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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS		For the six months ended 30 June	
		2024	2023
Revenue	<i>RMB'000</i>	1,514,450	1,367,631
Profit attributable to owners of the Company	<i>RMB'000</i>	82,398	26,129
Gross profit margin	<i>%</i>	47.5%	47.4%
Earnings per share			
– Basic	<i>RMB cents</i>	3.8	1.2
– Diluted	<i>RMB cents</i>	3.7	1.2
Interim dividend per share	<i>HK cents</i>	1.1	–

INTERIM FINANCIAL INFORMATION

The board of directors (the “**Board**”) of Cosmo Lady (China) Holdings Company Limited (the “**Company**”) announces the unaudited consolidated interim financial information of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2024, together with the comparative figures for the corresponding period in 2023 and selected explanatory notes. The interim financial information has been reviewed by the audit committee of the Board (the “**Audit Committee**”) and the Company’s auditor, Ernst & Young, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Six months ended 30 June	
		2024 Unaudited <i>RMB’000</i>	2023 Unaudited <i>RMB’000</i>
Revenue	4	1,514,450	1,367,631
Cost of sales		(795,551)	(720,009)
Gross profit		718,899	647,622
Selling and marketing expenses		(514,693)	(557,613)
General and administrative expenses		(83,833)	(93,793)
Net (impairment losses)/reversal of impairment losses on financial assets		(2,722)	33,726
Other income	5	9,329	7,986
Other losses – net	5	(3,147)	(1,784)
Operating profit		123,833	36,144
Finance income		4,002	3,738
Finance expenses		(12,715)	(13,022)
Finance expenses – net		(8,713)	(9,284)
Share of profits of joint ventures – net		191	6,148
Profit before income tax	6	115,311	33,008
Income tax expense	7	(37,965)	(8,451)
Profit for the period		77,346	24,557

		Six months ended 30 June	
		2024	2023
		Unaudited	Unaudited
<i>Note</i>		RMB'000	RMB'000
	Other comprehensive income/(loss) for the period		
	<i>Item that may be reclassified subsequently to profit or loss</i>		
	– Exchange differences on translation of foreign operations	(3,284)	13,970
	<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	(2,330)	(4,978)
	Total comprehensive income for the period	71,732	33,549
	Profit/(loss) attributable to:		
	Owners of the Company	82,398	26,129
	Non-controlling interests	(5,052)	(1,572)
		77,346	24,557
	Total comprehensive income/(loss) attributable to:		
	Owners of the Company	76,784	35,121
	Non-controlling interests	(5,052)	(1,572)
		71,732	33,549
	Earnings per share attributable to owners of the Company during the period	<i>RMB cents</i>	<i>RMB cents</i>
	Basic	3.8	1.2
	Diluted	3.7	1.2

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at	As at
	30 June	31 December
	2024	2023
	Unaudited	Audited
<i>Note</i>	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	754,166	994,638
Right-of-use assets	368,133	389,161
Intangible assets	25,977	27,750
Investment in joint ventures	85,813	85,622
Financial assets at fair value through other comprehensive income	21,451	24,761
Deposits, prepayments and other receivables	22,179	21,109
Deferred income tax assets	105,844	125,969
	1,383,563	1,669,010
Current assets		
Inventories	664,785	616,454
Completed properties held for sale	205,939	–
Trade and notes receivables	330,734	320,681
Deposits, prepayments and other receivables	577,176	527,439
Restricted bank deposits	104,143	175,776
Cash and cash equivalents	572,174	506,157
	2,454,951	2,146,507
Total assets	3,838,514	3,815,517

