都市丽人
COSMO LADY

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

ANNUAL REPORT 2014

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This annual report is printed on environmental-friendly paper

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. ZHENG Yaonan *(Chairman and Chief Executive Officer)*
Mr. ZHANG Shengfeng *(Deputy Chairman)*
Mr. LIN Zonghong *(Deputy Chairman)*
Mr. CHENG Zuming
Ms. WU Xiaoli

Non-executive Director

Mr. WEN Baoma

Independent Non-executive Directors

Mr. YAU Chi Ming
Dr. DAI Yiyi
Mr. CHEN Zhigang

Joint Company Secretaries

Mr. YU Chun Kau, *FCPA, FCCA, ACA, ACS, ACIS, SIFM*
Mr. WU Xiaobing

BOARD COMMITTEES

Audit Committee

Mr. YAU Chi Ming *(Chairman)*
Dr. DAI Yiyi
Mr. CHEN Zhigang

Remuneration Committee

Dr. DAI Yiyi *(Chairman)*
Mr. CHEN Zhigang
Mr. ZHANG Shengfeng

Nomination Committee

Mr. ZHENG Yaonan *(Chairman)*
Mr. YAU Chi Ming
Mr. CHEN Zhigang

AUTHORIZED REPRESENTATIVES

Mr. ZHENG Yaonan
Mr. YU Chun Kau

REGISTERED OFFICE

Appleby Trust (Cayman) Ltd.
Clifton House
75 Fort Street, P.O. Box 1350
Grand Cayman, KY-1108
Cayman Islands

HEAD OFFICE IN CHINA

Shi Shi Xia Shan Tang Wei
Fengdeling Village, Fenggang Town
Dongguan City, Guangdong Province
PRC

HONG KONG OFFICE

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Hong Kong

SHARE REGISTRARS

Principal

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Cayman Islands

Hong Kong Branch

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LEGAL ADVISORS

As to Hong Kong laws:
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37/F, Hysan Place
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Hong Kong

As to PRC laws:
Jingtian Gongcheng
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China Central Place
77 Jianguo Road
Chaoyang District
Beijing, PRC

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

COMPLIANCE ADVISOR

CMB International Capital Limited
Room 1803-4,18/F
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China Limited,
Fenggang Branch
Dongguan Rural Commercial Bank, Fenggang Branch
China Construction Bank Corporation, Yantian Branch

STOCK CODE

2298

COMPANY'S CORPORATE WEBSITE

www.cosmo-lady.com.hk

INVESTOR RELATIONS CONTACT

cosmo-lady@pordahavas.com

Financial Highlights

		Year ended December 31,		
		2014	2013	Change
Revenue	*RMB'000*	**4,007,636**	2,916,266	+37.4%
Operating profit	*RMB'000*	**575,056**	371,466	+54.8%
Profit attributable to equity holders of the Company	*RMB'000*	**425,227**	275,508	+54.3%
Gross profit margin	*%*	**39.1%**	36.7%	+6.7%
Operating profit margin	*%*	**14.3%**	12.7%	+12.6%
Profit margin attributable to equity holders of the Company	*%*	**10.6%**	9.4%	+12.8%
Earnings per share				
– basic	*RMB cents*	**24.86**	18.37	+35.3%
– diluted	*RMB cents*	**24.86**	18.37	+35.3%
Final dividend per share	*HK$ cents*	**10.00**	–	N/A

		As at December 31,		
		2014	2013	Change
Gearing ratio	*%*	**Net cash**	Net cash	
Current ratio	*times*	**4.4**	1.6	+2.8
Average inventory turnover period	*days*	**78.0**	72.3	+5.7
Average trade receivables turnover period	*days*	**20.6**	22.0	−1.4
Average trade payables turnover period	*days*	**36.6**	45.1	−8.5


COSMO ESQUIRE
COSMO ESQUIRE

Statement from Chairman and CEO

FURTHER ENHANCE AND ELEVATE OUR LEADING POSITION

Dear Shareholders,

In 2014, China's gross domestic product grew by 7.4%, slightly lower than the economic growth rate of 7.7% for the same period last year; the growth rate of the retail sales of consumer products for 2014 was 12%, lower than the growth rate of 13.1% of the retail sales of consumer products during the same period in 2013 as well. Confronted with the pressure of stabilizing economic growth, securing employment rate and observing industrial transformation and enhancement, China has remained as a relatively fast growing economy in the world and maintained a stable overall macroeconomic dynamic.

In 2014, we continued our market-driven and customer-oriented operating strategy and kept cultivating the mass market, implemented our development plan and made modification as and when appropriate. On 26 June 2014, the Group has managed to be listed on the Main Board of The Stock Exchange of Hong Kong Limited, which marked the new starting point for the development of the Group. Meanwhile, through the concerted efforts of the entire staff, for the year ended December 31, 2014, our overall operating results has significantly improved as compared to the previous year. The Group has secured substantial development and progress in all aspects.

Our total revenue grew 37.4% from approximately RMB2.916 billion in 2013 to approximately RMB4.007 billion in 2014. Our gross profit grew from RMB1.069 billion in 2013 to RMB1.568 billion in 2014, representing a year-on-year growth of 46.7%. Operating profit grew 54.8% from approximately RMB371 million in 2013 to approximately RMB575 million in 2014. Net profit grew 54.3% from 2013 to approximately RMB425 million in 2014. Earnings per share grew 35.3% from RMB18.37 cents in 2013 to RMB24.86 cents in 2014. Despite the unfavorable overall market environment, we have achieved good performance in various operational indicators and our business indicated rapid and premium development. In order to provide better returns for shareholders, the Board of Directors proposed to distribute the final dividend of HK$10 cents (equivalent to RMB7.93 cents) for each ordinary share. The dividend rate was 35.6% of the profit attributable to shareholders.

In 2014, we proactively expanded our retail outlets and insisted on the multi-channel development strategy. We emphasized our commitment to the layout of the third-tier and the fourth-tier channels while optimizing the ever-intensive first-tier and second-tier urban outlets, with the fulfillment of developing diversified outlets in commercial streets, social communities, township districts, schools, traffic hubs and commercial supermarkets. In the entire year of 2014, we recorded a net increase of 980 franchised outlets and 256 self-managed outlets nationwide.

Mr. ZHENG Yaonan
Chairman and CEO

Meanwhile, we adopted the flattened business model as well as unifying the management of the franchised outlets and self-managed outlets and obtained the synergetic development with the franchisees. We took the initiative to develop the e-commerce business channel and has implemented several measures to broaden our online sales network, increase traffic of e-commerce platforms, promote online sales and enhance integration of online and offline sales channels, including the interaction between online and offline marketing, launch promotions according to seasons and festivals, and provide exclusive products offering online. Our e-commerce business was launched in February 2014. For the year ended December 31, 2014, the revenue reached RMB73.77 million. The e-commerce development was indeed encouraging.

In 2014, we committed ourselves to enhancing the product mix and quality and insisted on the strategy of product diversification. With the launch of the brand "Secret of City Beauty" (都市麗人的秘密) with body-shaping effect, and the intimate wear products for kids and teenagers, we achieved complete product coverage for kids, teenagers, middle-aged and elderly of both male and female from low-end to high-end of different age and gender as well as the consumer group from all walks of life with different income, and provided the consumers with the pleasant experience of one-stop shopping. We intensively developed men's products and the sales income from men's products recorded a growth rate of 59.8% for the year ended December 31, 2014 as compared to that of last year. As a fashionable brand of intimate wear for the general public, we highly emphasize the importance of product quality-price ratio, coupled with stringent control of product quality and manufacture quality products at reasonable prices for customers.

In 2014, we also developed various brands and insisted on the strategy of brand diversification. We further improved our brand portfolio not only by launching the new brand "Secret of City Beauty" (都市麗人的秘密), but also successfully launched independent outlets for "Freeday" brand, which is of Korean fashionable style featuring simplicity and comfort. While focusing on the mass market, the Group, by means of the merger and acquisition strategy, proactively acquired famous brands of intimate wear. The high-end brands we acquired, namely Ordifen, RUBii and Ilsée, will expand the sales channels of the Group in the high-end market for intimate wear.

In 2014, we endeavored with the greatest efforts to create good brand image of the Group. The popular brands of Cosmo Lady have been deeply rooted in the heart of consumers. All in all, Cosmo Lady has been designated as the fashionable intimate wear brand aiming at the mass market. For the year, we have committed ourselves in consolidating our market position as the largest branded intimate wear retailer in China. In April, 2014, we organized a grand fashion show in China. Ms. Lin Chi-ling (林志玲) and Mr. Huang Xiao-ming (黃曉明) have been engaged as the Group's image spokespersons to enhance the brand image of the Group. At the same time, we have proactively performed our social responsibilities.

In 2014, we endeavored to update our information system, promote effective production planning and optimize the outlet inventory level. We developed the information system connected to the suppliers for our raw material suppliers and OEM suppliers to jointly share the information on production, purchase and sales with the Group, so as to optimize the supply chain management and efficiency of the Group for seamlessly matching sales, production and purchase with the market. We also conducted research with great efforts regarding the auto-replenishment system to enhance the efficiency of replenishing goods and improve the inventory turnover rate. We developed an automated scheduling system to optimize of rational allocation of human resources along sales channels. We also developed the data analysis platform for the Group to have real-time understanding of the market and the procurement-sales-inventory status of the outlets, so as to cope with the ever-changing market.

Despite the slowdown of China's economic growth, we remain optimistic about our future business development. In light of China's persistent economic development, coupled with the various economic reforms implemented by the government, we trust that the residents' income and expenditure will increase. Furthermore, since the intimate wear has been classified as basic daily necessities possessing anti-cycling characteristics with the mass market as the biggest market segment in the industry, we deeply believe that the strategy of focusing development in such industry is capable of helping us to sustain growth. We will integrate the competitive edges on product research and development, patented technologies and brand resources of the high-end Ordifen brand acquired with the competitive edges on the existing supply chain management, information technology, retail capability and channel management of Cosmo Lady to create the new model of high-end intimate wear market for expanding the business of the Group further.

The year of 2014 is over. There are still a lot of business opportunities and challenges in 2015. We will seek to grasp the opportunities available in the market right away. By means of further expanding the sales network, further optimizing our product and brand mix, enhancing the brand popularity, optimizing the supply chain and reinforcing the capability of logistics management, we endeavor to achieve the sustainable growth to create greater value and returns for shareholders, while ensuring the win-win and mutual benefits for the Group, suppliers, franchisees and staff members.

