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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)

DISCLOSEABLE TRANSACTION CONSTRUCTION AGREEMENT

CONSTRUCTION AGREEMENT

The Board hereby announces that on 29 December 2022, the Company, through its indirect wholly-owned subsidiary, Guangdong Cosmo Lady, entered into the Construction Agreement with the Contractor, pursuant to which the Contractor will provide construction services to Guangdong Cosmo Lady at the Consideration of approximately RMB 80,007,802 (equivalent to approximately HK\$89,321,338) for constructing new factory premises and ancillary facilities at the Construction Area situated in Dongguan, the PRC.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios in relation to the transaction contemplated under the Construction Agreement exceeds 5% but is less than 25%, the transaction contemplated under the Construction Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board hereby announces that on 29 December 2022, the Company, through its indirect wholly-owned subsidiary, Guangdong Cosmo Lady, entered into the Construction Agreement with the Contractor, pursuant to which the Contractor will provide construction services to Guangdong Cosmo Lady at the Consideration of approximately RMB 80,007,802 (equivalent to approximately HK\$89,321,338) for constructing new factory premises and ancillary facilities at the Construction Area situated in Dongguan, the PRC.

CONSTRUCTION AGREEMENT

The principal terms of the Construction Agreement are set out below:

Date : 29 December 2022

Parties : (1) Guangdong Cosmo Lady; and
(2) the Contractor

To the best of the Directors' knowledge, information and believe having made all reasonable enquiries, the Contractor and its ultimate beneficial owner are third parties independent of the Company and its connected person.

Subject matter : The Contractor will act as the general contractor responsible for constructing new factory premises and ancillary facilities at the Construction Area situated at Zhutang Village, Fenggang Town, Dongguan City, Guangdong Province, the PRC* (中國廣東省東莞市鳳崗鎮竹塘村) with a total land site area of approximately 20,583.99 square meters.

Construction period : The construction works are expected to be completed within 282 days after the commencement.

Consideration : The Consideration payable to the Contractor pursuant to the Construction Agreement shall be approximately RMB 80,007,802 (equivalent to approximately HK\$89,321,338), which may be subject to adjustments under certain situations stipulated in the Construction Agreement, including but not limited to a change in the scope and level of construction and engineering works, and the price adjustments of materials and equipment.

Payment terms : The Consideration shall be paid by Guangdong Cosmo Lady in the following manner:

- (1) up to 75% of the Consideration shall be settled by way of progress payment to be made monthly, which shall be determined based on the actual work done and approved by Guangdong Cosmo Lady;
- (2) up to 90% of the Consideration shall be paid within 30 business days after the completion and acceptance of the construction works;
- (3) up to 97% of the confirmed final contract sum of the construction works shall be paid within 30 business days after Comprehensive Completion of the Construction Works; and
- (4) the remaining 3% shall be used as warranty payment, which shall be payable after the expiration of the relevant warranty period.

Warranty period : During the warranty period, the Contractor shall be responsible for handling quality problems of the construction works in a timely manner and in accordance with the terms and conditions of the Construction Agreement. The warranty period varies depending on the types of construction works.

BASIS OF DETERMINATION OF CONSIDERATION

The Construction Agreement was awarded to the Contractor through a tendering process. The Consideration was arrived at after arm's length negotiations between Guangdong Cosmo Lady and the Contractor based on the bid price submitted by the Contractor. In determining the Consideration, Guangdong Cosmo Lady has assessed the requisite construction licence held by the Contractor, the experience and capability of the Contractor, the expected scope, complexity and expected costs of the construction works to be undertaken, and the prevailing market price of the construction works with similar scale and complexity. The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable. The consideration for the Construction Agreement will be financed by the Group's banking facilities, internal resources or a combination of both.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION AGREEMENT

Earlier this year, the Group demolished its warehouse facilities at the Construction Area as they were dilapidated and underutilised. By entering into the Construction Agreement, the Group will be able to construct new factory premises and ancillary facilities at the Construction Area, with substantially larger floor area when compared to the Group's warehouse facilities prior to their demolition.

Upon the completion of the Construction Agreement, the increased floor area will provide additional space for use by the Group. The Group may also consider leasing or selling part of the new factory premises and ancillary facilities in the future in the event that they are not fully used by the Group, which will help broaden the income source of the Group. The Board is of the view that, given the geographical proximity of the factory premises to Shenzhen, the potential tenants and buyers will be able to benefit from its convenient transportation network. Further, the potential tenants and buyers will also be able to enjoy the relatively low rental rates and selling prices when compared to that of Shenzhen.

Based on the above, the Directors (including the independent non-executive Directors) consider that the transaction contemplated under the Construction Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE GROUP AND THE CONTRACTOR

The Company is an investment holding company. The Group is principally engaged in the design, research, development and sale of its own branded intimate wear products (namely, bras, underpants, sleepwear and loungewear, thermal clothes and others, which include leggings and tights, vests, hosiery and accessories) in the PRC.

According to the information available to the Company, the Contractor is principally engaged in engineering construction works, building municipal and public infrastructure, building decoration works, etc. According to the information available to the Company, the Contractor is wholly owned by as to 100% by Xu Ju*(徐炬).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Contractor and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios in relation to the transaction contemplated under the Construction Agreement exceeds 5% but is less than 25%, the transaction contemplated under the Construction Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

None of the Directors has a material interest in the Construction Agreement or was required to abstain from voting on the Board resolutions approving the Construction Agreement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Board”	the board of Directors
“business day(s)”	days on which the commercial banks in the PRC are generally open for business, other than Saturday, Sunday (except days on which they are open for business due to adjustment of PRC holidays) or any other statutory holidays in the PRC
“Company”	Cosmo Lady (China) Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the main board of the Stock Exchange (stock code: 2298)
“Comprehensive Completion of the Construction Works”	the completion of the construction works, the comprehensive acceptance of the construction works by Guangdong Cosmo Lady and the relevant government departments, and the filing with the relevant government departments for record
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration to be paid by Guangdong Cosmo Lady to the Contractor pursuant to the Construction Agreement, being approximately RMB 80,007,802 (equivalent to approximately HK\$89,321,338)
“Construction Agreement”	the agreement dated 29 December 2022 entered into between Guangdong Cosmo Lady and the Contractor, pursuant to which the Contractor will provide construction services to Guangdong Cosmo Lady at the Consideration for constructing new factory premises and ancillary facilities at the Construction Area situated in Dongguan, the PRC
“Construction Area”	a piece of land situated at Zhutang Village, Fenggang Town, Dongguan City, Guangdong Province, the PRC* (中國廣東省東莞市鳳崗鎮竹塘村) with a total land site area of approximately 20,583.99 square meters
“Contractor”	Guangdong Qilong Construction Co., Ltd.* (廣東麒麟建設有限公司), a company established under the laws of the PRC with limited liability
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangdong Cosmo Lady”	Cosmo Lady Guangdong Holdings Limited* (廣東都市麗人實業有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“PRC”	the People’s Republic of China (excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan for the purpose of this announcement)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meanings ascribed to it under the Listing Rules
“%”	per cent

For the purpose of this announcement, unless otherwise indicated, the exchange rate of HK\$1.00 = RMB0.89573 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.

The English translation of Chinese names or words in this announcement, where indicated by “”, are included for information only, and should not be regarded as the official English translation of such Chinese names or words.*

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

Hong Kong, 29 December 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 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.