		As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	11	140,312	140,312
Share premium	11	1,656,669	1,656,669
Shares held for share award scheme		(59,550)	(64,480)
Accumulated losses		(151,332)	(233,730)
Other reserves		420,604	430,298
		<u>2,006,703</u>	<u>1,929,069</u>
Non-controlling interests		(5,879)	(630)
Total equity		<u>2,000,824</u>	<u>1,928,439</u>
LIABILITIES			
Current liabilities			
Trade and notes payables	12	559,152	751,436
Accruals and other payables		257,669	369,457
Contract liabilities		220,677	48,456
Tax payables		31,843	14,036
Borrowings	13	312,400	162,038
Lease liabilities		136,648	135,823
Deferred income		206	231
		<u>1,518,595</u>	<u>1,481,477</u>
Non-current liabilities			
Borrowings	13	149,794	230,442
Lease liabilities		169,285	175,046
Deferred income		16	113
		<u>319,095</u>	<u>405,601</u>
Total liabilities		<u>1,837,690</u>	<u>1,887,078</u>
Total equity and liabilities		<u>3,838,514</u>	<u>3,815,517</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2024	2023
	Unaudited RMB'000	Unaudited RMB'000
Cash flows from operating activities		
Cash generated from operations	68,348	212,696
Income tax paid	(33)	(118)
	68,315	212,578
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	1,658	740
Interest received	4,002	3,738
Purchases of property, plant and equipment	(31,557)	(256,332)
Purchases of intangible assets	(1,776)	(5,771)
Investment income from financial assets at fair value through profit or loss (“FVTPL”)	1,707	555
Proceeds from disposal of financial assets at fair value through other comprehensive income (“FVOCI”)	980	1,012
Capital contribution to joint ventures	–	(600)
Advance to a joint venture	–	(4)
	(24,986)	(256,662)
Cash flows from financing activities		
Dividends paid to non-controlling interests	(197)	(1,878)
Return of capital to non-controlling interests	–	(1,416)
Proceeds from bank borrowings	200,000	179,210
Repayments of bank borrowings	(130,286)	(74,064)
Interest paid for bank borrowings	(7,265)	(7,805)
Release/(pledge) of restricted bank deposits	71,633	(19,288)
Principal elements of lease payments	(104,747)	(98,173)
	29,138	(23,414)
Net cash generated from/(used in) financing activities		
Net increase/(decrease) in cash and cash equivalents	72,467	(67,498)
Cash and cash equivalents at beginning of the period	506,157	554,083
Effect of foreign exchange rate changes	(6,450)	(2,985)
	572,174	483,600
Cash and cash equivalents at end of the period	572,174	483,600

NOTES:

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 28 January 2014 as an exempted company with limited liability under the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1- 1108, Cayman Islands.

The Company is an investment holding company. The Group is principally engaged in the designing, marketing and selling of intimate wear products, development of industrial projects and provision of logistic services 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 logistic services in the Group's industrial properties have been one of the businesses of the Group for years. During the current period, the Board resolved that additional resources would continuously be deployed to such business as well as development of industrial projects. Accordingly, the industrial projects and logistic services are redesignated by the Board as one of the principal businesses of the Group. Other than this change, there were no significant changes in the nature of the Group's principal businesses.

Harmonious Composition Investment Holdings Limited, a company incorporated in the British Virgin Islands (the "BVI"), is the immediate holding company of the Company. In the opinion of the Company's directors, Yao Li Investment Holdings Limited, a company incorporated in the BVI with limited liability and controlled by Mr. Zheng Yaonan, is the ultimate holding company of the Company.

The interim condensed consolidated financial information for the six months ended 30 June 2024 (the "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 and approved for issue by the Board on 27 August 2024.

2 BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised IFRSs for the first time for the current period's financial information.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of liabilities as Current or Non-current</i> (the "2020 Amendments")
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i> (the "2022 Amendments")
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. The amendments did not have any impact on the interim condensed consolidated financial information.

3 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

Intimate wear products segment	–	Designing, marketing and selling of intimate wear products
Industrial projects and logistic segment	–	Development of industrial projects, provision of logistic services

The logistic services in the Group's industrial properties have been one of the businesses of the Group for years. During the period, as mentioned in note 1, the Board has resolved that additional resources would continuously be deployed to the industrial projects and logistic services and accordingly, the industrial projects and logistic services are redesignated by the Board as one of the principal businesses of the Group. The results of the industrial projects and logistic services are also separately reviewed and evaluated for management reporting purposes. Accordingly, the presentation of segment information for the six months ended 30 June 2024 has been changed to reflect this change of segment composition. Comparative segment information has been restated to conform with the current period's presentation.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that interest income, finance expenses as well as head office and corporate income and expenses are excluded from such measurement.