ZHENG Yaonan
Chairman and Chief Executive Officer

Hong Kong, March 9, 2015

Management Discussion and Analysis

MARKET REVIEW

During the year of 2014, China's economy demonstrated a steady growth amid its economic transformation from investment dependence to domestic consumption. China's gross domestic product ("**GDP**") grew by 7.4% to RMB63.65 trillion in 2014, representing a mild deceleration of growth as compared with 7.7% GDP growth recorded in 2013, according to the National Bureau of Statistics of China. The per capita annual disposable income and per capita consumption expenditure of urban households have increased by 7.0% and 9.4%, respectively, year-on-year in 2014, both of which indicated an improvement of living standards and stimulated the development of the retail industry in China.

According to Frost & Sullivan, the total retail sales of consumer goods in China rose by 12.0% and reached RMB26.24 trillion in 2014. In particular, the retail sales of the intimate wear market in China increased by 14.4% and reached RMB221.8 billion in 2014. While the retail industry remained relatively stagnant, China's intimate wear market managed to sustain its stable growth rate mainly due to its relatively anti-cyclical nature and strong resilience of its products as a close necessity.

Attributed to the Group's keen efforts in striving the best results for its shareholders and the favorable industry outlook, for the year ended December 31, 2014, the Group's revenue grew by 37.4% over the previous year to RMB4,007,636,000 and the Group maintained a healthy single-digit same sales growth. Profit attributable to equity holders of the Company increased by 54.3% to RMB425,227,000. Earnings per share reached RMB24.86 cents (2013: RMB18.37 cents), representing a year-on-year increase of 35.3%.

BUSINESS REVIEW

For the year ended December 31, 2014, the Group remained the largest branded intimate wear enterprise in the overall Chinese intimate wear market with a market share of 2.9% in terms of total retail sales, according to Frost & Sullivan. The Group has seized the leading position in major product segments of the Chinese intimate wear market in 2014. According to Frost & Sullivan, the Group ranked number one in terms of retail sales in various product segments including bra, underpants and sleepwear and loungewear. The Group also ranked the third in terms of retail sales of thermal clothes in 2014.

The Group has on one hand continued its persistent pursuit of growth in the mass market of the intimate wear industry in China, which is the largest and fastest growing sub-segment of the industry according to Frost & Sullivan, through new brand launching such as Secret of City Beauty and Freeday, and on the other hand has been exploring the ample growth potential to be captured by the Group's new venture into the high-end intimate wear market in China through its acquisition of brands including, among others, Ordifen, in the first quarter of 2015. Leveraging on its extensive retail network and diversified brand and product portfolio, the Group believes it has further consolidated its leading position in the intimate wear industry in China over the year 2014.

Extensive and Effective Retail Network Nationwide

During 2014, the Group has progressively expanded its retail network and strategically located its outlets across China in order to effectively reach its target customers and achieve steady business growth. The Group adopts a flat distribution model, which avoids distributors or multiple layers of franchisees. Such streamlined distribution model enables the Group to have direct control of its retail network and ensures close monitoring of the operation of its outlets, which in turn significantly facilitates the Group to have efficient management of its sales activities, inventory level and brands building. As of December 31, 2014, the Group's retail network consisted of approximately 7,026 outlets in various prefecture-level cities in all provinces as well as municipalities and autonomous regions in China, among which approximately 6,049 were franchised outlets and approximately 977 were self-managed outlets.

In line with its blueprint of business expansion and the business strategy to further increase its presence in regions with high growth potential (mainly third and fourth tier cities and counties), the Group attained a net increase of approximately 980 franchised outlets and approximately 256 self-managed outlets for the year ended December 31, 2014. During 2014, a major part of the expansion has taken place in Northern China (as defined below), where market penetration by the Group is relatively low as compared to other regions in China.

Noting the increasing importance of e-commerce as one of the sales channels in the intimate wear industry in China, the Group launched its e-commerce platform in February 2014 and has been collaborating with renowned online sales platforms such as Tmall.com, VIP.com, JD.com, YHD.com and JUMEI.com since the second quarter of 2014. The Group has taken several initiatives to broaden its online sales network, increase traffic of its e-commerce platform, promote its online sales and enhance the integration of its online and offline sales channels. As of December 31, 2014, the Group has over 30 million members in its membership program. The Group will continue to make good use of its vast and loyal customer base in developing its e-commerce sales channel.

Diversified Brand and Product Portfolio

In order to cater for consumers of different demographics, the Group has been marketing and selling its products through a diversified brand portfolio, comprising the core brand "Cosmo Lady" (都市•儷人) and three sub-brands, namely "Cosmo Elegance" (都市•絲語), "Cosmo Blossom" (都市•繽紛派) and "Cosmo Esquire" (都市•鋒尚). The Group has further elevated its brand portfolio during the year ended December 31, 2014. A new brand "Secret of City Beauty" (都市麗人的秘密), which offers products of premium quality with functional body-shaping features and aims to attract the urban white-collar ladies and well – off housewives, was launched in the first half of 2014. As at December 31, 2014, products of Secret of City Beauty were sold in more than 1,000 outlets across China. Another new brand named "Freeday" (自在時光) was introduced in the fourth quarter of 2014, with a brand portrait of simple and fresh Korean style targeting at young consumers who are fashion-conscious. As at the end of 2014, there were 23 self-managed outlets which offer products under the Freeday brand exclusively in China. The Group intends to increase the number of self-managed outlets which offer products under the Freeday brand as well as have franchised outlets of the Freeday brand in 2015.

Besides, through the acquisition of brands including Ordifen, Rubii and Ilsée, which are prestigious high-end brands with great customer awareness, the Group has efficiently elevated its brand portfolio and increased the number of its major brands to nine in the first quarter of 2015, as compared to four at the beginning of 2014.

The Group has also been enhancing its product spectrum to further its penetration into the Chinese intimate wear market over the year ended December 31, 2014 through various measures, including the introduction of intimate wear products for juvenile and kids in the fourth quarter of the year and the continuous enrichment of product range of men's intimate wear products. For the year ended December 31, 2014, the sales of Cosmo Esquire products recorded an encouraging year-on-year growth of 59.8% and reached RMB496,758,000. According to Frost & Sullivan, the Group is also a leading player in terms of the retail sales in men's intimate wear market in China in 2014. The Group believes this robust growth could be maintained with its strategy to broaden the product range of its men's intimate wear products.

Besides, the Group has been active in seeking the opportunities to collaborate with leading design houses to enhance its design capabilities as well as international brands to launch cross-over products. During 2014, the Group has cooperated with Sanrio Group and launched a new line of Hello Kitty intimate wear products.

Efficient Promotion and Marketing

The Group believes that brand awareness is crucial to its long-term business development and a cornerstone of its future success. Alongside the stringent requirement on its product quality and creating satisfactory customer shopping experience, the Group has invested in promotion and marketing to further build up its brand awareness. The Group's image spokespersons, Ms. Lin Chi-ling (林志玲小姐) and Mr. Huang Xiaoming (黃曉明先生) are well-known artists with great popularity in China. Their participation in various marketing campaigns of the Group during 2014 has heightened the Group's brand awareness and elevated the corporate image of the Group. Besides, the Group organized a grand product launch and fashion show in April 2014 to showcase to the public its quality products and the latest fashion trends in the intimate wear industry in China. The Group has also launched a series of TV commercials, paper-prints and online media advertisements to drive its brand awareness and increase popularity of its brands.

Streamlined Retail and Supply Chain Management

The Group considers continuous enhancement of its supply chain and logistics management capabilities key to maintaining its competitive edge over the other market players. In 2014, the Group has been devoting resources to further integrate its supply chain, such as the development of a linked supply chain information system which will facilitate the sharing of production and procurement information among the Group's designated raw material suppliers, the Group's OEM suppliers and the Group. It is expected that the production process, product replenishment, shipment coordination and inventory and product quality control will be further optimized upon the implementation of such information system.

Each outlet of the Group is equipped with the information technology system, including point of sales terminals and the real-time ordering system, which are directly connected to the centralized system at the headquarters of the Group. The data collected from the outlets are compiled and analyzed at the headquarters on a daily basis so that the Group can better understand the market, optimize production planning, exercise inventory control across the retail network and respond quickly to the rapidly changing market. Each self-managed outlet of the Group is also equipped with the upgraded inventory system software to enable automatic stock replenishment monitoring. The software can automatically calculate a safe inventory level based on current stock, sales and product life cycle data and provide alerts whenever stock volumes fall under the prescribed levels.

The logistics network of the Group currently consists of one central logistics center located at the headquarters in Dongguan and one regional logistics center in Tianjin. In general, the central logistics center in Dongguan is responsible for distributing products to outlets in Southern China, South-Western China and part of Eastern China and replenishing the regional logistics center, while the regional logistics center in Tianjin is responsible for distributing products to outlets in Northern China and part of Eastern China. In response to the rapid expansion of its retail network, the Group intends to establish three additional regional logistics centers in Dongguan, Tianjin and Chongqing so as to further strengthen its logistics capabilities and shorten the time required to deliver its products to the market. The new logistics center in Dongguan is expected to commence operation in the second quarter of 2015, while the construction of the Tianjin logistics center is expected to start in the second half of 2015. Depending on the demand of logistics capacity for the Group's business, the construction of the Chongqing logistics center will commence in time as and when appropriate.

Outstanding Product Design, Research and Development

Thanks to the rapidly increasing fashion awareness among the Chinese consumers, the Group's brands are well received by the consumers for its fashionable and stylish product design. During 2014, the Group has continued to fortify the product design and development capability, which is critical for the Group to accurately grasp the market trends and deliver popular new products. Initiatives including investing in a new computerized design system and other equipment, and recruiting talented industry-leading designers have taken place during 2014. Currently, the Group employs a committed product design, research and development team for each of its major product categories. As of December 31, 2014, the in-house design, research and development team comprised approximately 70 designers and design assistants. As of December 31, 2014, the Group had a total of 34 registered patents in China, including 8 exterior design patents and 26 utility model patents.

Corporate Social Responsibility and Awards

The Group is committed to a high standard of corporate social responsibility and dedicates resources to a broad range of initiatives that benefit its employees, the environment, and the community. The Group strives to cultivate a joyful and energetic work environment and has hosted a number of activities for its employees and their families in the year ended December 31, 2014, with particular emphasis on work-life balance. The Group has also provided educational programs to its employees covering topics such as ethical business, health and safety awareness and environmental conservation. In an attempt to foster a better community, the Group has made donations to a number of charitable organizations during the year which aims to provide supports to the underprivileged and bolster the development of the youth.

