos, articles and posters for promoting products with our new brand ambassador and 100 lady-consumers from various industries.



2. Products upgrading

- (a) Building specialty intimate wear products with specialty functions by using specialty materials and specialty bra cups, and performing specialty research and development and specialty quality inspection in order to upgrade hero products (dust-free cotton loungewear products, soft cup bra products, one-size underwear and one-size panty) and launch value-for-money new quality products in the second half of 2022;
- (b) Increasing self-developed products, number of patent rights and the ratio of classic products, and reducing numbers of stock keeping unit;
- (c) Regionalizing products by putting appropriate products at appropriate regions, and setting up fashion trend division to enhance market insights in different regions;
- (d) Strengthening the cooperation with professional associations and top-tier suppliers to develop new raw materials for use in new products; and
- (e) Cooperating with over 20 strategic suppliers and connecting with their information systems to enhance sales and production coordination, improve quality of products and shorten response time.



3. Distribution channel upgrading

- (a) Realizing omni-channel by setting up offline store network and by stepping up investments in e-commerce channels and mini APP for breaking down the boundary between online and offline marketing;
- (b) Offline stores
 - (i) Opening stores in untapped markets in low-tier regions which could bring business opportunities amid recent consumption downgrading;
 - (ii) Retaining stores with good potential and striving for rental reduction, closing poor performance stores and setting up outlets for clearing aged inventories; and
 - (iii) Developing shopping mall channel under a new brand “Cotton Regions” with new store image.
- (c) E-commerce channel
 - (i) Arranging many live-streams in various e-commerce platforms to promote products; and
 - (ii) Enhancing visual image of the Group’s products on e-commerce platforms and launching online hero products.

4. Other areas

- (a) Cooperating with JD on digitalization in the first quarter of 2022 for optimizing information technology systems, with higher investments to be made in the next few years;
- (b) Stepping up effort on clearing aged inventories in online, offline and overseas distribution channels; and
- (c) Streamlining corporate structure by gradually simplifying and merging departments to reduce overall staff costs.



纯棉居物 COTTON REGIONS



FINANCIAL REVIEW

Revenue

The Group's revenue is mainly derived from sales of intimate products in mainland China, either to the franchisees or to consumers through self-managed stores and online sales platforms. The breakdown of the revenue is as follows:

	Six months ended 30 June			
	2022		2021	
	RMB'000	%	RMB'000	%
Retail sales	758,952	46.9	877,952	48.1
Sales to franchisees	473,498	29.3	528,868	28.9
E-commerce	332,674	20.5	357,628	19.6
Others	53,249	3.3	62,779	3.4
	1,618,373	100.0	1,827,227	100.0

During the period, due to the factors mentioned in the "Business Review" section, the Group's revenue declined by approximately 11.4% to approximately RMB1,618,373,000 year-on-year (the first half of 2021: RMB1,827,227,000).

Gross profit margin

During the period, the gross profit margin of the Group declined to around 46.6% (the first half of 2021: 48.7%), mainly due to the surge in raw material prices.

Selling and marketing expenses

Selling and marketing expenses primarily consist of employee benefit expenses, operating expenses in respect of stores under cooperative arrangements, commission expenses in respect of consignment sales in franchised stores, marketing and promotion expenses, e-commerce platforms commission expenses, depreciation and amortization and others.

The decrease in selling and marketing expenses by about 12.8% for the six months ended 30 June 2022 to approximately RMB644,351,000 (the first half of 2021: RMB738,689,000) was mainly driven by the drop in the commission expenses in respect of consignment sales in franchised stores, as less such arrangement has been made during the period.

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 7.4% for the six months ended 30 June 2022 to approximately RMB117,214,000 (the first half of 2021: RMB126,558,000) was mainly due to the decrease in employee benefit expenses as a result of streamlining corporate structure during the period.

Net reversal of/(provision for) impairment losses on financial assets

The amount of RMB51,493,000 for the six month ended 30 June 2022 mainly represented reversal of part of the provisions for trade receivable and other receivables made in previous years upon settlement of these balances during the period.

Other income

Other income mainly consists of dividends from financial assets at fair value through other comprehensive income (“FVOCI”), investment income from financial assets at fair value through profit or loss, government grants, software usage fee income, franchise fee income and others. During the period, other income declined to approximately RMB13,659,000 (the first half of 2021: RMB18,521,000), mainly due to the decrease in dividends from financial assets at FVOCI.

Other (losses)/gains – net

The losses of about RMB11,018,000 during the six months ended 30 June 2022 mainly represented the exchange losses resulting from depreciation of Renminbi.

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 increased to approximately RMB3,388,000 (the first half of 2021: RMB2,486,000), mainly resulted from the increase in interest income on short-term bank deposits.

The decrease in finance expenses to approximately RMB18,062,000 (the first half of 2021: RMB22,377,000) was mainly due to the drop in interest expenses on lease liabilities.

Income tax expense

As of 30 June 2022, the Group had fulfilled all its tax obligations and did not have any unresolved tax disputes.

The income tax expense for the six months ended 30 June 2022, was mainly due to reversal of part of the deferred tax assets recognized in previous years.

Inventory level

On adoption of various transformation measures, the inventory level at 30 June 2022 has dropped by around RMB205,857,000 when compared with that at 31 December 2021.

The inventory-to-average-monthly-sales ratio has been improved from about 3.4 times for the year ended 31 December 2021 to about 2.8 times for the six months ended 30 June 2022.

Average trade receivables turnover days and average trade payables turnover days

The average trade receivables turnover days for the six months ended 30 June 2022 was 30 days which remained fairly stable (for the year ended 31 December 2021: 32 days).

Average trade payables turnover days increased from 162 days for the year ended 31 December 2021 to 172 days for the six months ended 30 June 2022, mainly due to the increased bargaining power against the OEM suppliers.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a solid balance sheet. As at 30 June 2022, the Group's restricted bank deposits and cash and cash equivalents amounted to approximately RMB712,871,000 (31 December 2021: RMB755,839,000) and total bank borrowings amounted to approximately RMB360,416,000 (31 December 2021: RMB369,077,000). As at 30 June 2022, the current ratio was about 1.6 times (31 December 2021: 1.3 times).

As at 30 June 2022, 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 19.0% (31 December 2021: 19.5%). The net gearing ratio, which was calculated on the basis of the amount of bank borrowings less restricted bank deposits and cash and cash equivalents as a percentage of the total shareholders' equity, was approximately negative 18.6% (31 December 2021: negative 20.4%) as the Group continued to maintain 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.

USE OF PROCEEDS FOR FUNDS RAISED

Fosun Subscription

Reference is made to the announcements of the Company dated 5 May 2017, 17 May 2017 and 30 June 2022 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.

On 30 June 2022, the Board had resolved to change the allocation of the unutilized net proceeds from Fosun Subscription up to 31 May 2022. The revised actual use of net proceeds up to 30 June 2022 was as follows:

	Original intended use of net proceeds as stated in the 2021 annual report HK\$	Net proceeds utilized up to 31 May 2022 HK\$	Unutilized net proceeds up to 31 May 2022 HK\$	Revised allocation of unutilized net proceeds up to 31 May 2022 HK\$	Unutilized net proceeds up to 30 June 2022 HK\$	Expected timeline of full utilization of said unutilized balance (Note)
Use of net proceeds						
Financing the reforms in sales and distribution 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	29,039,000	Before the end of 2023
Total	599,000,000	569,000,000	30,000,000	30,000,000	29,039,000	

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 changes due to future development of market conditions.

The net proceeds not yet utilized from the Fosun Subscription has been deposited with certain licensed banks.

Windcreek Subscription

Reference is made to the announcements of the Company dated 26 April 2018, 25 May 2018 and 30 June 2022 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.