The Group's revenue from external customers was derived solely from its operations in the PRC.

None of the revenue derived from any single external customer amounted to 10% or more of the Group's revenue for the six months ended 30 June 2024 (2023: None).

Information regarding these reportable segments is presented below:

Reportable segment information

	For the six months ended 30 June (Unaudited)					
	Intimate wear products		Industrial projects and logistic		Total	
	2024	2023	2024	2023	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i> (restated)	<i>RMB'000</i>	<i>RMB'000</i> (restated)	<i>RMB'000</i>	<i>RMB'000</i> (restated)
Segment revenue						
Revenue from external customers	1,295,054	1,319,286	219,396	48,345	1,514,450	1,367,631
Intersegment sales	29,038	28,109	63,994	69,246	93,032	97,355
Total segment revenue	1,324,092	1,347,395	283,390	117,591	1,607,482	1,464,986
Reconciliation:						
Elimination of intersegment sales					(93,032)	(97,355)
Total revenue					1,514,450	1,367,631
Segment gross profit	636,133	636,156	82,766	11,466	718,899	647,622
Segment results	60,257	44,106	79,841	9,000	140,098	53,106
Reconciliation:						
Interest income					4,002	3,738
Unallocated gains					1,898	6,703
Corporate and other unallocated expenses					(23,422)	(22,734)
Finance expenses					(7,265)	(7,805)
Profit before income tax					115,311	33,008

4 REVENUE

Disaggregated revenue information for revenue from contracts with customers:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Retail sales	643,711	622,579
Sales to franchisees	424,611	447,154
E-commerce	226,732	249,553
Logistic income	47,521	48,345
Sales of properties from industrial projects	171,875	–
	<u>1,514,450</u>	<u>1,367,631</u>

5 OTHER INCOME AND OTHER LOSSES – NET

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Government grants (<i>Note</i>)	1,147	1,091
Investment income from financial assets at FVTPL	1,707	555
Others	6,475	6,340
	<u>9,329</u>	<u>7,986</u>

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other losses – net		
Net foreign exchange losses	(3,166)	(1,902)
Gains on disposal of property, plant and equipment – net	19	118
	<u>(3,147)</u>	<u>(1,784)</u>

6 PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	658,921	683,130
Cost of service rendered	48,398	36,879
Cost of properties sold	88,232	–
Depreciation and amortisation		
– Right-of-use assets	85,320	78,531
– Property, plant and equipment	40,043	56,067
– Intangible assets	3,549	3,461
Provision for inventories	–	11,219
Impairment of property, plant and equipment	182	208
Impairment of right of use assets	5,220	–

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax (<i>Note (a)</i>)	–	–
– PRC corporate income tax (<i>Note (b)</i>)	2,029	(21,419)
– PRC land appreciation tax (“LAT”) (<i>Note (c)</i>)	15,811	–
	17,840	(21,419)
Deferred income tax		
– Deferred income tax	20,125	29,870
Income tax expense	37,965	8,451

Notes:

(a) Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% (2023: 16.5%) for the period.

(b) PRC corporate income tax

The Company's subsidiary, Cosmo Lady Guangdong Holdings Limited (“**Cosmo Lady Guangdong**”), was given the preferential corporate income tax at 15% under the High and New Technology Enterprises (“**HNTE**”) in December 2021, which is effective for 3 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 2024 (2023: 25%) on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

(c) **PRC Land Appreciation Tax**

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. The final outcome could be different from the amounts that were initially recorded.

8 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period.

	Six months ended 30 June,	
	2024	2023
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company (RMB'000)	82,398	26,129
Weighted average number of ordinary shares for purposes of basic earnings per share (thousands of shares)	2,175,223	2,193,460
Effect of dilution – weighted average number of ordinary shares: 2019 Share Award Scheme (thousands of shares)	40,498	26,645
Number of shares used in diluted earnings per share calculation (thousands of shares)	2,215,721	2,220,105

Note: The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 June 2024 and 2023 has been adjusted for the effects of purchase and withholding of ordinary shares of the Company for the share award scheme adopted by the Company on 28 June 2019 (the "2019 Share Award Scheme") during the six months ended 30 June 2024 and 2023, respectively.