The Group obtained a number of noteworthy awards for its achievements in business operations as well as its contributions to charities and social responsibility activities during the year ended December 31, 2014. The Group was honored to receive the following accolades: "2013 China Franchise Entrepreneurship Contribution Award" ("2013年度中國特許經營創業貢獻獎") from the China Chain Store & Franchise Association ("中國連鎖經營協會"); and "Clothing & Textile Enterprise with Own Brands for Focus Tracking and Nurture" ("重點跟踪培育服裝家紡自主品牌企業") from Ministry and Information Technology of the People's Republic of China ("中華人民共和國工業和信息化部") and China National Textile And Apparel Council ("中國紡織工業聯合會"), "2013 Guangdong Outstanding Chain Brand" ("2013廣東傑出連鎖品牌") from the Guangdong Honorable Business Promotion Society ("廣東省光彩事業促進會") and "Honorary Plaque for the Charity Activity 'Great Love Has Borders'" ("「大愛有疆」公益活動榮譽牌匾") from the Xinjiang Supportive Executive Team in Guangdong ("廣東省對口支持新疆工作隊"). The Group was recognised as "2013 Outstanding Enterprises in Dongguan" ("東莞市2013年度優秀企業") during the year.

FINANCIAL REVIEW

Revenue

The Group's revenue is derived from sales of products, either to the franchisees or to consumers through self-managed outlets.

The total revenue increased by 37.4% from RMB2,916,266,000 for the year ended December 31, 2013 to RMB4,007,636,000 for the year ended December 31, 2014. The increase was mainly attributable to the increase in the volume of products sold as a result of the increased number of the franchised and self-managed outlets and the improved performance of the franchised and self-managed outlets.

Revenue by sales channel

The products of the Group are sold to consumers through an extensive network of approximately 7,026 outlets including approximately 6,049 franchised outlets and approximately 977 self-managed outlets in more than 330 prefecture-level cities across China as of December 31, 2014. The following table sets out an analysis of the total revenue by sales channel, each expressed in the absolute amount and as a percentage of the total revenue.

	Year ended December 31,			
	2014		2013	
	RMB'000	**%**	RMB'000	%
Sales to franchisees	**2,689,850**	**67.1**	2,240,433	76.8
Retail sales	**1,244,013**	**31.0**	675,833	23.2
E-commerce	**73,773**	**1.9**	–	–
Total revenue	**4,007,636**	**100.0**	2,916,266	100.0

Revenue by type of products

The Group's revenue is generated from five major lines of intimate wear products: bras, underpants, sleepwear and loungewear, thermal clothes and others. The following table sets out an analysis of the total revenue by product category, each expressed in the absolute amount and as a percentage of the total revenue.

	Year ended December 31,			
	2014		2013	
	RMB'000	**%**	RMB'000	%
Bras	**1,854,044**	**46.3**	1,386,163	47.5
Underpants	**622,152**	**15.5**	437,041	15.0
Sleepwear and loungewear	**606,815**	**15.1**	443,308	15.2
Thermal clothes	**517,094**	**12.9**	381,422	13.1
Others[1]	**407,531**	**10.2**	268,332	9.2
Total revenue	**4,007,636**	**100.0**	2,916,266	100.0

Note: [1] Includes leggings and tights, vests, hosiery and accessories.

Revenue by brand

The Group's revenue is generated from intimate wear products under different brands: Cosmo Lady, Cosmo Elegance, Cosmo Blossom, Cosmo Esquire, Secret of City Beauty and Freeday. The following table sets out an analysis of the total revenue by brand, each expressed in the absolute amount and as a percentage of the total revenue.

	Year ended December 31,			
	2014		2013	
	RMB'000	**%**	RMB'000	%
Cosmo Lady	**1,679,758**	**41.9**	1,255,530	43.1
Cosmo Elegance	**1,244,193**	**31.0**	922,403	31.6
Cosmo Blossom	**460,206**	**11.5**	382,868	13.1
Cosmo Esquire	**496,758**	**12.4**	310,881	10.7
Other	**126,721**	**3.2**	44,584	1.5
Total revenue	**4,007,636**	**100.0**	2,916,266	100.0

Revenue by geographic location

In order to facilitate sales and optimize decision-making, the Group manages its nationwide retail network across four sales regions, namely Southern China, Eastern China, South-Western China and Northern China (all as defined below), which report individually to the headquarters. The following table sets out an analysis of the total revenue by geographic region, each expressed in the absolute amount and as a percentage of the total revenue.

	Year ended December 31,			
	2014		2013	
	RMB'000	**%**	RMB'000	%
Southern China[1]	**1,800,279**	**44.9**	1,336,606	45.8
Eastern China[2]	**804,075**	**20.1**	693,503	23.8
South-Western China[3]	**748,986**	**18.7**	550,083	18.9
Northern China[4]	**654,296**	**16.3**	336,074	11.5
Total revenue	**4,007,636**	**100.0**	2,916,266	100.0

Notes:

(1) Southern China includes Guangdong, Fujian, Hubei, Hunan, Guangxi, Jiangxi and Hainan ("**Southern China**");

(2) Eastern China includes Shanghai, Jiangsu, Zhejiang, Anhui, Shandong and Henan ("**Eastern China**");

(3) South-Western China includes Sichuan, Chongqing, Shanxi, Gansu, Qinghai, Yunnan, Guizhou, Tibet, Xinjiang and Ningxia ("**South-Western China**"); and

(4) Northern China includes Heilongjiang, Jilin, Liaoning, Beijing, Inner Mongolia, Hebei, Tianjin and Shanxi ("**Northern China**").

Southern China and Eastern China have been the two largest regional markets, which in aggregate contributed approximately 65.0% and 69.6% of the total turnover for the year ended December 31, 2014 and 2013, respectively. The aggregate revenue contributed by Southern China and Eastern China as a percentage of the total revenue decreased during the year ended December 31, 2014 compared with 2013, because sales in Northern China out-perform all other region by more than double of its revenue over last year, mainly due to the lower market penetration rate of the Group in Northern China.

Cost of Sales

Cost of sales primarily consists of cost of inventories recognized in cost of sales, employee benefit expenses, government charges and levies, write-down of inventories, and others.

Cost of sales in the absolute amount increased by 32.1% during the year ended December 31, 2014 compared with the same period of 2013, because of business expansion. The table below sets forth an analysis of cost of sales, each expressed in the absolute amount and as a percentage of the total cost of sales.

	Year ended December 31,			
	2014		2013	
	RMB'000	**%**	RMB'000	%
Cost of inventories recognized in cost of sales	**2,358,988**	**96.7**	1,792,171	97.0
Employee benefit expenses	**21,003**	**0.9**	14,248	0.8
Taxes and levies	**23,017**	**0.9**	13,175	0.7
Write-down of inventories	**36,695**	**1.5**	27,415	1.5
Others	**414**	**0.0**	400	0.0
Total cost of sales	**2,440,117**	**100.0**	1,847,409	100.0

Gross Profit and Gross Profit Margin

During the year ended December 31, 2014, the Group recorded a gross profit of RMB1,567,519,000, representing an increase of 46.7% from 2013.

The gross profit margin of the Group increased from 36.7% for the year ended December 31, 2013 to 39.1% for the year ended December 31, 2014. The increase in gross profit margin of the Group was primarily due to the continuous improvement of the channel and product mix, the further integration of the industry supply chain and the enhancement of economies of scale.

Selling and Marketing Expenses

Selling and marketing expenses primarily consist of employee benefit expenses, operating lease rentals in respect of land and buildings, concession fees, marketing and promotion expenses, consumables recognized in expenses, depreciation and amortization, and others. The equity-settled share-based compensation included in employee benefit expenses for the year ended December 31, 2014 is RMB2,655,000 (2013: RMB2,540,000).

Selling and marketing expenses increased by 51.2% from RMB588,906,000 for the year ended December 31, 2013 to RMB890,308,000 for the year ended December 31, 2014. The increase was primarily attributable to the increase in the number of the self-managed outlets from approximately 721 as of December 31, 2013 to approximately 977 as of December 31, 2014 such that the aggregate of employee benefit expenses, operating lease rentals in respect of land and buildings, concession fees increased significantly during the years indicated.

General and Administrative Expenses

General and administrative expenses primarily consist of employee benefit expenses, government charges and levies, consulting service fees, listing expenses, depreciation and amortization, and others. The equity-settled share-based compensation included in employee benefit expenses for the year ended December 31, 2014 is RMB6,196,000 (2013: RMB3,186,000).

General and administrative expenses increased by 26.0% from RMB147,410,000 for the year ended December 31, 2013 to RMB185,792,000 for the year ended December 31, 2014. The increase was primarily attributable to an increase of RMB6,210,000 in listing expenses and an increase of RMB12,484,000 in employee benefit expenses incurred as a result of the growth of the Group's business.

Other Income

Other income consists of franchise fee income, software usage income, government grants, service fee income and others.

Other income increased by 103.0% from RMB38,957,000 for the year ended December 31, 2013 to RMB79,098,000 for the year ended December 31, 2014. The increase was primarily attributable to an increase of RMB18,149,000 in government grant received and a service fee income of RMB23,497,000 received during the year for interior services provided to franchisees.

Other Gains – net

Other net gains consist of net foreign exchange gains and net loss on disposal of property, plant and equipment.

Finance Income – net

Net finance income represents interest income derived from available-for-sale financial assets and short-term bank deposits, offset by finance costs. The Group had net finance income of RMB12,400,000 and RMB3,407,000 for the year ended December 31, 2014 and 2013, respectively.

Income Tax Expenses

Income tax expense primarily represents income tax payable by the Group under relevant PRC income tax rules and regulations. Income tax expense consists of current income tax and deferred income tax. Current income tax consists of PRC enterprise income tax at a rate of 25% that the PRC subsidiaries of the Group pay on their taxable income. Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Income tax expense increased from RMB99,365,000 for the year ended December 31, 2013 to RMB162,229,000 for the year ended December 31, 2014. The increase in income tax expense was primarily due to an increase in taxable income. The effective tax rate of the Group for the year ended December 31, 2013 and 2014 was 26.5% and 27.6%, respectively, all of which were slightly higher than the PRC statutory income tax rate of 25% primarily attributable to the tax effect of expenses not deductible for tax purpose. As of December 31, 2014, the Group had fulfilled all its tax obligations and did not have any unresolved tax disputes.

WORKING CAPITAL MANAGEMENT

	As of	
	December 31, 2014	December 31, 2013
Inventory turnover days	**78.0**	72.3
Trade receivables turnover days	**20.6**	22.0
Trade payables turnover days	**36.6**	45.1

The increase in inventory turnover days by 5.7 days was primarily due to the 57.9% increase in inventory balance from RMB404,356,000 as of December 31, 2013 to RMB638,606,000 as of December 31, 2014, arising from the increased proportion of sales through the self – managed outlets.