On 30 June 2022, the Board had resolved to change the allocation of the unutilized net proceeds from the Windcreek Subscription up to 31 May 2022. The revised actual use of the net proceeds up to 30 June 2022 was as follows:

Use of net proceeds	Original intended use of net proceeds as stated in the 2021 annual report HK\$	Net proceeds utilized up to 31 May 2022 HK\$	Unutilized net proceeds up to 31 May 2022 HK\$	Revised allocation of unutilized net proceeds up to 31 May 2022 HK\$	Unutilized net proceeds up to 30 June 2022 HK\$	Expected timeline of full utilization of said unutilized balance (Note)
Financing the reforms in sales and distribution channels of the Group	239,000,000	50,601,000	188,399,000	88,399,000	85,892,000	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	344,445,000	Before the end of 2025
Total	509,000,000	76,156,000	432,844,000	432,844,000	430,337,000	

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 changes due to future development of market conditions.

The net proceeds from the Windcreek Subscription have been deposited with certain licensed banks.

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 RMB23,570,000 (the first half of 2021: RMB29,105,000), which was mainly used for decoration and renewal of stores.

PLEDGE OF ASSETS

As at 30 June 2022, certain property, plant and equipment, and land use rights were pledged as securities for obtaining banking borrowings of approximately RMB360,416,000 (31 December 2021: RMB369,077,000).

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES AND MANAGEMENT

The Group had approximately 3,100 full-time employees as at 30 June 2022 (31 December 2021: 3,300). 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 has been issued in accordance with the Environmental, Social and Governance Reporting Guide of The Stock Exchange of Hong Kong Limited and included in the 2021 annual report. A similar report will be included in the 2022 annual report which will be issued in next year.

OUTLOOK AND STRATEGY

The path of the Group's transformation is through unyielding persistence in pursuit of results. While adapting to the changing market conditions, the Group prudently examine its competitive advantages to unleash its untapped potential.

Despite facing profound challenges, the Group, as a leading intimate wear enterprise in mainland China, believes its solid foundation can be translated into opportunities and growth drivers, and bring fruitful returns to shareholders of the Company in the foreseeable future.

Report on Review of Interim Financial Information



羅兵咸永道

To the Board of Directors of Cosmo Lady (China) Holdings Company Limited
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 16 to 47, which comprises the interim condensed consolidated balance sheet of Cosmo Lady (China) Holdings Company Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2022 and the interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 August 2022

PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Six months ended 30 June	
		2022 Unaudited RMB'000	2021 Unaudited RMB'000
	<i>Note</i>		
Revenue	5	1,618,373	1,827,227
Cost of sales	7	(864,139)	(937,049)
Gross profit		754,234	890,178
Selling and marketing expenses	7	(644,351)	(738,689)
General and administrative expenses	7	(117,214)	(126,558)
Net reversal of/(provision for) impairment losses on financial assets	8	51,493	(9,843)
Other income	6	13,659	18,521
Other (losses)/gains – net	6	(11,018)	1,093
Operating profit		46,803	34,702
Finance income	9	3,388	2,486
Finance expenses	9	(18,062)	(22,377)
Finance expenses – net		(14,674)	(19,891)
Share of net (loss)/profit of joint ventures	14	(558)	2,440
Profit before income tax		31,571	17,251
Income tax expense	10	(29,719)	(3,155)
Profit for the period		1,852	14,096
Other comprehensive income/(loss) for the period			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences		17,147	(4,860)
<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		(7,287)	(3,189)
Total comprehensive income for the period		11,712	6,047
Profit/(loss) attributable to:			
Owners of the Company		10,123	15,113
Non-controlling interests		(8,271)	(1,017)
		1,852	14,096
Total comprehensive income/(loss) attributable to:			
Owners of the Company		19,983	7,064
Non-controlling interests		(8,271)	(1,017)
		11,712	6,047
Earnings per share	11	RMB cents	RMB cents
Basic and diluted earnings per share		0.46	0.68

The notes on pages 22 to 47 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet

		As at 30 June 2022 Unaudited RMB'000	As at 31 December 2021 Audited RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	637,709	676,484
Right-of-use assets	13	359,399	342,800
Intangible assets	13	29,074	31,419
Investment in joint ventures	14	110,059	154,884
Investment in an associate	14	–	–
Financial assets at fair value through other comprehensive income	16	58,405	70,083
Deposits, prepayments and other receivables	17	9,333	8,050
Deferred income tax assets	18	120,435	148,858
		1,324,414	1,432,578
Current assets			
Inventories	19	758,272	964,129
Trade and notes receivables	20	259,258	280,555
Deposits, prepayments and other receivables	17	582,113	608,889
Financial assets at fair value through profit or loss	15	–	3,533
Restricted bank deposits	21	158,240	240,292
Cash and cash equivalents	21	554,631	515,547
		2,312,514	2,612,945
Total assets		3,636,928	4,045,523

		As at 30 June 2022 Unaudited RMB'000	As at 31 December 2021 Audited RMB'000
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	22	140,312	140,312
Share premium	22	1,656,669	1,656,669
Other reserves	23	396,799	381,598
Accumulated losses		(296,761)	(306,699)
		1,897,019	1,871,880
Non-controlling interests		(160)	22,026
Total equity		1,896,859	1,893,906
LIABILITIES			
Current liabilities			
Trade and notes payables	25	643,749	1,007,450
Accruals and other payables	26	321,168	334,156
Contract liabilities	5	71,781	110,526
Current income tax liabilities		12,247	17,818
Borrowings	27	172,899	307,136
Lease liabilities		183,661	174,243
Deferred income		242	242
		1,405,747	1,951,571
Non-current liabilities			
Borrowings	27	187,517	61,941
Lease liabilities		145,713	136,803
Deferred income tax liabilities	18	627	716
Deferred income		465	586
		334,322	200,046
Total liabilities		1,740,069	2,151,617
Total equity and liabilities		3,636,928	4,045,523

The notes on pages 22 to 47 form an integral part of this condensed consolidated interim financial information.

Zheng Yaonan
Director

Zhang Shengfeng
Director

Condensed Consolidated Statement of Changes in Equity

		Unaudited						
		Attributable to owners of the Company					Non-controlling interests	Total equity
Note		Share capital	Share premium	Other reserves	Accumulated losses	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	As at 1 January 2022	140,312	1,656,669	381,598	(306,699)	1,871,880	22,026	1,893,906
	Comprehensive income							
	Profit/(loss) for the period	-	-	-	10,123	10,123	(8,271)	1,852
	Other comprehensive income/(loss)							
	Exchange differences	23	-	-	17,147	-	-	17,147
	Changes in the fair value of equity investments at fair value through other comprehensive income		-	-	(7,287)	-	-	(7,287)
	Transfer of loss on disposal of equity investments at fair value through other comprehensive income to (accumulated losses)/retained earnings		-	-	185	(185)	-	-
	Total comprehensive income/(loss) for the period		-	-	10,045	9,938	(8,271)	11,712
	Transactions with owners							
	Equity-settled share-based compensation	24	-	-	2,823	-	-	2,823
	Transaction with non-controlling interests		-	-	2,333	-	(8,778)	(6,445)
	Liquidation of a subsidiary		-	-	-	-	(3,737)	(3,737)
	Withdrawal of capital by non-controlling interests		-	-	-	-	(1,400)	(1,400)
	Total transactions with owners		-	-	5,156	-	(13,915)	(8,759)
	As at 30 June 2022	140,312	1,656,669	396,799	(296,761)	1,897,019	(160)	1,896,859