The diluted earnings per share calculation for the six months ended 30 June 2023 disclosed in the table above has been restated to add the dilutive effect of the shares held for the Group's 2019 Share Award Scheme.

9 INTERIM DIVIDEND

The Board has recommended the payment of an interim dividend of HK1.1 cents per ordinary share of the Company, totaling approximately HK\$24,744,000 for the six months ended 30 June 2024 (2023: Nil). The dividend is not reflected as a dividend payable in the consolidated financial statements for the six months ended 30 June 2024, but will be reflected as an appropriation for the year ending 31 December 2024.

10 TRADE AND NOTES RECEIVABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade receivables		
– Due from third parties	344,483	330,202
Notes receivables	237	761
Less: loss allowance	<u>(13,986)</u>	<u>(10,282)</u>
Trade and notes receivables – net	<u>330,734</u>	<u>320,681</u>

- (a) As at 30 June 2024, the carrying amounts of the trade receivables of the Group approximate their fair values and are all denominated in RMB.
- (b) The Group's trade receivables are primarily derived from sales to certain franchise customers with an appropriate credit history. The Group generally grants franchise customers with a credit period of 15 to 90 days from the invoice date. The Group also gives franchise customers a credit period of 90 to 180 days for their first order of products for new retail stores. The Group would also extend the credit period for certain franchise customers under certain circumstances. The aging analysis of trade receivables based on invoice dates, as at 30 June 2024 is as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade receivables, gross		
– Within 30 days	219,737	200,593
– Over 30 days and within 60 days	32,081	19,876
– Over 60 days and within 90 days	14,675	12,767
– Over 90 days and within 180 days	30,467	23,465
– Over 180 days and within 360 days	37,639	66,174
– Over 360 days	<u>9,884</u>	<u>7,327</u>
	<u>344,483</u>	<u>330,202</u>

11 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
As at 30 June 2024 (Unaudited)	<u>2,249,457,213</u>	<u>140,312</u>	<u>1,656,669</u>	<u>1,796,981</u>
As at 31 December 2023 (Audited)	<u>2,249,457,213</u>	<u>140,312</u>	<u>1,656,669</u>	<u>1,796,981</u>

12 TRADE AND NOTES PAYABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade payables (Note (a))		
Due to third parties	318,138	295,070
Due to related parties	8,198	1,752
	<u>326,336</u>	<u>296,822</u>
Notes payable		
Due to third parties	232,816	454,614
	<u>559,152</u>	<u>751,436</u>

Note:

- (a) As at 30 June 2024, trade payables of the Group are non-interest bearing, and their fair values approximate their carrying amounts due to their short maturities.

As at 30 June 2024, trade payables are denominated in RMB. The aging analysis of trade payables based on invoice dates, as at 30 June 2024 is as follows:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade payables		
– Within 30 days	13,879	61,674
– Over 30 days and within 60 days	35,114	45,989
– Over 60 days and within 90 days	67,164	104,038
– Over 90 days and within 180 days	194,457	80,914
– Over 180 days and within 360 days	4,039	2,310
– Over 360 days	11,683	1,897
	<u>326,336</u>	<u>296,822</u>

13 BORROWINGS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Non-current		
Secured bank borrowings (<i>Note</i>)	<u>149,794</u>	<u>230,442</u>
Current		
Secured bank borrowings (<i>Note</i>)	<u>312,400</u>	<u>162,038</u>
	<u>462,194</u>	<u>392,480</u>

Movement in borrowings is analysed as follows:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Opening amount	392,480	331,502
Repayments of borrowings	(130,286)	(74,064)
Proceeds from bank borrowings	<u>200,000</u>	<u>179,210</u>
Closing amount	<u>462,194</u>	<u>436,648</u>

Note: The amount represents the bank borrowings that are secured by the Group's certain buildings and land use rights of approximately RMB602,829,000 as at 30 June 2024 (31 December 2023: RMB758,270,000).