Trade receivables turnover days slightly decreased from 22.0 days in 2013 to 20.6 days in 2014, while trade payables turnover days decreased from 45.1 days for the year ended December 31, 2013 to 36.6 days for the year ended December 31, 2014.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy balance sheet. As of December 31, 2014, net working capital was RMB1,793,350,000, representing an increase of 408.2% or RMB1,440,466,000 as compared with December 31, 2013. As of December 31, 2014, current ratio was 4.4 times (2013: 1.6 times) (Current ratio is calculated by using the following formula: Current Assets/Current Liabilities), mainly attributable to net proceeds from the initial public offering received during the year ended December 31, 2014.

Net cash used in operations was RMB54,111,000 for the year ended December 31, 2014 (2013: net cash generated from operations RMB217,595,000), mainly attributable to the expansion of the Group's business especially the increase in number of self-managed outlets which occupied the Group's funding in rental deposits and prepaid rental.

Net cash used in investing activities for the year ended December 31, 2014 was RMB279,290,000 (2013: RMB60,747,000). During the year ended December 31, 2014, the Group invested RMB114,279,000, RMB18,586,000 and RMB10,038,000 on payments and deposits for purchases of property, plant and equipment (including retail outlets' decorations), land use rights, and intangible assets, respectively.

During the year ended December 31, 2014, net cash generated from financing activities was RMB964,512,000 (2013: net cash used in financing activities RMB46,691,000), mainly attributable to net proceeds from the initial public offering of RMB1,161,668,000, partly offset by the payment of dividends to the then equity holders of RMB163,538,000.

As of December 31, 2014, the Group was in a net cash position of RMB921,337,000 (2013: RMB290,027,000).

CAPITAL EXPENDITURES

Capital expenditures increased from RMB69,109,000 for the year ended December 31, 2013 to RMB130,816,000 for the year ended December 31, 2014. Capital expenditures were used primarily for (i) construction expenditure of Dongguan Fumin Industrial Park to establish an additional regional logistics center in Dongguan, (ii) purchases of two parcels of land in Tianjin and Chongqing for the regional logistics centers, and (iii) additions to property, plant and equipment for the newly opened self-managed outlets.

PLEDGE OF ASSETS

As of December 31, 2014, no property, plant and equipment, and land use rights were pledged as security for banking facilities available to the Group.

CONTINGENT LIABILITIES

As of December 31, 2014, the Group did not have any significant contingent liabilities.

FINANCIAL RISK MANAGEMENT

Foreign Exchange Risk

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into certain forward foreign exchange contracts, when necessary, to manage its exposure against foreign currencies and to mitigate the impact on exchange rate fluctuations. During the year ended December 31, 2014, no forward foreign exchange contracts had been entered into by the Group.

The Group operates in the PRC with most of the Group's transactions denominated and settled in RMB. The Group's assets and liabilities, and transactions arising from its operations do not expose the Group to material foreign exchange risk as the Group's assets and liabilities as at December 31, 2014 were denominated in the respective group companies' functional currencies.

Cash Flow and Fair Value Interest Rate Risk

As the Group has no significant interest-bearing assets (other than bank balances and cash), the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no interest-bearing liabilities at the year-end.

Credit Risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits and other receivables, bank balances and cash included in the consolidated balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has policies in place to ensure credit terms are only granted to franchisees with an appropriate credit history, and credit evaluations on them were performed periodically, taking into account their financial position, past experience and other factors. For customers to whom no credit terms were offered, the Group generally require them to pay deposits and/or advances prior to delivery of products. The Group typically does not require collaterals from customers. Provisions are made for the balance that is past due when the management considers the loss from non-performance by the customers is likely. Sales to retail customers are settled in cash or using major credit cards. The Group also makes deposits to the relevant landlords for lease of certain of the self-managed outlets. The management does not expect to incur any loss from non-performance by these counterparties.

As at December 31, 2014, all of the bank balances, term deposits and restricted bank deposits were deposited with highly reputable and sizable banks and financial institutions without significant credit risk in the PRC and Hong Kong. The management does not expect to incur any loss from non-performance by these banks and financial institutions. As at December 31, 2014 and 2013, the Group held bank balances, term deposits and restricted bank deposits totalling RMB537,108,000, and RMB235,080,000, respectively, with the four major state – owned banks of the PRC and Hong Kong.

Liquidity Risk

The liquidity position is monitored closely by the management. The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance its operations and mitigate the effects of fluctuations in cash flows.

HUMAN RESOURCES

The Group employed a total of approximately 6,600 full-time employees as of December 31, 2014. The Group believes its human resources are its valuable assets and maintains its firm commitment to attracting, developing and retaining talented employees, in addition to providing dynamic career opportunities and cultivating a favorable working environment. The Group constantly invests in training across diverse operational functions and offer competitive remuneration packages and incentives to all employees. The Group regularly reviews its human resources policies for addressing corporate development needs.

SUBSEQUENT EVENTS

On March 1, 2015, Tianjin (Ordifen) Fashion Company Limited, an indirect wholly-owned subsidiary of the Company, entered into an asset transfer agreement with, among others, Shanghai Ordifen Co., Ltd., Mr. Wang Wen-Tsung and Mr. Wang Chen-Hsing (collectively the "**Sellers**") to acquire the business of the design, research, development, sale and manufacturing of intimate wear products owned by the Sellers, including but not limited to the Ordifen, Rubii and Ilsée brands and certain assets in connection with the operation of such business (the "**Acquisition**") at a consideration of RMB92,000,000. The Acquisition is expected to be completed by June 2015. Please refer to the announcement in relation to, among others, the Acquisition published by the Company on March 1, 2015 for further details.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company's ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on June 26, 2014. The total net proceeds from the initial public offering amounted to approximately HK$1,463 million (equivalent to approximately RMB1,162 million). The Group has, during the year ended December 31, 2014, utilized RMB58,910,000 (equivalent to approximately HK$74,353,000) to expand its retail network by increasing the number of its self-managed outlets, RMB45,600,000 (equivalent to approximately HK$57,554,000) to establish the regional logistics center in Dongguan, RMB10,867,000 (equivalent to approximately HK$13,716,000) to purchase two parcels of land in Tianjin and Chongqing for the establishment of new regional logistics centers, RMB9,010,000 (equivalent to approximately HK$11,372,000) to upgrade information technology infrastructure. RMB92,000,000 (equivalent to approximately HK$113,778,000) was used as consideration of the Acquisition, where the management sees adequate business growth potential for the Group, subsequent to the end of the financial year 2014. Furthermore, the Group also plans to use part of the net proceeds to establish an additional design, research and development center. At the end of the year, net proceeds not yet utilized were deposited with a licensed bank in Hong Kong and state-owned banks in China.

OUTLOOK AND STRATEGY

The Group's outlook for China's economy in the short term future remains cautiously optimistic. The slowdown of the country's economic growth appears to have bottomed and the government is expected to set a GDP target of around 7% for 2015. It is also expected that the Chinese government's efforts to stimulate economic activities will provide support for growth and China will achieve healthy economic development for 2015. The continuous growth of population and urbanization in China, coupled with ongoing improvements of disposable income and living standards of the Chinese are expected to boost consumer spending and promote gradual growth in the retail industry in China. The increasing awareness of fashion concept and appreciation of product quality and functionality by the Chinese consumers are expected to further catalyze the retail sales of the intimate wear industry. The Group is confident to capitalize on these encouraging developments to further expand its business and accelerate its revenue growth.

The Group is committed to maintaining all outlets in its existing retail network to the highest standard and offer its customers unparalleled shopping experience, which will in turn promote a healthy same-store growth of its outlets. The Group will also extend its geographic coverage nationwide and deepen its market penetration by establishing additional outlets in regions with relatively lower market presence.

In addition, the Group has expanded its retail network to cover department stores, shopping malls and other large retail centers through the Acquisition, which could be a great supplement to its existing distribution network which consists of mainly street-level outlets. The Group will leverage on its strong management capability and industry expertise to effectively manage the operation of its outlets in these new channels and reach out to a wider group of potential customers.

In view of the encouraging performance of its online sales, the Group will continue to devote effort and resources to develop its e-commerce sales channels. The Group is in the active process of improving its comprehensive online shopping platform (www.cosmolady-park.com*), which will facilitate the integration of its online and offline sales channels and serve as a complementary sales channel to the physical outlets and give rise to coherent multi-channel customer experiences. The Group will also enhance its business relationship with the major e-commerce operators in China so as to showcase its products on business-to-customer platforms with high traffic and participate in diversified online marketing campaigns. Further, the Group will launch specific promotion and provide selected products offering in various festive seasons on its own e-commerce platforms and other major e-commerce platforms in China.

Besides, the Group will continue to enrich its product offering and diversify its brand portfolio. With the introduction of the new brands "Secret of City Beauty" and "Freeday", as well as intimate wear products for juvenile and kids, the Group believes it has successfully broaden its customer base and provided its existing customers with a larger variety of products with different styles. On an important note, the Acquisition marked the Group's initial presence in the high-end intimate wear market in China. The Group will leverage on the synergy to be brought by the established sales networks and well-known brands "Ordifen", "Rubii" and "Ilsée" transferred from the Sellers, as well as its own expertise and experience in China's intimate wear market, to develop the newly acquired business and further increase the Group's market share.

Going forward, the Group will continue to strive to consolidate the highly fragmented intimate wear market in China and further solidify its leadership in the industry.

* The content of this website does not form part of this annual report.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. ZHENG Yaonan (鄭耀南), aged 39, is one of the founders of our Group and was appointed as our Chairman, executive Director and chief executive officer on January 30, 2014 and is the chairman of the Company's Nomination Committee. He also holds positions as the executive director and concurrently as the general manager in a number of the Company's subsidiaries. Mr. Zheng started the intimate wear sales business as early as in 1998 and served as the chairman and the president at Shenzhen City Beauty Fashion Co., Ltd. (深圳市都市麗人風內衣有限公司), an intimate wear company, from March 2006 to August 2009. Mr. Zheng co-founded Cosmo Lady Guangdong, in September 2009, where he had served as the chairman and the president since then until July 2013, and has thereafter held the positions of executive director and chief executive officer. With approximately 16 years of experience in the intimate wear manufacturing and sales industry, Mr. Zheng has been the key driver of our business strategies and achievements to date. He is primarily responsible for the strategic planning, business development, corporate management and overall performance of our Group.