Condensed Consolidated Statement of Changes in Equity

		Unaudited						
		Attributable to owners of the Company						
	Note	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 2021		140,312	1,656,669	401,310	187,289	2,385,580	22,067	2,407,647
Comprehensive income								
Profit/(loss) for the period		–	–	–	15,113	15,113	(1,017)	14,096
Other comprehensive income/(loss)								
Exchange differences	23	–	–	(4,860)	–	(4,860)	–	(4,860)
Changes in the fair value of equity investments at fair value through other comprehensive income		–	–	(3,189)	–	(3,189)	–	(3,189)
Total comprehensive income/(loss) for the period		–	–	(8,049)	15,113	7,064	(1,017)	6,047
Transactions with owners								
Equity-settled share-based compensation	24	–	–	6,483	–	6,483	–	6,483
Shares purchased for share award scheme		–	–	(6,540)	–	(6,540)	–	(6,540)
Disposal of a subsidiary		–	–	–	–	–	(533)	(533)
Dividends		–	–	–	–	–	(279)	(279)
Total transactions with owners		–	–	(57)	–	(57)	(812)	(869)
As at 30 June 2021		140,312	1,656,669	393,204	202,402	2,392,587	20,238	2,412,825

The notes on pages 22 to 47 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

		Six months ended 30 June	
		2022	2021
		Unaudited	Unaudited
		RMB'000	RMB'000
Note			
	Cash flows from operating activities		
	Cash generated from operations	61,020	229,711
	Income tax credit/(paid)	4,186	(5,646)
		65,206	224,065
	Cash flows from investing activities		
	Proceeds from disposal of property, plant and equipment	2,249	3,220
	Interest received	3,388	2,486
	Purchases of property, plant and equipment	(17,692)	(53,757)
	Purchases of intangible assets	(2,301)	(4,904)
	Investment income from financial assets at fair value through profit or loss ("FVTPL")	590	1,990
	Withdrawal of investment capital from financial assets at fair value through other comprehensive income ("FVOCI")	4,391	200
	Dividends from financial assets at FVOCI	1,953	10,378
	Capital contribution to joint ventures	–	(1,520)
	Withdrawal of investment capital from a joint venture	44,267	–
	Repayment from/(advanced to) a joint venture	265	(591)
		37,110	(42,498)
	Cash flows from financing activities		
	Return of capital to non-controlling shareholder upon liquidation of a subsidiary	(3,737)	–
	Withdrawal of capital by non-controlling interests	(1,400)	–
	Acquisition of additional interest in a subsidiary from non-controlling shareholder	(6,445)	–
	Proceeds from borrowings	225,000	120,000
	Repayment of borrowings	(233,661)	(180,274)
	Interest paid for borrowings	(10,312)	(13,444)
	Purchase of the Company's shares for share award scheme	–	(6,540)
	Decrease of restricted bank deposits	82,052	89,206
	Principal elements of lease payments	(117,898)	(148,699)
		(66,401)	(139,751)
	Net increase in cash and cash equivalents	35,915	41,816
	Cash and cash equivalents at beginning of the period	515,547	714,569
	Effect of foreign exchange rate changes	3,169	(4,111)
		554,631	752,274
	Cash and cash equivalents at end of the period		
		554,631	752,274

The notes on pages 22 to 47 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

1 GENERAL INFORMATION

Cosmo Lady (China) Holdings Company Limited (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 Company and its subsidiaries (the “Group”) are 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 were 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 interim condensed consolidated financial information for the six months ended 30 June 2022 (“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 board of directors of the Company (the “Board”) on 31 August 2022.

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 2021, 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 2021.

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 2021, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The following standards and amendments have been adopted by the Group for the first time for the financial year beginning on 1 January 2022:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018–2020	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41

The adoption of these new and amended standards does not have significant impact on the Interim Financial Information of the Group.

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

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group currently does not use any derivative financial instruments to hedge certain risk exposures during the period.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2021.

There have been no changes in any risk management policies since 31 December 2021.

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as total bank borrowings divided by total equity. As at 30 June 2022, the amount of total bank borrowings of approximately RMB360,416,000 (as at 31 December 2021: RMB369,077,000) is disclosed in Note 27 while the amount of total equity of approximately RMB1,896,859,000 (as at 31 December 2021: RMB1,893,906,000) is shown in the condensed consolidated balance sheet.

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Total bank borrowings	360,416	369,077
Total equity	1,896,859	1,893,906
Gearing ratio	19%	19%

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation

Financial instruments carried at fair value are disclosed by levels of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 30 June 2022 and 31 December 2021, except for the financial assets at FVOCI and financial assets at FVTPL, which were measured at level 3 and level 1 fair value as follows, the Group's financial instruments recognized in the condensed consolidated balance sheet are mainly receivables and financial liabilities carried at amortized cost. Analysis of level 1 and level 3 financial instruments for the six months ended 30 June 2022 are as follows:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000 <i>(Note)</i>	Total RMB'000
Financial assets at FVTPL	–	–	–	–
Financial assets at FVOCI	–	–	58,405	58,405
At 30 June 2022	–	–	58,405	58,405
At 31 December 2021	3,533	–	70,083	73,616

Note: The changes in level 3 items are as follows:

	Unlisted equity securities RMB'000
Closing balance as at 31 December 2021	70,083
Withdrawal of investment capital	(4,391)
Changes in fair value	(7,287)
Closing balance as at 30 June 2022	58,405

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transaction on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair value of the Group's financial assets at FVOCI and financial assets at FVTPL was developed through the application of the income approach technique, the discounted cash flow method and market approach method by looking at comparable companies with similar size, features, operations, industry and economic conditions. The income approach is the conversion of expected periodic benefits of ownership into an indication of value. The discounted cash flow considered the future business plan, specific business and financial risks.

4 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 revenues are derived in the PRC for the six months ended 30 June 2022 and 30 June 2021.

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 2022 (2021: None).

5 REVENUE

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Retail sales	758,952	877,952
Sales to franchisees	473,498	528,868
E-commerce	332,674	357,628
Others (<i>Note</i>)	53,249	62,779
	1,618,373	1,827,227
	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Contract liabilities related to sales to franchisees	68,064	105,373
Contract liabilities related to trading of raw materials	3,717	5,153
	71,781	110,526

Note: These mainly represented revenue from logistics and warehousing services and sales of raw materials.

6 OTHER INCOME AND OTHER (LOSSES)/GAINS – NET

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Other income		
– Dividends from financial assets at FVOCI	1,999	5,961
– Government grants (<i>Note</i>)	3,532	2,286
– Investment income from financial assets at FVTPL	590	1,990
– Others	7,538	8,284
	13,659	18,521
Other (losses)/gains – net		
– Net foreign exchange (losses)/gains	(13,980)	1,349
– Fair value gain/(loss) of FVTPL	2,843	(230)
– Gain/(loss) on disposal of property, plant and equipment – net	119	(26)
	(11,018)	1,093

Note: These mainly represented grants received from various local governments in the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

7 EXPENSES BY NATURE

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Costs of inventories recognized in cost of sales	752,518	864,581
Costs of sales for logistics and warehousing services	55,407	59,268
Depreciation and amortization (<i>Note 13</i>)		
– Right-of-use assets	118,414	134,431
– Property, plant and equipment	59,599	53,055
– Intangible assets	3,701	4,018
Employee benefit expenses (including directors' emoluments)	161,012	184,284
Operating expenses in respect of stores under cooperative arrangements	136,526	103,696
Commission expenses in respect of consignment sales in franchised stores	84,822	141,033
Marketing and promotion expenses	85,262	86,157
E-commerce platforms commission expenses	35,595	41,793
Impairment of right-of-use assets (<i>Note 13</i>)	1,263	13,181
Reversal for impairment of property, plant and equipment (<i>Note 13</i>)	(740)	(2,287)
Consulting service expenses	16,467	21,504
Provision for inventories	46,031	7,833
Travelling expenses	4,065	10,119
Utilities expenses	8,550	12,450
Other operating rental expenses	7,731	12,061
Consumables recognized in expenses	4,702	6,328
Government charges and levies	5,910	5,545
Auditor's remuneration	1,690	1,690
Miscellaneous	37,179	41,556
Total cost of sales, selling and marketing expenses and general and administrative expenses	1,625,704	1,802,296