The carrying amounts of the Group's borrowings are denominated in RMB.

The interest rates of the Group's bank loans are primarily repriced every month based on Loan Prime Rate changes.

BUSINESS REVIEW

The year of 2024 has been filled with both challenges and opportunities. While the international landscape remains complex and challenging, the domestic economy has continued its upward trajectory, with multiple hurdles and challenges on the other hand.

In response to market fluctuations and uncertainties, the Group has proactively enhanced its capabilities across branding, product development and distribution channels, aiming to strengthen overall performance. Credits to the collective efforts of all employees of the Group, the profit attributable to owners of the Company was approximately RMB82,398,000 for the six months ended 30 June 2024, representing an increase of approximately 215% as compared with that of the six months ended 30 June 2023 of approximately RMB26,129,000.

1. Solidifying national identity and boosting brand power

- (a) In March 2024, Cosmo Lady officially launched its cooperation with the China National Synchronized Swimming Team, supporting Chinese athletes at the Doha 2024 World Aquatics Championships, Paris 2024 Olympics and other arenas. The China National Synchronized Swimming Team achieved outstanding results at the Doha 2024 World Aquatics Championships with 7 gold medals, and 1 silver medal and 1 bronze medal, and won historical double gold medals at the Paris 2024 Olympics. The image of the China National Synchronized Swimming Team, aligns well with Cosmo Lady's national identity, successfully enhancing Cosmo Lady's exposure and awareness across the nation;
- (b) In June 2024, marking the 26th anniversary of the founding of Cosmo Lady and the 10th anniversary of its listing on the Main Board of the Stock Exchange, Cosmo Lady, in collaboration with its brand ambassador Xu Dongdong to launch a marketing campaign. The campaign, which highlighted themes of “comfort” (舒適自在), and “freedom from stereotypes” (不被定義), successfully garnered widespread attention and landed on the trending lists twice; and
- (c) In order to support its “Key Province Campaign”, Cosmo Lady has partnered with Lutie Media to roll out thousand premium media advertisements across high-speed rail stations in over 120 cities nationwide, further enhancing the visibility and influence of the Group's brand.

2. Deepening commitment to national intimate wear market, with “quality and affordability”

- (a) Continued to advance the development and application of new technologies and production processes, solidifying its expertise while reducing production costs and increasing product competitiveness;
- (b) Continued to strengthen market insights, deeply explored consumer needs, and upgraded best-selling mould cups, focused on trendy color and styles, and developed colors and design plans to ensure products meet the market’s demand for higher quality and comfort; at the same time, continuously developed products tailored to regional differences to meet the diverse needs of the market;
- (c) Continuously strengthened top-selling product development process, and further improved top-selling product matrix. The soft size nude bra series products (軟尺碼隱形內衣系列產品) originated by the Group, which were first launched in March 2024, were well received in the market. This demonstrates that Cosmo Lady has the unique continuous product innovation capability; and
- (d) Continued to fine-tune product-channel alignment, developed tailored product strategies for different store types to cater the needs of various consumer groups effectively.

3. Strengthening channel layout and exploring growth opportunities

In order to meet the needs of consumers in different market segments, the Group has built a highly coordinated brand portfolio with brands, namely Ordifen, Cotton Regions and Cosmo Lady, targeting high-end, mid-range and mass markets, respectively. In the first half of 2024, the increase in the number of the stores of Cotton Regions has made a breakthrough, laying good foundation for future growth.

In the first half of 2024, the Group’s major brand Cosmo Lady launched its “Key Province Campaign”, targeting specific markets with tailored store-opening strategies to seek breakthroughs in scale; at the same time, Cosmo Lady focused on key provinces to create efficient terminals, continuously refining strategies to improve single-store performance and replicating these successful practices across other store locations.

In terms of e-commerce business, in the first half of 2024, the Group has successfully expanded cooperation with partners, and integrated online and offline strategies to increase market share, thereby achieving brand value enhancement and breakthroughs in business development.