Mr. Zheng is currently a committee member of Guangdong Provincial Committee of Chinese People's Political Consultative Conference (政協廣東省委員會), a vice chairman of China Youth Entrepreneur Association (中國青年企業家協會), the chairman of Guangdong Youth Association (廣東省青年聯合會) and the vice chairman of World Dongguan Entrepreneurs (世界莞商聯合會)..

Mr. Zheng has completed the China CEO Program and obtained an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院), Beijing, in December 2013. He is studying for an executive master of business administration degree at the School of Management of Xiamen University (廈門大學), Xiamen, Fujian Province and a EMBA course in the Faculty of Financial Management of Shanghai Jiao Tong University.

Mr. Zheng is the husband of Ms. Wu, our executive Director and vice president.

Mr. ZHANG Shengfeng (張盛鋒), aged 46, was appointed as our executive Director, deputy Chairman of the Board and vice president on January 30, 2014 and is a member of the Company's Remuneration Committee. He also holds positions as the executive director and concurrently as the general manager in a number of the Company's subsidiaries. Mr. Zhang was a co-founder of Cosmo Lady Guangdong, established in September 2009, where he had served as a deputy chairman since then until July 2013, and has thereafter held the positions of executive director and vice president. Previously, Mr. Zhang served as a director at Shenzhen City Beauty Fashion Co., Ltd. (深圳市都市麗人風內衣有限公司), an intimate wear company, from March 2006 to August 2009. Mr. Zhang is primarily responsible for the design, research and development and procurement of our Group.

Mr. Zhang has been a deputy chairman of Dongguan Fenggang Association of Enterprises with Foreign Investment (東莞市鳳崗外商投資協會) and a deputy chairman of Shenzhen Underwear Association (深圳市內衣協會) since September 2011 and August 2012, respectively.

Mr. Zhang is currently studying for an executive master of business administration degree at the School of Management of Xiamen University (廈門大學), Xiamen, Fujian Province and is also a participant of the EMBA Programme at Cheung Kong Graduate School of Business (長江商學院), Beijing branch. Mr. Zhang has obtained a college degree in industrial electric automation from Guangdong College of Engineering (廣東工學院), which was combined with the other two colleges and now known as Guangdong University of Technology (廣東工業大學), Guangzhou, Guangdong Province in July 1990.

Mr. LIN Zonghong (林宗宏), aged 46, was appointed as our executive Director, deputy Chairman of the Board and vice president on January 30, 2014. He also holds positions as the executive director and concurrently as the general manager in a number of the Company's subsidiaries. Mr. Lin is also the supervisor of Fanxue Fashion (Zhengzhou), a wholly-owned subsidiary of our Company. Mr. Lin was a co-founder of Cosmo Lady Guangdong, established in September 2009, where he had served as a deputy chairman since then until July 2013, and has thereafter held the positions of executive director and vice president. Prior to that, Mr. Lin served as a director at Shenzhen City Beauty Fashion Co., Ltd. (深圳市都市麗人風內衣有限公司), an intimate wear company, from June 2006 to September 2009. Mr. Lin is primarily responsible for the production and logistics of our Group.

Mr. Lin is currently studying for an executive master of business administration degree at the School of Management of Xiamen University (廈門大學), Xiamen, Fujian Province, and has graduated from China Europe International Business School (中歐國際工商學院), Shanghai, upon finishing the study of the Advanced Management Programme in June 2013.

Mr. CHENG Zuming (程祖明), aged 38, was appointed as our executive Director, vice president and chief operating officer on January 30, 2014. He also holds positions as the executive director and concurrently as the general manager in a number of the Company's subsidiaries. Mr. Cheng was a co-founder of Cosmo Lady Guangdong, established in September 2009, where he had served as a director since then until July 2013, and has thereafter held the positions of executive director, vice president and chief operating officer. Prior to that, Mr. Cheng worked at an intimate wear chain store from January 2003 to February 2005. From March 2005 to September 2009, he held the position of vice president in Shenzhen City Beauty Fashion Co., Ltd. (深圳市都市麗人風內衣有限公司), an intimate wear company. Mr. Cheng is primarily responsible for the sales, marketing and customer relations of our Group.

Mr. Cheng is currently studying for an executive master of business administration degree at the School of Management of Xiamen University (廈門大學), Xiamen, Fujian Province.

Ms. WU Xiaoli (吳小麗), aged 41, was appointed as our executive Director and vice president on January 30, 2014. She also holds the position as the supervisor in a number of the Company's subsidiaries. Prior to that, Ms. Wu started working at Cosmo Lady Guangdong in September 2009, where she served as a supervisor until August 2010 and immediately following her resignation as a supervisor, Ms. Wu was appointed as a director and held the position until July 2013. And she was appointed as an executive director and a vice president in July 2013 and has held such positions since then. Previously, Ms. Wu was a supervisor of Shenzhen City Beauty Fashion Co., Ltd. (深圳市都市麗人風內衣有限公司), an intimate wear company, from March 2005 to April 2007 and a furniture/housewares manager of Shenzhen Sam's Club of Wal-Mart SZITIC Stores Co., Ltd. (沃爾瑪深國投百貨有限公司深圳山姆會員商店), which is affiliated with global supermarket chains run by Wal-Mart Stores Inc., from January 1996 to July 2005. Ms. Wu is responsible for the human resources and administration management of our Group.

Ms. Wu is currently attending the Executive Development Programme for Backbones of Private Enterprises of Guangdong Province at the School of Business Administration of South China University of Technology (華南理工大學), Guangzhou, Guangdong Province and the Programme for Elites of Leading Cantonese Enterprises at Cheung Kong Graduate School of Business (長江商學院), Guangdong Province.

Ms. Wu is the wife of Mr. Zheng, our Chairman, executive Director and chief executive officer.

NON-EXECUTIVE DIRECTOR

Mr. WEN Baoma (溫保馬), aged 53, was appointed as our non-executive Director on April 16, 2014. Mr. Wen was a non-executive director from October 2010 to July 2013 and a supervisor from July 2013 to January 2014 at Cosmo Lady Guangdong. Mr. Wen is primarily responsible for giving strategic advice and making recommendations on the operations and management of our Group.

Mr. Wen has been a partner of Capital Today China Growth (HK) Limited, an investment company, since 2005, and currently serves on the board of directors of a number of Capital Today investee companies, including Wisdom Alliance Limited, an online diamond retailer through Zbird.com and Yuanmeng Household Products Co., Ltd. (遠夢家居用品股份有限公司), a company manufacturing and selling home textile products. Mr. Wen had held a number of senior positions in various investment companies and an investment bank set forth below:

Company and its Principal Business	Duration of Tenure	Last Position Held
Actis Capital LLP (Beijing), an investment company	from 2004 to 2005	Principal
Intel Capital (Hong Kong), an investment company	from 2000 to 2004	Investment Manager
AIG Investment Corporation (Asia) Ltd., an investment company	from 1998 to 2000	Investment Manager
Jardine Fleming Holdings Limited (later acquired by JP Morgan), an investment bank	from 1995 to 1997	Executive

Mr. Wen obtained a master of business administration degree from London Business School of the University of London, London, UK, in August 1995 and a master's degree and a bachelor's degree in engineering from Tsinghua University (清華大學), Beijing, in June 1988 and July 1984, respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YAU Chi Ming (丘志明), aged 47, was appointed as our independent non-executive Director on June 9, 2014 and is the chairman of the Audit Committee and a member of the Nomination Committee. Mr. Yau is responsible for supervising the activities and decisions of the Audit Committee, giving strategic advice and making recommendations on the operations and management of our Group.

Mr. Yau Chi Ming has over 20 years of experience in finance and accounting. He has been an independent non-executive director of Common Splendor International Health Industry Group Limited (同佳國際健康產業集團有限公司) (formerly known as G-Prop (Holdings) Limited (金匡企業有限公司)), a company engaged in the business of health management which is listed on the Stock Exchange (stock code: 0286), since February 2013 and a company secretary of Consun Pharmaceutical Group Limited (康臣藥業集團有限公司), an integrated pharmaceutical company, which is listed on the Stock Exchange (stock code: 1681) since March 2013, respectively. Prior to that, Mr. Yau worked at KPMG from August 1992 to November 1994 and from May 1995 to October 2012, during which he was promoted to partner in July 2007.

Mr. Yau Chi Ming has been a member of the Hong Kong Institute of Certified Public Accountants (香港會計師公會) since June 1994 and a Certified Public Accountant (Practising) since September 2008 and became a fellow of the Hong Kong Institute of Certified Public Accountants (香港會計師公會) since May 2013. Mr. Yau Chi Ming graduated from The University of Hong Kong (香港大學), Hong Kong, in December 1992 with a Bachelor's degree in Social Sciences and he obtained a Diploma in Business Studies from Hang Seng School of Commerce (恒生商學書院), Hong Kong, in July 1986.

Dr. DAI Yiyi (戴亦一), aged 47, was appointed as our independent non-executive Director on June 9, 2014 and is the chairman of the Remuneration Committee and a member of the Audit Committee. Dr. Dai joined our Group as an independent non-executive director of Cosmo Lady Guangdong on July 22, 2013 and resigned from the position on January 10, 2014 in preparation for the conversion of Cosmo Lady Guangdong from a joint stock limited liability company into a limited liability company under the PRC Company Law on January 29, 2014. Dr. Dai is responsible for supervising the activities and decisions of the Remuneration Committee, giving strategic advice and making recommendations on the operations and management of our Group.

Dr. Dai Yiyi has been a full-time professor, a deputy dean and a Ph.D. supervisor of the School of Management of Xiamen University (廈門大學) since 2004, 2008 and 2009, respectively. Dr. Dai was a senior visiting scholar at the Kellogg School of Management of Northwestern University, Illinois, USA from 2007 to 2008 and the School of Management of McGill University, Montreal, Quebec, Canada in 2002.