8 NET REVERSAL OF/(PROVISION FOR) IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Reversal of/(provision for) impairment losses of trade receivables	26,103	(6,488)
Reversal of/(provision for) impairment losses of other receivables	25,390	(3,355)
	51,493	(9,843)

9 FINANCE INCOME AND EXPENSES

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Finance income		
– Interest income on short-term bank deposits	3,388	2,323
– Interest income on advance to suppliers	–	163
	3,388	2,486
Finance expenses		
– Interest expense on bank borrowings	(10,312)	(13,444)
– Interest expense on lease liabilities	(7,750)	(8,933)
	(18,062)	(22,377)
	(14,674)	(19,891)

10 INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Current income tax		
– Hong Kong profits tax (<i>Note (a)</i>)	–	–
– PRC corporate income tax (<i>Note (b)</i>)	1,385	9,055
	1,385	9,055
Deferred income tax (<i>Note 18</i>)		
– Deferred income tax	28,334	(5,900)
Income tax expense	29,719	3,155

Notes:

(a) **Hong Kong profits tax**

The applicable Hong Kong profits tax rate is 16.5% for the period (2021: 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 in December 2021, which is effective for three years from 2021 to 2024. 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 2022 (2021: 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 BVI was incorporated under the International Business Companies Act of the BVI and, accordingly, is exempted from BVI income tax.

10 INCOME TAX EXPENSE (Continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the results of the consolidated companies as follows:

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Profit before income tax	31,571	17,251
Tax calculated at statutory tax rates applicable to each group entity (Note (b))	(2,989)	2,885
Tax losses for which no deferred income tax asset was recognized	40,379	14,910
Temporary differences for which no deferred income tax asset was recognized	3,902	–
Recognition of tax losses for which deferred tax assets were not recognized previously	(14,465)	(16,059)
Income not subject to taxation	(2,214)	(5,745)
Expenses not deductible for tax purposes	2,307	4,487
Withholding tax	2,799	2,677
Income tax expense	29,719	3,155

11 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue ^(Note) during the period.

	Six months ended 30 June	
	2022	2021
Profit for the period attributable to owners of the Company (RMB'000)	10,123	15,113
Weighted average number of ordinary shares for purposes of basic earnings per share (thousands of shares)	2,193,421	2,207,054
Basic earnings per share (RMB cents per share)	0.46	0.68

Note: The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 June 2022 and 30 June 2021 has been adjusted for the effects of purchase and withholding of ordinary shares of the Company for the share award scheme during the six months ended 30 June 2022 and 30 June 2021, respectively.

Diluted

For six months ended 30 June 2022 and 30 June 2021, diluted earnings per share is the same as the basic earnings per share as there is no diluted potential shares.

12 INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend to shareholders of the Company for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

13 PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

	Right-of-use assets –		
	Property, plant and equipment RMB'000	Land use rights and properties RMB'000	Intangible assets RMB'000
Six months ended 30 June 2022			
As at 1 January 2022	676,484	342,800	31,419
Additions	22,214	181,193	1,356
Disposals	(2,130)	(44,917)	–
Depreciation and amortization	(59,599)	(118,414)	(3,701)
Impairment reversal/(loss) (Note (a))	740	(1,263)	–
As at 30 June 2022	637,709	359,399	29,074
Six months ended 30 June 2021			
As at 1 January 2021	695,368	522,894	33,975
Additions	25,451	96,264	3,654
Disposals	(3,246)	(21,162)	–
Depreciation and amortization	(53,055)	(134,431)	(4,018)
Impairment reversal/(loss) (Note (a))	2,287	(13,181)	–
As at 30 June 2021	666,805	450,384	33,611

Notes:

- (a) As at 30 June 2022, net book amount of retail store assets amounted to RMB342,344,000. The Group regards each individual retail store as a separately identifiable cash-generating unit and monitors their financial performance for the existence of impairment indicators, such as stores making a loss and early closure of stores before the expiry of lease term. Management carried out an impairment assessment for the retail store assets which have an impairment indicator. The carrying amount of the retail store assets is written down or reversed to its recoverable amount if the asset's carrying amount is greater than or less than its estimated recoverable amount. As a result, an impairment loss of RMB1,263,000 (2021: RMB13,181,000) for right-of-use assets and reversal of impairment loss of RMB740,000 (2021: RMB2,287,000) for property, plant and equipment were recognized in general and administrative expenses. The estimates of the recoverable amounts were based on value-in-use calculations using discounted cash flow projections based on the financial forecasts approved by management covering the remaining tenure of the lease, with major assumptions such as revenue growth rates, gross margins and discount rate. The key assumptions used in the value-in-use calculations are dependent on management significant judgement by comparing with the historical performance of the stores, future business plans and market situation.
- (b) As at 30 June 2022, buildings and land use rights of RMB443,543,000 (31 December 2021: RMB461,579,000) were pledged as collateral for the Group's borrowings (Note 27).

14 INVESTMENT IN JOINT VENTURES AND AN ASSOCIATE

The changes in the carrying amount of equity-accounted investments for the six months ended 30 June 2022 are as follows:

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Beginning of the period	154,884	295,107
Additions	–	1,520
Withdrawal of investment capital	(44,267)	–
Share of net (loss)/profit for the period	(558)	2,440
End of the period	110,059	299,067

Name of entity	Place of business/ country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Carrying amount	
		As at 30 June 2022 %	As at 31 December 2021 %			As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
		Guangdong Dongdu Holdings Limited	PRC			19.9	19.9
Zhong Rui Run He (Ningbo) Investment Management Company Limited	PRC	40	40	Associate (Note (b))	Equity method	–	–
Jinghedu (Dongguan) Equity Investment Management Company Limited	PRC	60	60	Joint venture (Note (c))	Equity method	31,466	31,619
Jinghedu (Dongguan) Equity Investment Fund Partnership (Limited Partnership) (“Jinghedu”)	PRC	38.72	38.72	Joint venture (Note (c))	Equity method	55,160	99,428
Jinghedu (Dongguan) Equity Investment Management Partnership (Limited Partnership)	PRC	30	30	Joint venture (Note (c))	Equity method	3,012	3,000
Shantou Lianda Technology Company Limited	PRC	19.99	19.99	Joint venture (Note (d))	Equity method	660	773
Shantou Lianxin Inspection Company Limited	PRC	19.99	19.99	Joint venture (Note (e))	Equity method	885	917

Notes:

- Guangdong Dongdu Holdings Limited is primarily engaged in developing an industrial centre in Shaoguan, Guangdong Province.
- Zhong Rui Run He (Ningbo) Investment Management Company Limited is primarily engaged in investments and assets management.
- Jinghedu (Dongguan) Equity Investment Management Company Limited, Jinghedu and Jinghedu (Dongguan) Equity Investment Management Partnership (Limited Partnership) are primarily engaged in assets management and equity investment fund.
- Shantou Lianda Technology Company Limited is primarily engaged in producing and selling intimate wear products.
- Shantou Lianxin Inspection Company Limited is primarily engaged in inspection of intimate wear products.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are held for trading and include the following:

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Current asset		
Japan listed equity security (<i>Note (a)</i>)	–	3,533

Notes:

- (a) Changes in fair value of financial assets at FVTPL are recorded in other (losses)/gains – net (2022: gains of RMB2,843,000; 2021: losses of RMB230,000).
- (b) Risk exposure and fair value measurements

For information about the methods and assumptions used in determining fair value, please refer to Note 3(c).