4. Digital empowerment to enhance operation efficiency

In the first half of 2024, the Group continued to advance digital construction and applications in line with its overall strategic objectives, improving the Group's overall operation efficiency.

- (a) Continued to optimise and upgrade core business system and supported business efficiency enhancement and business development by improving functions and business scenarios. The Group upgraded its existing application of B2B platform and optimised product distribution and marketing scenarios to improve the level of product operation management; and
- (b) Continuously enhanced its ability to operate across public and private domains, integrating online and offline businesses with a focus on consumer needs. This approach improved shopping experience, increased member repurchase rates, and fostered members' loyalty. At the same time, the Group actively promoted instant retail and cooperated with Meituan Instashopping, JD Daojia, to meet consumers' needs for fast and convenient shopping experience, creating new business growth points.

Looking forward to the second half of 2024, the Group will continue to focus on its strategic objectives, enhancing core competitiveness through brand building, product innovation, channel optimisation and service improvements, all with an aim to achieving steady performance growth.

In terms of branding, the Group will continue to drive the growth in brand power through top-selling product marketing, support the China National Synchronized Swimming Team in international competitions and enhance national brand emotional resonance, while comprehensively creating a distinct and unique brand impression of Cosmo Lady and increasing the brand awareness and influence of Cosmo Lady.

In terms of products, the Group will continue to strengthen its product matrix, combining innovative design with market trends and consumer needs and promoting product lifestyle integration to resonate with consumer demand. Product-channel alignment will continue to be refined to meet the diverse needs of consumers accurately.

In terms of channels, the Group will continue to advance the "Key Province Campaign". Building upon the foundation of strengthened channel store layout, the Group will create efficient terminals, comprehensively enhancing single-store competitiveness. The Group will actively explore development opportunities in shopping malls and promote online and offline integration through cloud retail, thereby increasing member engagement and encouraging repurchase.

In terms of service, the Group will fully promote the implementation of five-star shopping guide system, continuously optimise the training system. The Group is committed to providing consumers with a better service experience.

The Group firmly believes that through the joint efforts of all employees and the strong support of our partners, combined with the Group's achievements in the first half of 2024, and with the effective implementation of the above measures, the Group is well-positioned to achieve greater development and breakthroughs.

FINANCIAL REVIEW

Profit attributable to the owners of the Company and the segment results

Profit attributable to the owners of the Company for the six months ended 30 June 2024 (the “**Relevant Period**”) was RMB82,398,000 (the first half of 2023: RMB26,129,000), which increased by approximately 215% as compared with that of the corresponding period in 2023. Besides, the results from the intimate wear products and industrial projects and logistic segments of the Group for the Relevant Period were RMB60,257,000 (the first half of 2023: RMB44,106,000) and RMB79,841,000 (the first half of 2023: RMB9,000,000), respectively, which increased by approximately 37% and 787% when compared with that of the corresponding period in 2023, respectively.

Such increases were mainly due to (i) the successful cooperation with the Group's partners to expand e-commerce business of the Group, thereby increasing the Group's market share, adding value to the Group's brands and improving the Group's operating results; (ii) the effective cost control and improved efficiency of the Group has also further reduced the Group's operating costs; and (iii) certain units of the industrial projects of the Group located in Fenggang, Dongguan, Guangdong Province, the PRC (the “**Yuquan Projects**”), which have been delivered and recognised as revenue during the Relevant Period.

Revenue

The Group's revenue is mainly derived from sales of intimate wear products to the franchisees and to consumers through self-managed/cooperative stores and online sales platforms, development of industrial projects and provision of logistic services in the PRC. The breakdown of the revenue is as follows:

	Six months ended 30 June			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Intimate wear products:				
Retail sales				
– Self-managed/cooperative stores sales	643,711	42.5	622,579	45.5
Sales to franchisees	424,611	28.0	447,154	32.7
E-commerce	226,732	15.0	249,553	18.3
	1,295,054	85.5	1,319,286	96.5
Industrial projects and logistic:				
Logistic income	47,521	3.1	48,345	3.5
Industrial projects sales	171,875	11.4	–	–
	219,396	14.5	48,345	3.5
	1,514,450	100.0	1,367,631	100.0