Dr. Dai Yiyi also holds the position of independent director in the following companies listed on the Shanghai Stock Exchange and independent non-executive director in the companies listed on the Stock Exchange:

Company and its Principal Business	Duration of Tenure	Stock Exchange	Stock Code
Mingfa Group (International) Company Limited (明發集團有限公司), a property development and management company	from October 2009 to present	The Stock Exchange	0846
China SCE Property Holdings Limited (中駿置業控股有限公司), a property development company	from February 2010 to present	The Stock Exchange	1966
Xiamen Dazhou Xingye Resources Holdings Limited (廈門大洲興業能源控股股份有限公司) (formerly known as Shanghai Xingye Resources Holdings Limited (上海興業能源控股股份有限公司)), a property development company	from March 2010 to present	Shanghai Stock Exchange	600603

Dr. Dai Yiyi had previously been an independent director of the listed companies set forth below:

Company and its Principal Business	Duration of Tenure	Stock Exchange	Stock Code
Xiamen ITG Group Co., Ltd. (廈門國貿集團股份有限公司), a company running businesses ranging from trading merchandise and technology to real estate development and management	from April 30, 2009 to May 14, 2014	Shanghai Stock Exchange	600755
Fujian Septwolves Industry Co., Ltd. (福建七匹狼實業股份有限公司), a company engaged in the design, production and sale of clothing	from July 9, 2007 to July 9, 2013	Shenzhen Stock Exchange	002029
Xiamen C&D Inc. (廈門建發股份有限公司), a company operating supply chains and developing real estate properties	from April 26, 2007 to May 21, 2013	Shanghai Stock Exchange	600153
GuangDong Shirongzhaoye Co., Ltd. (廣東世榮兆業股份有限公司), a company developing and manufacturing medical devices	from December 2008 to January 2013	Shenzhen Stock Exchange	002016

Dr. Dai Yiyi obtained his doctorate degree and a bachelor's degree in economics in 1999 and 1989, respectively, from Xiamen University (廈門大學), Xiamen, Fujian Province, and also graduated from the Sixth Ford Class of the Sino-American Economics Training Centre of Renmin University of China (中國人民大學), Beijing. In 2006, Dr. Dai completed a short-term study program named Program on Case Method and Participant-Centered Learning (PCMPCL) in Harvard Business School, Massachusetts, USA.

Dr. Dai Yiyi was awarded as the "Top-notch Personnel in Xiamen" ("廈門市拔尖人才") in August 2010.

Mr. CHEN Zhigang (陳志剛), aged 41, was appointed as our independent non-executive Director on June 9, 2014 and is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Chen joined our Group as an independent non-executive director of Cosmo Lady Guangdong on July 22, 2013 and resigned from the position on January 10, 2014 in preparation for the conversion of Cosmo Lady Guangdong from a joint stock limited liability company into a limited liability company under the PRC Company Law on January 29, 2014. Mr. Chen is responsible for giving strategic advice and making recommendations on the operations and management of our Group.

Mr. Chen Zhigang has been a partner and the department head of the Vocation International Certified Public Accountants Co., Ltd. (天職國際會計師事務所), an accounting firm, since 2004. Mr. Chen is a Certified Public Accountant with Securities and Futures Practice Qualification (持證券期貨相關業務資格的註冊會計師), certified by the China Securities Regulatory Commission (中國證券監督管理委員會) in January 2004 and a Chinese Certified Public Accountant (中國註冊會計師), certified by The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in September 2000.

Mr. Chen Zhigang served as an independent non-executive director from September 25, 2010 to October 13, 2011 at Guangdong Chaohua Technology Co., Ltd. (廣東超華科技股份有限公司) (stock code: 002288), a company manufacturing and distributing electronic components, which is listed on the Shenzhen Stock Exchange.

Save as disclosed above, the Directors (i) have not held any directorships in other listed public companies, whether in Hong Kong or overseas, during the last three years; and (ii) do not have any other relationships with any Directors, senior management or substantial or controlling shareholders of the Company. Regarding the Directors' interests in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance, please refer to the paragraph headed "Directors and Chief Executive Officers' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the Directors' Report section of this report for more details.

SENIOR MANAGEMENT

Mr. YU Chun Kau (余振球), aged 42, joined our Group in September 2013 and has thereafter held the positions of vice president and chief financial officer at Cosmo Lady Guangdong. Mr. Yu was appointed as our vice president, chief financial officer and joint company secretary on February 24, 2014. Mr. Yu is responsible for the overall financial management and reporting, internal control and compliance, corporate finance and company secretarial matters of our Group.

Mr. Yu Chun Kau possesses extensive experience in finance and auditing and had held a number of senior positions in the companies set forth below:

Company and its Principal Business	Duration of Tenure	Position
Sitoy Group Holdings Limited (時代集團控股有限公司), a handbag, small leather goods and travel goods manufacturer and retailer	from June 2010 to December 2012	Executive Director, Chief Financial Officer, Company Secretary
China Risun Coal Chemicals Group Limited (中國旭陽煤化工集團有限公司), a coke and coal chemicals producer and supplier in the PRC	from February 2008 to June 2010	Executive Director, Chief Financial Officer
Brigantine Group (栢堅集團), an A.P. Moller – Maersk group company which operates a shipping line	from June 2006 to February 2008	Chief Financial Officer
Kerry Beverages Ltd. (嘉里飲料有限公司), a company operating Coca-Cola bottling plants in the PRC	from December 2003 to June 2006	Assistant Director of Operations Strategy
First Dragoncom Agro-Strategy Holdings Ltd. (第一龍浩農業策略控股有限公司), an agriculture company	from July 2002 to December 2003	Financial Controller
KPMG Hong Kong, one of the big four international accounting firms	from August 1994 to July 2002	Audit Manager

Mr. Yu Chun Kau joined the International Financial Management Association (SIFM) as a senior international finance manager in 2007. He became a fellow member of the Hong Kong Institute of Certified Public Accountants (香港會計師公會) and an associate member of the Institute of Chartered Accountants in England & Wales (ACA), the Hong Kong Institute of Chartered Secretaries (ACS) (香港特許秘書公會) and the Institute of Chartered Secretaries & Administrators (ACIS) in 2005. In 2002, Mr. Yu became a fellow member of the Association of Chartered Certified Accountants (ACCA) and he was registered as a Certified Public Accountant (Practising) with Hong Kong Institute of Certified Public Accountants (香港會計師公會).

Mr. Yu Chun Kau obtained a master's degree in corporate governance from The Open University of Hong Kong (香港公開大學), Hong Kong, in 2005. He graduated from The Chinese University of Hong Kong (香港中文大學), Hong Kong, with first class honors and received a bachelor's degree in business administration with a major in professional accounting in 1994.

Mr. XIAN Shunxiang (冼順祥), aged 50, was appointed as our vice president on March 19, 2014. Previously, Mr. Xian served as a deputy general manager of business operations from October 2011 to July 2013 and has thereafter held the position of vice president, at Cosmo Lady Guangdong. Mr. Xian is responsible for the retail operations of our Group.

From May 2008 to October 2011, Mr. Xian Shunxiang held the position of chief operating officer at Real Kung Fu Catering Management Co., Ltd. (真功夫餐飲管理有限公司), a company providing catering services. In 1990, Mr. Xian joined McDonald's (Shenzhen) Limited (麥當勞(深圳)有限公司), a subsidiary belonging to the chain of hamburger fast food restaurants. Mr. Xian was also one of the trainee managers and has received comprehensive overseas trainings in Hong Kong and the United States. Mr. Xian was eventually promoted to operations director.

Mr. Xian Shunxiang graduated from China Europe International Business School (中歐國際工商學院), Shanghai, upon finishing the China Europe Leadership Development of Senior Level Programme in January 2010. He obtained a college degree in Chinese from Shenzhen Institute of Education (深圳教育學院), Shenzhen, Guangdong Province in July 1988.

Mr. SHA Shuang (沙爽), aged 42, was appointed as our vice president and chief information officer on March 19, 2014. Previously, Mr. Sha served as a deputy general manager and chief information officer from April 2012 to July 2013 and has thereafter held the positions of vice president and chief information officer, at Cosmo Lady Guangdong. Mr. Sha is responsible for the management of the information systems of our Group.

From November 2005 to May 2012, Mr. Sha Shuang was an acting general manager of the information systems at Li Ning (China) Sports Goods Co., Ltd (李寧(中國)體育用品有限公司), a major Chinese athletic company which makes athletic shoes and sports-wear. Prior to that, Mr. Sha served as a senior manager of integrated service at the information systems integration and service operation department of Lenovo (Beijing) Co., Ltd. (聯想(北京)有限公司) from August 1999 to November 2005.

Mr. Sha Shuang obtained a finance master of business administration degree jointly offered by The Chinese University of Hong Kong (香港中文大學) in collaboration with Tsinghua University (清華大學) in Beijing in 2009 and a bachelor's degree in economics of technology (技術經濟) from the School of Economics and Management (now known as the School of Economics) of Jilin University (吉林大學), Changchun, Jilin Province, in 1998. Mr. Sha is an assistant engineer qualified by Chinese Academy of Sciences (中國科學院) in 2000.

Mr. WU Xiaobing (吳曉兵), aged 37, was appointed as our assistant president and joint company secretary on March 19, 2014. Previously, Mr. Wu served as the assistant president and the secretary to the board of Cosmo Lady Guangdong since July 2011. Mr.Wu is responsible for the administrative matters of the Board office and corporate communication of our Group.

Mr. Wu Xiaobing worked at Shenzhen Rural Commercial Bank (深圳農村商業銀行) for about 13 years. During which he served as a teller and an accountant at Dawang Branch, Buji Cooperative Association of Shenzhen Rural Commercial Bank (深圳農村商業銀行布吉聯社大望分社) from August 1998 to March 2000. He was promoted to director and served at Gangtong Branch, Buji Cooperative Association of Shenzhen Rural Commercial Bank (深圳農村商業銀行布吉聯社崗頭分社) and Shuijing Branch, Buji Cooperative Association of Shenzhen Rural Commercial Bank (深圳農村商業銀行布吉聯社水徑分社), from March 2000 to March 2001 and March 2001 to December 2005, respectively. Mr. Wu was further promoted to president of Shuijing Branch of Shenzhen Rural Commercial Bank (深圳農村商業銀行水徑支行) in December 2005 and worked there until September 2010. Mr. Wu worked as an assistant president at the business department of the Head Office of Shenzhen Rural Commercial Bank (深圳農村商業銀行總行) and at the same time as the person in charge of the preparatory group of Yantian Branch of Shenzhen Rural Commercial Bank (深圳農村商業銀行鹽田支行) from October 2010 to June 2011. Mr. Wu was recognized as the role model of the credit cooperative association in the city by City Cooperative Association (市聯社) during his service as a director at Shuijing Branch, Buji Cooperative Association of Shenzhen Rural Commercial Bank (深圳農 村商業銀行布吉聯社水徑分社).

Mr. Wu Xiaobing obtained a bachelor's degree in finance from The Open University of China (中央廣播電視大學, now known as 國家開放大學), Shenzhen, Guangdong Province in 2005.