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity investments at fair value through other comprehensive income include the following:

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Unlisted equity investments	58,405	70,083

17 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Value added tax recoverable	315,160	340,523
Prepaid expenses in respect of stores under cooperative arrangements	73,426	88,690
Prepayments for purchase of raw materials	57,376	83,858
Prepayments for purchase of goods	21,200	21,084
Other receivables from agents	9,395	41,429
Other receivables from staffs	7,457	6,579
Prepayments and deposits	53,612	9,190
Prepayments for acquisition of property, plant and equipment and intangible assets	4,938	3,993
Dividend receivables	4,237	1,958
Others	52,447	53,056
Less: provision for impairment of other receivables	(7,802)	(33,421)
	591,446	616,939
Less: non-current portion	(9,333)	(8,050)
Current portion	582,113	608,889

As at 30 June 2022, the carrying amounts of the Group's deposits and other receivables are denominated in RMB and approximate their fair values.

18 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Movements in the deferred income tax assets of the Group are as follows:

	Provision for inventories RMB'000	Provision for trade receivables RMB'000	Provision for sales return RMB'000	Deferred income RMB'000	Amortization of right-of-use assets RMB'000	Tax losses RMB'000	Accrued interest RMB'000	Impairment of property, plant and equipment RMB'000	Equity-settled share-based compensation RMB'000	Total RMB'000
At 1 January 2022	60,636	25,453	4,797	124	8,076	–	35,514	13,245	1,013	148,858
(Charged)/credited to the profit or loss (Note 10)	(17,378)	(11,266)	(4,734)	(18)	1,825	–	3,361	411	(624)	(28,423)
At 30 June 2022	43,258	14,187	63	106	9,901	–	38,875	13,656	389	120,435
At 1 January 2021	55,370	13,330	211	164	6,930	93,598	27,366	12,767	1,490	211,226
(Charged)/credited to the profit or loss (Note 10)	(20,647)	(185)	(95)	(20)	(5,445)	25,726	2,296	3,263	918	5,811
At 30 June 2021	34,723	13,145	116	144	1,485	119,324	29,662	16,030	2,408	217,037

As at 30 June 2022, majority of the Group's deferred income tax assets are expected to be recovered within 12 months.

Movements in the deferred income tax liabilities of the Group are as follows:

	Fair value of intangible assets	
	2022 RMB'000	2021 RMB'000
At 1 January	716	893
Credited to the profit or loss (Note 10)	(89)	(89)
At 30 June	627	804

As at 30 June 2022, there were no temporary differences relating to the undistributed profits of certain subsidiaries of the Group in the PRC (as at 31 December 2021: Nil). No deferred tax liabilities (as at 31 December 2021: Nil) have been recognized in respect of the withholding tax that would be payable on the distribution of these retained profits, as the Company controls the dividend policy of these subsidiaries in the PRC and the directors have determined that these profits are not likely to be distributed in the foreseeable future.

Deferred tax assets are recognized for tax losses carry forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred tax assets of RMB354,052,000 (as at 31 December 2021: RMB364,399,000) in respect of tax losses amounting to RMB1,416,209,000 (as at 31 December 2021: RMB1,457,597,000) that can be carried forward against future taxable income and will expire within one to five years.

19 INVENTORIES

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Raw materials	–	1,519
Work in progress	–	104
Finished goods	980,519	1,305,931
	980,519	1,307,554
Less: provision for impairment	(222,247)	(343,425)
	758,272	964,129

20 TRADE AND NOTES RECEIVABLES

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Due from third parties	323,752	365,283
Notes receivable	461	3,830
Less: provision for impairment	(64,955)	(88,558)
	259,258	280,555
Trade and notes receivables – net		

- (a) As at 30 June 2022, the carrying amounts of the trade and notes receivables of the Group approximate their fair values and are all denominated in RMB.
- (b) The Group's trade and notes 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 days to 90 days from the invoice date for seasonal products. For certain large franchise customers, the Group would grant longer credit periods, up to 360 days, under certain circumstances.

20 TRADE AND NOTES RECEIVABLES (Continued)

(c) The ageing analysis of trade receivables based on invoice date, as at 30 June 2022 and 31 December 2021 is as follows:

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Trade receivables, gross		
– Within 30 days	171,638	139,254
– Over 30 days and within 60 days	14,888	23,684
– Over 60 days and within 90 days	36,959	18,163
– Over 90 days and within 180 days	18,993	66,604
– Over 180 days and within 360 days	36,810	67,578
– Over 360 days	44,464	50,000
	323,752	365,283

21 BANK BALANCES AND CASH

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Cash and cash equivalents	554,631	515,547
Restricted bank deposits (<i>Note (a)</i>)	158,240	240,292
	712,871	755,839
Denominated in:		
RMB	651,005	693,491
HK\$	7,958	9,822
Other currencies	53,908	52,526
	712,871	755,839

Notes:

- (a) Restricted bank deposits were mainly pledged to banks as collateral for bank's acceptance bill.
- (b) The conversion of the RMB denominated balances maintained in the PRC into foreign currencies and remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

22 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
As at 1 January 2022	2,249,457,213	140,312	1,656,669	1,796,981
As at 30 June 2022	2,249,457,213	140,312	1,656,669	1,796,981
As at 1 January 2021	2,249,457,213	140,312	1,656,669	1,796,981
As at 30 June 2021	2,249,457,213	140,312	1,656,669	1,796,981

23 OTHER RESERVES

	Merger reserve RMB'000 <i>(Note (a))</i>	Shares held for share award scheme RMB'000 <i>(Note (d))</i>	Statutory reserve RMB'000 <i>(Note (b))</i>	Capital reserve RMB'000 <i>(Note (c))</i>	Capital contribution reserve RMB'000 <i>(Note (c))</i>	Equity- settled share-based compensation reserve RMB'000 <i>(Note 24)</i>	Financial assets at FVOCI RMB'000	Exchange reserve RMB'000	Total other reserves RMB'000
At 1 January 2022	(8,938)	(64,139)	217,097	194,277	23,377	32,838	(10,898)	(2,016)	381,598
Equity-settled share-based compensation									
– Value of employee service	–	–	–	–	–	2,823	–	–	2,823
Transaction with non-controlling interests	–	–	–	2,333	–	–	–	–	2,333
Revaluation	–	–	–	–	–	–	(7,287)	–	(7,287)
Transfer of loss on disposal of equity investments at FVOCI to (accumulative losses)/retained earnings	–	–	–	–	–	–	185	–	185
Exchange differences	–	–	–	–	–	–	–	17,147	17,147
At 30 June 2022	(8,938)	(64,139)	217,097	196,610	23,377	35,661	(18,000)	15,131	396,799
At 1 January 2021	(8,938)	(57,562)	217,097	193,456	23,377	27,015	(11,568)	18,433	401,310
Equity-settled share-based compensation									
– Value of employee service	–	–	–	–	–	6,483	–	–	6,483
Shares purchased for share award scheme	–	(6,540)	–	–	–	–	–	–	(6,540)
Revaluation	–	–	–	–	–	–	(3,189)	–	(3,189)
Exchange differences	–	–	–	–	–	–	–	(4,860)	(4,860)
At 30 June 2021	(8,938)	(64,102)	217,097	193,456	23,377	33,498	(14,757)	13,573	393,204

23 OTHER RESERVES (Continued)

Notes:

(a) **Merger reserve**

Merger reserve represented the difference of the aggregate consideration paid by the Group for the acquisition of subsidiaries pursuant to the Group reorganisation and the aggregate capital of the subsidiaries acquired, after elimination of investments in subsidiaries.

(b) **Statutory reserve**

In accordance with the relevant laws and regulations in the PRC and the articles of association of the PRC incorporated subsidiaries of the Company, it is required to appropriate 10% of the annual statutory net profits of the Company's PRC incorporated subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the share capital of these subsidiaries, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of share capital.

(c) **Capital reserve**

Capital reserve as at 1 January 2013 represented the excess of the cash consideration over the paid-in capital arising from capital contributions to Cosmo Lady Guangdong by investors.