During the Relevant Period, the changes in revenue of the Group were mainly driven by the following factors:

- for the revenue from intimate wear products, the Group successfully cooperated with the Group's partner to expand its e-commerce business and increased the Group's market share, with the total merchandise transaction value ("GMV") of approximately RMB230 million transacted on the cooperative e-commerce platforms during the Relevant Period, from which the Group received the relevant service income. As a result, the Group reduced some of the inefficient self-operated e-commerce platforms, resulting in a decrease in revenue from e-commerce during the Relevant Period; and

- the increase in revenue from industrial projects and logistic was mainly due to the completion of the delivery and sales recognition of certain units of the Yuquan Projects during the Relevant Period. Since 2022, the Group has transformed the former old warehouses in Yuquan, the PRC, into the modern industrial and intelligent logistic warehousing industrial projects, which has been completed and approved by the relevant authorities during the Relevant Period. The total gross floor area of the Yuquan Projects is approximately 145,000 square meters, of which approximately 56,000 square meters are used by the Group for logistic business and the remaining approximately 89,000 square meters are mainly used for sales. As at 30 June 2024, the gross floor area of the Yuquan Projects of approximately 61,000 square metres had been contracted, of which approximately 25,000 square metres were delivered and revenue was recognised during the Relevant Period. The remaining contracted units of the Yuquan Projects will be delivered progressively before 2025.

Gross profit margin

During the Relevant Period, the gross profit margin of the Group remained steady at approximately 47.5% as compared with that of the corresponding period in 2023 (the first half of 2023: 47.4%), in which the gross profit margin of intimate wear products also remained steady during the Relevant Period at approximately 49.1% as compared with that of the corresponding period in 2023 (the first half of 2023: 48.2%). The gross profit margin of industrial projects and logistic increased to approximately 37.7% (the first half of 2023: 23.7%) during the Relevant Period, which was mainly due to the newly increased sales from the industrial projects during the Relevant Period.

Selling and marketing expenses

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

The decrease in selling and marketing expenses by about 7.7% for the six months ended 30 June 2024 to approximately RMB514,693,000 (the first half of 2023: RMB557,613,000) was mainly driven by a reduction in e-commerce platforms commission and promotion expenses as a result of the change in business strategy in e-commerce business as mentioned above and the decrease in other selling and marketing expenses primarily owing to more effective and precise marketing activities held during the Relevant Period.

General and administrative expenses

General and administrative expenses primarily consist of employee benefit expenses, consulting service expenses, travelling expenses, depreciation and amortisation and others.

The decline in general and administrative expenses by approximately 10.6% for the six months ended 30 June 2024 to approximately RMB83,833,000 (the first half of 2023: RMB93,793,000) was mainly attributable to the continuous and effective cost control measures implemented during the Relevant Period.

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

The amount of approximately RMB2,722,000 was mainly represented the provision for trade receivables made during the Relevant Period. The net reversal of impairment losses of approximately RMB33,726,000 mainly represented the reversal of partial provisions for trade receivables made in previous years upon settlement of these balances during the six months ended 30 June 2023.

Finance expenses – net

Finance expenses – net represents financial expenses on bank borrowings and lease liabilities less interest income on bank deposits.

The decrease in finance expenses – net to approximately RMB8,713,000 (the first half of 2023: RMB9,284,000) was mainly due to the increase in interest income and drop in interest expenses on bank borrowings during the Relevant Period.

Income tax expense

As at 30 June 2024, the Group had fulfilled all its tax obligations and did not have any unresolved tax disputes.

The income tax expense during the Relevant Period increased to approximately RMB37,965,000 (the first half of 2023: RMB8,451,000) during the Relevant Period. Such increase was mainly due to the PRC land appreciation tax charges amounted to approximately RMB15,811,000 and the reversal of part of the deferred tax assets recognised in previous years in respect of tax losses as a result of the sales and profit from industrial projects during the Relevant Period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a strong and healthy financial position. As at 30 June 2024, the Group's restricted bank deposits and cash and cash equivalents amounted to approximately RMB676,317,000 (31 December 2023: RMB681,933,000) and bank borrowings amounted to approximately RMB462,194,000 (31 December 2023: RMB392,480,000). As at 30 June 2024, the current ratio was about 1.6 times (31 December 2023: 1.4 times).