Corporate Governance Report

CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

The board of directors (the "**Directors**") of the Company (the "**Board**") and management are committed to abide by the principles of good corporate governance with emphasis on transparency and accountability. The Board has established the audit committee, the nomination committee and the remuneration committee with defined terms of reference, which are of no less exacting than those set out in the Corporate Governance Code and Corporate Governance Report ("**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with the code provisions set out in the CG Code since June 26, 2014, the date on which the shares of the Company were listed on the Stock Exchange (the "**Listing Date**") and up to the date of this report, with the exception of code provision A.2.1.

According to code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same person. The Company deviates from this provision because Mr. Zheng Yaonan ("**Mr. Zheng**") performs both the roles of the chairman of the Board and the chief executive officer of the Company. Mr. Zheng, the founder of the Group, with the established market reputation in the intimate wear industry in China and has extensive experience in its business operation and management in general. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies which is in the best interests of the Company. Under the leadership of Mr. Zheng, the Board works effectively and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions are made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive directors on the Board offering independent perspectives, the Board is of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.

BOARD OF DIRECTORS

The Board's primary responsibilities are to formulate the Group's overall long-term strategy, to supervise the performance of the management and to assess the results and achievement of the Group on an on-going basis. The Board confines itself to making decisions on major operational and financial matters as well as investments. In addition, the Board has also established three Board committees, namely the audit committee, the nomination committee and the remuneration committee, and has delegated to these Board committees various responsibilities set out in their respective terms of reference.

BOARD COMPOSITION

The Board comprises nine Directors and it has a balance of skills and experience appropriate for the requirements of the Group's businesses. As at December 31, 2014, five of the Directors are executive Directors, namely, Mr. Zheng Yaonan (Chairman), Mr. Zhang Shengfeng, Mr. Lin Zonghong, Mr. Cheng Zuming and Ms. Wu Xiaoli; one of the Directors is non-executive Director, namely, Mr. Wen Baoma; and three of the Directors are independent non-executive Directors, namely, Mr. Yau Chi Ming, Dr. Dai Yiyi and Mr. Chen Zhigang. The biographical details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" of this annual report. Ms. Wu Xiaoli is the wife of Mr. Zheng Yaonan. Save as disclosed above, the Directors have no financial, business, family or other material/relevant relationships with each other.

Since the Listing Date, the Board at all times met the minimum requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors which represent at least one-third of the Board, and complied with the requirement that at least one of them has appropriate professional qualifications of accounting or related financial management expertise. Pursuant to Rule 3.13 of the Listing Rules, the Company has received written confirmation from each of the independent non-executive Directors of his independence from the Company. On this basis, the Company considers all independent non-executive Directors to be independent.

The Company has arranged for the Directors relevant insurance cover for indemnifying their legal liabilities arising from corporate activities.

BOARD PRACTICES

Since the Listing Date and up to December 31, 2014, two Board meetings were held. Subsequent to the end of 2014 and up to the date of this report, two Board meetings were held on March 1 and March 9, 2015 respectively to approve the acquisition of the Ordifen, Rubii and Ilsée brands and the Group's final results for the year ended December 31, 2014 respectively. Going forward, the Board will hold at least four meetings each year at approximately quarterly intervals to discuss the Group's business development, operations and financial performance. Notice of at least 14 days was given to all Directors for all regular Board meetings and a formal agenda was addressed to the Directors together with the notice. All Directors were provided with adequate information which enabled them to make informed decisions on the matters discussed and considered at the Board meetings. The Directors can obtain independent professional advice at the Company's expense when required. Details of the attendance of the Directors to the Board meetings during the year ended December 31, 2014 are as follows:

Name of Director	Number of Board meetings attended	Attendance rate
Executive Directors:		
Mr. Zheng Yaonan	2	100%
Mr. Zhang Shengfeng	2	100%
Mr. Lin Zonghong	2	100%
Mr. Cheng Zuming	2	100%
Ms. Wu Xiaoli	2	100%
Non-executive Director:		
Mr. Wen Baoma	2	100%
Independent Non-executive Directors:		
Mr. Yau Chi Ming	2	100%
Dr. Dai Yiyi	2	100%
Mr. Chen Zhigang	2	100%

Since the Listing Date and up to the date of this report, the Company has not held any general meeting yet, so that the attendance record of the Directors regarding general meetings is not available.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Despite the requirements under code provision A.2.1 of the CG Code, both the roles of the chairman of the Board and the chief executive officer of the Company vest in Mr. Zheng. The Board is of the view this arrangement provides the Company with strong and consistent leadership. Please refer to the paragraph headed "Corporate Governance Principles and Practices" on page 31 above for more details.

CONTINUOUS PROFESSIONAL DEVELOPMENT

As part of the ongoing development of the Directors, they are encouraged to equip themselves with the latest developments of the Listing Rules and other applicable legal and regulatory requirements, industry knowledge and managerial skills in relation to the operation of the Group's business. During the year ended December 31, 2014, the Company arranged for the Directors, among other trainings, a seminar on the Listing Rules and the Companies Ordinance regarding the continuing obligations and duties of a company listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and its directors, which was attended by all Directors.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code provision A.4.1 of the CG Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election. Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing on January 30, 2014. Each of the non-executive Director and independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years commencing from April 16, 2014 (for the non-executive Director) and June 9, 2014 (for the independent non-executive Directors).

According to Article 108 of the Articles of Association of the Company, at each annual general meeting of the Company, one-third of the current Directors, or if there are not three or a multiple of three, then the number nearest to but not less than one-third, should retire from office by rotation at least once every three years. A retiring Director shall be eligible for re-election. Further, any Director appointed to fill a casual vacancy or as an addition to the Board should hold office only until the first general meeting of the Company after his appointment and shall be subject to re-election at such meeting.

In the forthcoming annual general meeting of the Company, Mr. Zhang Shengfeng, Mr. Lin Zonghong and Mr. Wen Baoma will retire as Directors in accordance with Article 108 of the Articles of Association of the Company and, being eligible, will offer themselves for re-election.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Relevant employees who are likely to possess unpublished inside information of the Group are also subject to compliance with the Model Code. Following specific enquiry, each of the Directors and the relevant employees has confirmed compliance with the Model Code since the Listing Date and up to the date of this report.

COMMITTEES OF THE BOARD

Audit Committee

The audit committee currently comprises three members, all of whom are independent non-executive Directors, namely, Mr. Yau Chi Ming, Dr. Dai Yiyi and Mr. Chen Zhigang. The Chairman of the audit committee is Mr. Yau Chi Ming who has appropriate professional qualifications.

The audit committee is established to, without limitation, assist the Board to provide an independent review and supervision of the Group's financial and accounting policies, to oversee the financial control, internal control and risk management systems of the Group, to oversee the audit process, and to perform other duties and responsibilities as delegated by the Board.

The work performed by the audit committee during the year ended December 31, 2014 included:

- review of the interim results announcement and the interim report for the six months ended June 30, 2014, with a recommendation to the Board for approval
- review PricewaterhouseCoopers' report for the audit committee and the management representation letter for the six months ended June 30, 2014
- review the effectiveness of the Group's internal control system

Subsequent to the end of 2014 and up to the date of this report, the audit committee performed:

- review of the annual results announcement and the annual report for the year ended December 31, 2014, with a recommendation to the Board for approval
- review PricewaterhouseCoopers' report for the audit committee and the management representation letter for the year ended December 31, 2014, with a recommendation to the Board for the re-appointment of PricewaterhouseCoopers at the forthcoming annual general meeting
- review and approval of continuing connected transactions for the year ended December 31, 2014

Two audit committee meetings were held during the year ended December 31, 2014. Attendance records of its members are set out as follows:

Name of Director	Number of meetings attended	Attendance rate
Mr. Yau Chi Ming *(Chairman)*	2	100%
Dr. Dai Yiyi	2	100%
Mr. Chen Zhigang	2	100%

Nomination Committee

The nomination committee comprises three members, including Mr. Zheng Yaonan, Chairman of the Board, together with two independent non-executive Directors, namely, Mr. Yau Chi Ming and Mr. Chen Zhigang. Mr. Zheng Yaonan is the Chairman of the nomination committee.

The primary responsibilities of the nomination committee include (but without limitation), recommending to the Board on the appointment and re-appointment of Directors and succession planning for Directors, and reviewing the structure, size and composition of the Board at least annually. The nomination committee meets at least once a year to review, and to recommend to the Board, the structure, size and composition (including the skills, knowledge and experience) of the Board and senior management of the Company.

The work performed by the nomination committee during the year ended December 31, 2014 included:

- annual review of the structure, size and composition of the Board
- review and approve of the Board diversity policy, with a recommendation to the Board for approval
- review and approve the policy for nomination of Directors, with a recommendation to the Board for approval

One nomination committee meeting was held during the year ended December 31, 2014. Attendance records of its members are set out as follows:

Name of Director	Number of meetings attend	Attendance rate
Mr. Zheng Yaonan *(Chairman)*	1	100%
Mr. Yau Chi Ming	1	100%
Mr. Chen Zhigang	1	100%

Remuneration Committee

The remuneration committee currently comprises three members, namely, Mr. Zhang Shengfeng, and two independent non-executive Directors, Dr. Dai Yiyi and Mr. Cheng Zhigang. Dr. Dai Yiyi is the chairman of the remuneration committee.

The primary responsibilities of the remuneration committee include (but without limitation) making recommendations to the Board on the remuneration policy and structure for Directors and senior management's remuneration and on the establishment of a formal and transparent procedure for developing such policies.

Details of the amount of Directors' emoluments during the year ended December 31, 2014 are set out in note 11 to the consolidated financial statements in this annual report. The emolument policy of the Group has taken into account the relevant employees' merit, qualifications and competence, as well as market rates. The Directors' emoluments are determined with reference to the Company's operating results, individual performance and the prevailing market rates. The work performed by the remuneration committee during the year ended December 31, 2014 included:

- review and approval of the Company's remuneration policy, with a recommendation to the Board for approval
- review and approval of the remuneration packages of executive Directors
- review and recommendation of the non-executive Directors' fees and remuneration packages of senior management to the Board for approval

One remuneration committee meeting was held during the year ended December 31, 2014. Attendance records of its members are set out as follows:

Name of Director	Number of meetings attend	Attendance rate
Dr. Dai Yiyi *(Chairman)*	1	100%
Mr. Zhang Shengfeng	1	100%
Mr. Cheng Zhigang	1	100%

BOARD DIVERSITY POLICY

During the year ended December 31, 2014, the nomination committee has recommended to the Board and the Board has approved, a board diversity policy under which, with the assistance of the nomination committee, the Company will implement its Board member selection process by making reference to various diversity factors, including but not limited to difference in skills, experience and background, geographical and industry experience, ethnicity and gender.