On 29 July 2013, Cosmo Lady Guangdong was converted into a joint stock company with limited liability by converting the total equity as at 31 December 2012 into 420,000,000 ordinary shares of nominal value of RMB1.00 each. The excess of total equity of Cosmo Lady Guangdong over the nominal value of total issued share capital of RMB192,790,000 had been recognized as capital reserve in the consolidated balance sheet.

On 6 June 2018, a senior officer of the Company, contributed RMB4,500,000 to Cosmo Lady (Tianjin) E-commerce Company Limited, a subsidiary of the Company, obtained 5% of share of this subsidiary. The excess of total equity of Cosmo Lady (Tianjin) E-commerce Company Limited over the share capital with the amount of RMB3,974,000 has been recognized as capital reserve in the condensed consolidated balance sheet.

On 31 December 2020, the senior officer mentioned above exchanged his 5% share of Cosmo Lady (Tianjin) E-commerce Company Limited with 10% share of Ordifen (Tianjin) Fashion Company Limited and Ordifen (Shanghai) Corporate Management Consulting Co., Ltd., another two subsidiaries of the Company, an amount of RMB3,308,000 has been recognized as capital reserve in the consolidated balance sheet.

On 13 May 2022, Cosmo Lady Guangdong acquired 10% shares of Guangdong Cosmo Logistics Technology Company Limited from Jinghedu, with cash consideration of RMB6,445,000. After offsetting the non-controlling interests of RMB8,778,000, an amount of RMB2,333,000 has been recognized as movement in the capital reserve.

(d) **Shares held for share award scheme**

The share award scheme is managed by the share scheme trustee. According to the share award scheme approved by the Board on 28 June 2019, the Board may from time to time determine the maximum number of ordinary shares of the Company which may be purchased by the share scheme trustee in the open market on the Stock Exchange.

As at 30 June 2022, the share scheme trustee acquired and withheld 56,035,800 ordinary shares of the Company (as at 31 December 2021: 56,035,800) from the open market with funds provided by the Company by way of contributions, for an aggregate consideration of approximately RMB64,139,000 (2021: RMB64,139,000), which had been deducted from shareholders' equity.

24 EQUITY-SETTLED SHARE-BASED COMPENSATION

(a) Employee option plan

The establishment of the Company's employee option plan was approved by the Board on 31 October 2017. The employee option plan is designed to provide long-term incentives for senior managers and above (including executive directors) to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Vesting of the options is conditional upon the achievement of certain performance targets during the periods prior to each vesting date and the exercise period of the options. Subject to the Rules Governing the Listing of Securities on the Stock Exchange, the Board reserves its rights to specify appropriate performance targets and conditions that must be achieved before the exercise of the options for each of the individual grantees at its absolute discretion.

Each option shall entitle the holder of the option to subscribe for one share upon exercise of such option at an exercise price of HK\$3.288 per share, being the higher of (i) the closing price of the shares on the date of grant; (ii) the average closing price of the shares as quoted on the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

The benefits of the share options granted under the Employee Option Plan has been replaced by the benefits of the shares to be granted under the 2019 share award scheme as mentioned in Note 24(b). As such, the remaining share option balance of RMB689,000 as at 30 June 2022 continues to be amortized over its remaining period when the conditions as defined in the plan are fulfilled.

(b) 2019 share award scheme

The Board has approved the adoption of the 2019 share award scheme on 28 June 2019. The purpose of the 2019 share award scheme is to recognize and motivate the contribution of the employees of the Group and help the Group in retaining its existing members of management and attracting new talents to join the Group. The benefits under the 2019 share award scheme serves to replace the benefits under the Company's employee option plan established and approved by the Board on 31 October 2017. The vesting period of the awarded shares is determined by the Board.

The shares are recognized at the closing share price on the grant date (grant date fair value) as an issue of shares under the 2019 share award scheme and as part of employee benefit costs in the period the shares are granted.

Movements in the number of shares awarded:

	Number of shares as at 30 June	
	2022	2021
At 1 January	24,174,600	34,684,600
Forfeited	(794,400)	(2,176,800)
At 30 June	23,380,200	32,507,800

24 EQUITY-SETTLED SHARE-BASED COMPENSATION (Continued)

(b) 2019 share award scheme (Continued)

Details of the awarded shares outstanding as at 30 June 2022 were set out as follows:

Date of award	Average fair value per share (HK\$) (Note)	Vesting period	Number of awarded shares		
			Outstanding as at 1 January 2022	Forfeited during the period	Outstanding as at 30 June 2022
28 June 2019	1.33	28 June 2019 to 28 June 2022	17,181,600	(794,400)	16,387,200
10 July 2020	0.60	10 July 2020 to 10 July 2023	5,643,000	–	5,643,000
1 November 2021	0.55	1 November 2021 to 1 November 2024	1,350,000	–	1,350,000
			24,174,600	(794,400)	23,380,200

Note: The average fair value per share represents the share price of the Company at the grant date.

(c) Expenses arising from share-based payment transactions

Total expenses arising from the share-based transactions have been charged in the condensed consolidated statement of profit or loss and other comprehensive income as follows:

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
General and administrative expenses 2019 share award scheme	1,512	3,882
Selling and marketing expenses 2019 share award scheme	1,311	2,601
	2,823	6,483

25 TRADE AND NOTES PAYABLES

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Trade payables (Note)		
Due to third parties	502,216	703,450
Due to related parties (Note 30(c))	12,296	11,373
	514,512	714,823
Notes payable		
Due to third parties	125,767	292,627
Due to related parties (Note 30(c))	3,470	–
	129,237	292,627
	643,749	1,007,450

Note:

As at 30 June 2022, trade payables of the Group are denominated in RMB, non-interest bearing, and the carrying amounts approximate their fair values.

As at 30 June 2022, 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 2022 RMB'000	As at 31 December 2021 RMB'000
Trade payables, gross		
– Within 30 days	46,413	56,368
– Over 30 days and within 60 days	48,986	83,149
– Over 60 days and within 90 days	170,694	177,993
– Over 90 days and within 180 days	215,847	372,832
– Over 180 days and within 360 days	23,286	19,303
– Over 360 days	9,286	5,178
	514,512	714,823

26 ACCRUALS AND OTHER PAYABLES

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Payables for purchases of property, plant and equipment and intangible assets	25,420	22,622
Salaries and welfare payables	49,821	42,767
Accrued taxes other than income tax	7,048	2,204
Deposits from franchisees	93,068	111,047
Payables for logistics	32,599	31,545
Payables for advertisements	5,793	8,497
Provision for sales return	284	19,277
Other accrued expenses and payables	107,135	96,197
	321,168	334,156

As at 30 June 2022, accruals and other payables of the Group are non-interest bearing, and their fair values, except for the provision for sales return and receipts in advance from customers which are not financial liabilities, approximate their carrying amounts due to their short maturities.

As at 30 June 2022, accruals and other payables of the Group are denominated in RMB.

27 BORROWINGS

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Non-current		
Secured bank borrowing <i>(Note)</i>	187,517	61,941
Current		
Secured bank borrowing <i>(Note)</i>	172,899	307,136
	360,416	369,077

Movements in borrowings is analysed as follows:

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Opening amount	369,077	537,751
Repayments of borrowings	(233,661)	(180,274)
Proceeds from bank borrowings	225,000	120,000
Closing amount	360,416	477,477

Note: The bank borrowings were secured by the Group's certain buildings and land use rights with a carrying amount of approximately RMB443,543,000 as at 30 June 2022 (as at 31 December 2021: RMB461,579,000).

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 4.96% (2021: 5.14%) per annum and are within level 2 of the fair value hierarchy.