As at 30 June 2024, 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 23.1% (31 December 2023: 20.4%). 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 10.7% (31 December 2023: negative 15.0%) 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 encountered any significant difficulties in obtaining sufficient foreign currencies for repatriation of profits declared by the subsidiaries in mainland China to the overseas holding companies.

CAPITAL EXPENDITURE ON PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the Relevant Period, the capital expenditure on property, plant and equipment and intangible assets of the Group amounted to approximately RMB33,333,000 (the first half of 2023: RMB253,150,000), which was mainly used for decoration and renewal of stores.

PLEDGE OF ASSETS

As at 30 June 2024, the Group's restricted bank deposits, certain property, plant and equipment, and land use rights of approximately RMB706,972,000 (31 December 2023: RMB934,046,000) were pledged as securities for obtaining banking borrowings and notes payables.

HUMAN RESOURCES AND MANAGEMENT

The Group had approximately 2,300 full-time employees as at 30 June 2024 (31 December 2023: 2,600). 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. The Company believes that the ability to recruit and retain experienced and skilled labour is crucial to the Group's growth and development. The Group provides training to its new employees to familiarise them with the working environment and work culture. The Group also provides on-the-job training to the employees, which aims at developing their skills so as to meet the strategic goals and customer requirements. In addition to providing the Group's staff with opportunities to receive on-the-job training, the Group strives to create a harmonious and warm working and living environment for the staff.

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. An environmental, social and governance report for the Group has been issued in accordance with the Environmental, Social and Governance Reporting Guide of the Stock Exchange and included in the 2023 annual report. The environmental, social and governance report of the Company for the year ending 31 December 2024 will be included in the annual report of the Company for the year ending 31 December 2024 which will be issued next year.

INTERIM DIVIDENDS

The Board has recommended the payment of an interim dividend of HK1.1 cents per share of the Company (the “**Share(s)**”), totaling approximately HK\$24,744,000 (the “**Interim Dividends**”) for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil) to be paid on Tuesday, 8 October 2024 to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 25 September 2024. The Interim Dividends are not reflected as a dividend payable in the consolidated financial statements for the six months ended 30 June 2024, but will be reflected as an appropriation for the year ending 31 December 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 23 September 2024 to Wednesday, 25 September 2024, both days inclusive, during which no transfer of the Shares shall be registered. In order to qualify for the Interim Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queens’s Road East, Wanchai, Hong Kong, no later than 4:30p.m. on Friday, 20 September 2024 for registration.

CORPORATE GOVERNANCE PRACTICES

The Board considers that the Company has complied with all the applicable code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) throughout the six months ended 30 June 2024, 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 an 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 from independent perspectives, the Board was therefore of the view that there were adequate safeguards in place to ensure a 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 2024.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules (the “**Model Code**”) as the code of conduct regarding securities transactions by the Directors. Specific enquiry was made with all the Directors and all of the Directors confirmed that they have complied with the requirements set out in the Model Code throughout the six months ended 30 June 2024.

EVENTS AFTER REPORTING PERIOD

There was no significant event occurred subsequent to 30 June 2024, being the end of the reporting period.

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 2024 and the Audit Committee has reviewed the interim results for the six months ended 30 June 2024 and has no disagreement with the accounting treatment and principles adopted by the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2024

This interim results announcement is published on the HKEXnews at <http://www.hkexnews.hk> and on the Company's website at <http://www.cosmo-lady.com.hk>. The 2024 interim report of the Company will be published on both of the aforesaid websites in due course.

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

Hong Kong, 27 August 2024

As at the date of this announcement, the Board comprises Mr. Zheng Yaonan, Mr. Zhang Shengfeng, Ms. Wu Xiaoli, Mr. Xian Shunxiang and Mr. Zhu Hongbo as executive Directors; Mr. Lin Zonghong and Ms. Kong Xiangying 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.