28 NOTE TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Profit before income tax	31,571	17,251
Add: share of net loss/(profit) of joint ventures	558	(2,440)
Adjustments for:		
– Depreciation of property, plant and equipment <i>(Note 13)</i>	59,599	53,055
– Amortization of right-of-use assets <i>(Note 13)</i>	118,414	134,431
– Amortization of intangible assets <i>(Note 13)</i>	3,701	4,018
– (Reversal of)/provision for impairment losses of trade receivables <i>(Note 8)</i>	(26,103)	6,488
– (Reversal of)/provision for impairment losses of other receivables <i>(Note 8)</i>	(25,390)	3,355
– Impairment of property, plant and equipment and right-of-use assets <i>(Note 13)</i>	523	10,894
– Provision for inventories <i>(Note 7)</i>	46,031	7,833
– Fair value (gain)/loss on financial assets at FVTPL <i>(Note 15)</i>	(2,843)	230
– Finance income <i>(Note 9)</i>	(3,388)	(2,486)
– Finance expenses <i>(Note 9)</i>	18,062	22,377
– Net foreign exchange losses/(gains) <i>(Note 6)</i>	13,980	(1,349)
– Equity-settled share-based compensation <i>(Note 24)</i>	2,823	6,483
– Investment income from financial assets at FVTPL <i>(Note 6)</i>	(590)	(1,990)
– Dividends from financial assets at FVOCI <i>(Note 6)</i>	(1,999)	(5,961)
– (Gain)/loss on disposal of property, plant and equipment – net <i>(Note 6)</i>	(119)	26
	234,830	252,215
Changes in working capital:		
– Trade and notes receivables	47,400	(229,221)
– Deposits, prepayments and other receivables	50,185	1,294
– Inventories	159,826	(6,712)
– Trade and notes payables	(363,701)	93,203
– Contract liabilities	(38,745)	14,747
– Deferred income	(121)	(134)
– Accruals and other payables	(28,654)	104,319
	61,020	229,711
Cash generated from operations	61,020	229,711

29 CAPITAL COMMITMENTS

As at 30 June 2022 and 31 December 2021, the Group had the following capital commitments not provided for:

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Contracted but not provided for:		
Property, plant and equipment	13,381	10,567
Intangible assets	5,897	886
Investment in joint ventures	35,982	33,983
	55,260	45,436

30 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business for the six months ended 30 June 2022, and balances arising from related party transactions as at reporting date.

(a) Name of related parties and relationship with the Group

Name of related parties	Relationship with the Group
Mr. Zhang Shengfeng	Director
Mr. Lin Zonghong	Director
Shantou City Shengqiang Knitting Industrial Co., Ltd. ("Shantou Shengqiang")	Controlled by a brother of Mr. Zhang Shengfeng's spouse
Shantou City Maosheng Knitting Underwear Co., Ltd. ("Shantou Maosheng")	Controlled by a brother of Mr. Lin Zonghong
Jinghedu	Joint venture

(b) Transactions with related parties

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Purchases of goods (<i>Note (i)</i>):		
Shantou Shengqiang	13,047	17,832
Shantou Maosheng	482	3,564
	13,529	21,396
Consideration paid to Jinghedu (<i>Note (ii)</i>)	6,445	–

30 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

Notes:

- (i) Purchases of goods from these related parties are on mutually agreed terms and conditions, excluded value-added taxes and the purchase prices are determined on cost-plus basis, with a mark-up rate of no more than 9%.
- (ii) The Group entered into agreement with Jinghedu, a joint venture of the Group, to acquire 10% shares of Guangdong Cosmo Logistics Technology Company Limited, a non-wholly owned subsidiary of the Group. The transaction was completed on 13 May 2022.

(c) Balances with related parties

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Trade and notes payables:		
Shantou Shengqiang	11,787	11,373
Shantou Maosheng	3,979	–
	15,766	11,373
Prepayment:		
Shantou Maosheng	–	1

These trade payables due to related parties were unsecured, non-interest bearing, repayable on demand and denominated in RMB.

(d) Key management compensation

The remuneration of directors of the Company and other members of key management of the Group for the six months ended 30 June 2022 and 30 June 2021 is as follows:

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Wages, salaries and bonuses	4,550	8,458
Social insurance and housing fund	347	740
Equity-settled share-based compensation	–	1,787
	4,897	10,985

Other Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interests and short positions of the Directors and the chief executive of Cosmo Lady (China) Holdings Company Limited (the "Company") or any of their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(i) Interest and short positions in the Company

Name of directors	Nature of interest	Number of shares held ⁽¹⁾	Approximate percentage of shareholding interest ⁽¹⁾
Mr. Zheng Yaonan ⁽²⁾	Interest of controlled corporation; founder of a discretionary trust who can influence how the trustee exercises his discretion	793,650,944 (L)	35.28% (L)
Ms. Wu Xiaoli ⁽²⁾	Interest of spouse; other (beneficiary of a discretionary trust)	793,650,944 (L)	35.28% (L)
Mr. Zhang Shengfeng	Founder of a discretionary trust who can influence how the trustee exercises his discretion	222,625,173 (L)	9.90% (L)
Mr. Lin Zonghong	Founder of a discretionary trust who can influence how the trustee exercises his discretion	156,290,277 (L)	6.95% (L)
Mr. Wen Baoma	Beneficial owner	5,000,000 (L)	0.22% (L)
Dr. Lu Hong Te	Beneficial owner	210,000 (L)	0.01% (L)

Notes:

- (1) The letter "L" denotes the person's long position in the shares. The calculation is based on the number of ordinary shares that each person is interested in (whether directly/indirectly interested or deemed to be interested) as a percentage of the total number of issued ordinary shares (that is, 2,249,457,213 shares) of the Company as at 30 June 2022.
- (2) Ms. Wu Xiaoli is the spouse of Mr. Zheng Yaonan. Under Part XV of the SFO, she was deemed to be interested in the same number of shares in which Mr. Zheng Yaonan is interested. Ms. Wu Xiaoli is also one of the beneficiaries of a discretionary trust, founded by Mr. Zheng Yaonan, which holds the entire issued share capital of Yao Li Investment Holdings Limited.

(ii) Interest in associated corporations of the Company

As at 30 June 2022, none of the Directors or the chief executive of the Company or any of their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2022, the following shareholders (other than the Directors and chief executive) were interested, directly or indirectly, in 5% or more of the number of issued shares and the underlying shares of the Company and those interests were required to be recorded in the register required to be kept under Section 336 of the SFO:

Name	Nature of interest	Number of shares held ⁽¹⁾	Approximate percentage of shareholding interest ⁽¹⁾
TMF (Cayman) Limited ⁽²⁾	Trustee	1,129,778,852 (L)	50.22% (L)
Great Brilliant Investment Holdings Limited ⁽³⁾	Interest of controlled corporation; beneficial owner	750,863,402 (L)	33.38% (L)
Yao Li Investment Holdings Limited ^{(2), (3)}	Interest of controlled corporation	750,863,402 (L)	33.38% (L)
Harmonious Composition Investment Holdings Limited ^{(3), (4)}	Beneficial owner	735,018,732 (L)	32.68% (L)
Fosun International Holdings Limited ⁽⁵⁾	Interest of controlled corporation	240,000,000 (L)	10.67% (L)
Fosun International Limited ⁽⁵⁾	Beneficial owner	240,000,000 (L)	10.67% (L)
Mr. Guo Guangchang ⁽⁵⁾	Interest of controlled corporation	240,000,000 (L)	10.67% (L)
Forever Flourish International Holdings Limited ⁽⁶⁾	Beneficial owner	222,625,173 (L)	9.90% (L)
Ms. Cai Shaoru ⁽⁷⁾	Interest of spouse	222,625,173 (L)	9.90% (L)
Xin Feng Asset Holdings Limited ^{(2), (6)}	Interest of controlled corporation	222,625,173 (L)	9.90% (L)
Forever Shine Holdings Limited ⁽⁸⁾	Beneficial owner	156,290,277 (L)	6.95% (L)
Hong Ye Asset Holdings Limited ^{(2), (8)}	Interest of controlled corporation	156,290,277 (L)	6.95% (L)
Ms. Cai Jingqin ⁽⁹⁾	Interest of spouse	156,290,277 (L)	6.95% (L)

Name	Nature of interest	Number of shares held ⁽¹⁾	Approximate percentage of shareholding interest ⁽¹⁾
Capital Today Investment XVIII (HK) Limited ⁽¹⁰⁾	Beneficial owner	133,156,000 (L)	5.92% (L)
Capital Today Investment XVIII Limited ⁽¹⁰⁾	Interest of controlled corporation	133,156,000 (L)	5.92% (L)
Capital Today China Growth Fund, L.P. ⁽¹⁰⁾	Interest of controlled corporation	133,156,000 (L)	5.92% (L)
Capital Today China Growth GenPar, LTD ⁽¹⁰⁾	Interest of controlled corporation	133,156,000 (L)	5.92% (L)
Capital Today Partners Limited ⁽¹⁰⁾	Interest of controlled corporation	133,156,000 (L)	5.92% (L)
Ms. Xu Xin ⁽¹⁰⁾	Interest of controlled corporation	133,156,000 (L)	5.92% (L)

Notes:

- (1) The letter “L” denotes the person’s long position in the shares. The calculation is based on the number of ordinary shares that each person is interested in (whether directly/indirectly interested or deemed to be interested) as a percentage of the total number of issued ordinary shares (that is, 2,249,457,213 shares) of the Company as at 30 June 2022.
- (2) TMF (Cayman) Limited in its capacity as the trustee holds, among others, the entire issued share capital of Yao Li Investment Holdings Limited, Xin Feng Asset Holdings Limited and Hong Ye Asset Holdings Limited. The three discretionary trusts are founded by Mr. Zheng Yaonan, Mr. Zhang Shengfeng and Mr. Lin Zonghong respectively for themselves and their close relatives.
- (3) Great Brilliant Investment Holdings Limited, a company incorporated in the British Virgin Islands, is a wholly-owned subsidiary of Yao Li Investment Holdings Limited. Yao Li Investment Holdings Limited is a company incorporated in the British Virgin Islands and wholly owned by TMF (Cayman) Limited as the trustee.
- (4) Harmonious Composition Investment Holdings Limited is a wholly-owned subsidiary of Great Brilliant Investment Holdings Limited, and held approximately 735,018,732 shares of the Company, representing approximately 32.68% of the entire issued share capital of the Company.
- (5) Fosun International Limited is indirectly owned as to 71.77% by Fosun International Holdings Limited, which is in turn owned as to 64.45% by Mr. Guo Guangchang. As such, each of Mr. Guo Guangchang and Fosun International Holdings Limited was deemed to be interested in the 240,000,000 shares of the Company held by Fosun International Limited.
- (6) Forever Flourish International Holdings Limited, a company incorporated in the British Virgin Islands, is a wholly-owned subsidiary of Xin Feng Asset Holdings Limited. Xin Feng Asset Holdings Limited is a company incorporated in the British Virgin Islands and is wholly owned by TMF (Cayman) Limited as the trustee.
- (7) Ms. Cai Shaoru is the spouse of Mr. Zhang Shengfeng. Under Part XV of the SFO, she was deemed to be interested in the same number of shares in which Mr. Zhang Shengfeng was interested.
- (8) Forever Shine International Holdings Limited, a company incorporated in the British Virgin Islands, is a wholly-owned subsidiary of Hong Ye Asset Holdings Limited. Hong Ye Asset Holdings Limited is a company incorporated in the British Virgin Islands and is wholly owned by TMF (Cayman) Limited as the trustee.
- (9) Ms. Cai Jingqin is the spouse of Mr. Lin Zonghong. Under Part XV of the SFO, she was deemed to be interested in the same number of shares in which Mr. Lin Zonghong was interested.

- (10) Capital Today Investment XVIII (HK) Limited, a Hong Kong registered company, held 133,156,000 shares, representing approximately 5.92% of the total issued share capital of the Company. Capital Today Investment XVIII (HK) Limited is wholly owned by Capital Today Investment XVIII Limited, which is an exempted company incorporated in the British Virgin Islands. Capital Today China Growth Fund, L.P., an exempted limited partnership registered in the Cayman Islands, holds approximately 99.58% shareholding interest in Capital Today Investment XVIII Limited. The sole general partner of Capital Today China Growth Fund, L.P. is Capital Today China Growth GenPar, LTD, an exempted company registered in the Cayman Islands, approximately 91.19% shareholding interest of which is owned by Capital Today Partners Limited. Capital Today Partners Limited is solely owned by Ms. Xu Xin. Therefore, under Part XV of the SFO, each of Capital Today Investment XVIII Limited, Capital Today China Growth Fund, L.P., Capital Today China Growth GenPar, LTD, Capital Today Partners Limited and Ms. Xu Xin was deemed to be interested in 133,156,000 shares held by Capital Today Investment XVIII (HK) Limited, representing approximately 5.92% of the total issued share capital of the Company.

Save as disclosed above, as at 30 June 2022, the Directors were not aware of any persons (other than the Directors and chief executive) who had, directly or indirectly, interest or short positions in shares and underlying shares of the Company and those interests or short positions were required to be recorded in the register kept under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Share Option Scheme”) on 9 June 2014 to provide incentives and/or rewards to any director or employee of the Company and its subsidiaries (the “Group”) who in the sole discretion of the board of directors (the “Board”) has contributed or will contribute to the Group for their contribution to, and continuing efforts to promote the interests of the Group.

Under the Share Option Scheme, no options were granted or agreed to be granted, exercised, cancelled or lapsed during the six months ended 30 June 2022, nor was there any option outstanding at the beginning or at the end of the period.

SHARE AWARD SCHEME

The Company adopted a share award scheme, with a 10-year validity, on 28 June 2019 (the “Share Award Scheme”). The purpose and objectives of the Share Award Scheme are to recognize and motivate the contribution of the employees of the Group and help the Group in retaining its existing members of management and attracting new talents to join the Group.

The Cosmo Lady Employee Benefit Trust was established to manage the trust property of the Share Award Scheme. As at 30 June 2022, a total of 56,035,800 shares of the Company were held by the trustee.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend to shareholders of the Company for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

CORPORATE GOVERNANCE PRACTICES

The Board considers that the Company has complied with all the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2022, with the exception of Code Provision C.2.1.

According to Code Provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same person. The Company deviated from this provision from 30 November 2021 because Mr. Zheng Yaonan (“Mr. Zheng”) performed both the roles of the chairman of the Board and the chief executive officer of the Company. Mr. Zheng, with the established market reputation in the intimate wear industry in China, is the founder of the Group and has extensive experience in business operations and management in general. Under the leadership of Mr. Zheng, the Board worked effectively and performed its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions were made in consultation with members of the Board and relevant Board committees, and there are four independent non-executive directors on the Board offering advice in independent perspectives, the Board was therefore of the view that there were adequate safeguards in place to ensure sufficient balance of powers within the Board.

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 six months ended 30 June 2022.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules 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 throughout the six months ended 30 June 2022.

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 financial information, financial reporting system and internal control procedures of the Group, including a review of the interim financial information for the six months ended 30 June 2022.

INFORMATION REGARDING DIRECTORS

Mr. Chen Xin was appointed as a non-executive director of Beijing Airdoc Technology Co., Ltd., a company listed on the Main Board of the Stock Exchange, with effect from the conclusion of its annual general meeting held on 19 May 2022.

Save as disclosed above, there was no change in the information regarding the Directors subsequent to the date of publication of the 2021 annual report of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.