JOINT COMPANY SECRETARIES

Mr. Yu Chun Kau and Mr. Wu Xiaobing are appointed as the joint company secretaries of the Company. All the Directors have access to the advice and services of the joint company secretaries at any time in relation to their duties and operation of the Board. During the year ended December 31, 2014, both Mr. Yu Chun Kau and Mr. Wu Xiaobing undertook not less than 15 hours of professional training to update their skills and knowledge.

EXTERNAL AUDITOR

The remuneration paid to PricewaterhouseCoopers, the external auditor of the Company in respect of the audit and non-audit services related to the Global Offering of the Company amounted to approximately RMB7.9 million. During the year ended December 31, 2014, PricewaterhouseCoopers provided the following services to the Group:

Service rendered	RMB
Audit services	
Annual audit	2,750,000
Non-audit services	
Taxation service	150,000
Total	2,900,000

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for safeguarding the shareholders' interest and the Group's assets as well as for achieving the business objectives of the Group. A comprehensive internal control system is established and implemented by the Group during the year ended December 31, 2014 to manage, rather than eliminate, the risks to which the Group is exposed in relation to its business operation.

The Board confirms that it has reviewed the effectiveness of the internal control system of the Group for the year ended December 31, 2014 and that it considers that the system is reasonably effective and adequate. The review covered all material controls including financial, operational and compliance controls and the risk management function, as well as the adequacy of resources, qualifications and experience of the Group's accounting and financial reporting staff, and their training programmes and budget.

During the year ended December 31, 2014, the audit committee has also reviewed the procedures and effectiveness of the internal control system of the Group and the procedures by which the employees may report on any possible misconduct in financial reporting, internal control or other aspects of the Company.

SHAREHOLDERS' RIGHTS

The Company aims to establish fair and transparent procedures to enable all its shareholders an equal opportunity to exercise their rights in an informed manner and communicates efficiently with the Company. Under the Company's Articles of Association and the relevant policies and procedures of the Company, the shareholders of the Company enjoy, among others, the following rights:

1. convene an extraordinary general meeting/put forward proposals:

   Any shareholder(s) holding, at the date of deposit of the requisition, not less than 10% of the paid up capital of the Company may request the Board of Directors to convene an extraordinary general meeting. The requisition of the shareholder(s) concerned must clearly state the purposes and transaction of business of the meeting and must be deposited at the Hong Kong office of the Company at Suite 2012, Tower 1, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong for the attention of the Board or the joint company secretaries. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. The Company would take appropriate actions and make necessary arrangements in accordance with the requirements under Article 64 of the Company's Articles of Association once a valid requisition is received.

2. propose a person for election as a Director:

   As regards to the procedures for proposing a person for election as a Director, please refer to "Procedures for Shareholders to Propose a Person for Election as a Director" under the section headed "Corporate Governance" of the Company's website at www.cosmo-lady.com.hk*.

3. put forth enquiries to the Company:

   Specific enquiries by shareholders requiring the Board's attention can be sent in writing to the joint company secretaries at the Company's Hong Kong office at Suite 2012, Tower 1, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

INVESTOR AND SHAREHOLDER RELATIONS

In order to develop and maintain a continuing and constructive relationship with the Company's shareholders, the Company has compiled a Shareholders Communication Policy and established various channels of communication with its shareholders, such as publication of interim and annual reports, press releases and announcements of the latest development of the Company in a timely manner. The shareholders are also encouraged to attend the Company's annual general meetings where the Chairman and members of different Board committees are available to answer shareholders' questions and exchange views with them.

Financial and other information relating to the Group has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cosmo-lady.com.hk*).

CONSTITUTIONAL DOCUMENTS

Since the Listing Date and up to the date of this report, the Company has not made any changes to its Articles of Association. An up-to-date version of the Company's Article of Association is available on both the websites of the Stock Exchange and the Company.

* The content of this website does not form part of this annual report.

Directors' Report

The Board of Directors is pleased to present their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is the largest branded intimate wear enterprise in the PRC in terms of total retail sales in 2014, according to Frost & Sullivan. It 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.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2014 are set out in the consolidated financial statements on pages 52 to 105.

The Board has recommended to pay to the shareholders of the Company a final dividend of HK$10.00 cents per ordinary share for the year ended December 31, 2014. The proposed final dividend payment is subject to approval by the shareholders of the Company at the forthcoming annual general meeting ("**AGM**") to be held on Thursday, April 30, 2015. If approved by shareholders, the final dividend is expected to be paid on or about Friday, May 22, 2015 to the shareholders whose names appear on the register of members of the Company on Monday, May 11, 2015.

CLOSURE OF REGISTER OF MEMBERS FOR ENTITLEMENT TO ATTEND AND VOTE AT ANNUAL GENERAL MEETING

The register of members of the Company will be closed, for the purpose of determining shareholders' entitlement to attend and vote at the AGM, from Tuesday, April 28, 2015 to Thursday, April 30, 2015 (both days inclusive), during which period no transfer of shares will be registered. In order to attend and vote at the AGM, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong for registration, not later than 4:30 p.m. on Monday, April 27, 2015. The AGM of the Company will be held on Thursday, April 30, 2015.

CLOSURE OF REGISTER OF MEMBERS FOR ENTITLEMENT TO FINAL DIVIDEND

The register of members of the Company will be closed, for the purpose of determining shareholders' entitlement to the proposed final dividend, from Friday, May 8, 2015 to Monday, May 11, 2015 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong for registration, not later than 4:30 p.m. on Thursday, May 7, 2015.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last four years ended December 31, 2014 are set out in the section headed "Four-year Financial Summary" on page 106 of this annual report as the published results of the Group are available only from 2011.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 25 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2014, the reserves of the Company available for distribution to shareholders amounted to approximately RMB1,418,165,000 (2013: RMBNil).

DONATIONS

Charitable donations made by the Group during the year ended December 31, 2014 amounted to RMB2,182,000 (2013: RMB292,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in Property, Plant and Equipment of the Group are set out in note 16 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the relevant laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2014.

SHARE OPTION SCHEME

The Company adopts a share option scheme (the "**Share Option Scheme**") to provide incentives and/or rewards to eligible persons for their contribution to, and continuing efforts to promote the interests of the Group. As at December 31, 2014, no option had been granted or agreed to be granted under the Share Option Scheme. A summary of the terms of the Share Option Scheme is set out in the prospectus of the Company dated June 16, 2014 (the "**Prospectus**").

Apart from the Share Option Scheme which the Directors are entitled to participate in, at no time during the 2014 financial year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares or debentures of the Company or any other body corporate.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at December 31, 2014 are set out in note 33 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2014, the percentage of the Group's turnover attributable to the Group's largest customers and the five largest customers in aggregate were 1.4% and 5.0% (2013: 1.6% and 5.9% respectively) respectively.

During the year ended December 31, 2014, the percentage of the Group's purchases attributable to the Group's largest suppliers and the five largest suppliers in aggregate were 3.4% and 13.3% (2013: 3.7% and 16.2% respectively) respectively.

During the year ended December 31, 2014, none of the Directors or any of their associates or any shareholders which to the best knowledge of the Directors, who own more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers or suppliers.

RETIREMENT BENEFIT SCHEMES

The Group participated in various retirement benefit schemes in accordance with relevant rules and regulations in the PRC and Hong Kong. Particulars of the retirement benefit schemes are set out in note 2.19 to the consolidated financial statements.

HUMAN RESOURCES

The Group employed a total of approximately 6,600 full-time employees as of December 31, 2014. The Group believes its human resources are its valuable assets and maintains its firm commitment to attracting, developing and retaining talented employees, in addition to providing dynamic career opportunities and cultivating a favorable working environment. The Group constantly invests in training across diverse operational functions and offer competitive remuneration packages and incentives to all employees. The Group regularly reviews its human resources policies for addressing corporate development needs.

DIRECTORS

The Directors during the 2014 financial year and up to the date of this annual report are:

Executive Directors

Mr. ZHENG Yaonan
Mr. ZHANG Shengfeng
Mr. LIN Zonghong
Mr. CHENG Zuming
Ms. WU Xiaoli

Non-executive Director

Mr. WEN Baoma
Ms. XU Xin (resigned on March 31, 2014)

Independent Non-executive Directors

Mr. YAU Chi Ming
Dr. DAI Yiyi
Mr. CHEN Zhigang

In the forthcoming annual general meeting of the Company, Mr. Zhang Shengfeng, Mr. Lin Zonghong and Mr. Wen Baoma will retire as Directors in accordance with Article 108 of the Articles of Association of the Company and, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors offering for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2014.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for the contracts described under the paragraph headed "Connected Transactions and Continuing Connected Transactions" below and note 32 "Related party transactions" to the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of 2014 or at any time during 2014 since the Listing Date.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transaction

Save for the continuing connected transactions as disclosed below, during the year ended December 31, 2014, the Group has not carried out any connected transactions that are not, since the Listing Date, exempt from annual reporting requirement in Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Continuing connected transactions

The Group has entered into the following continuing connected transactions:

1. ***Framework purchase agreement with Shantou City Shengqiang Knitting Industrial Co., Ltd (汕頭市盛強針織實業有限公司) ("Shantou Shengqiang")***

Agreement date	Name of counterparty	Term of agreement	2014 Annual cap (RMB'000)	Amount for the year (RMB'000)
June 9, 2014	Shantou Shengqiang (as supplier); and the Group (as the purchaser)	June 26, 2014 to June 25, 2017	28,000	21,536

Mr. Cai Shaoqiang (a brother of one of the executive Directors, Mr. Zhang Shengfeng's spouse), together with his wife, in aggregate, own the entire equity interest in Shantou Shengqiang and hence Shantou Shengqiang is an associate (as defined under Chapter 14A of the Listing Rules) of Mr. Zhang and a connected person of the Group. Details of the terms of the framework purchase agreement with Shantou Shengqiang and the transactions contemplated thereunder were set out in the Prospectus.

2. ***Framework purchase agreement with Shantou City Maosheng Knitting Underwear Co., Ltd (汕頭市茂盛針織內衣有限公司) ("Shantou Maosheng")***

Agreement date	Name of counterparty	Term of agreement	2014 Annual cap (RMB'000)	Amount for the year (RMB'000)
June 9, 2014	Shantou Maosheng (as supplier); and the Group (as the purchaser)	June 26, 2014 to June 25, 2017	23,000	22,131

Mr. Lin Zonglie, a brother of Mr. Lin Zonghong (an executive Director), owns 60% of the equity interest in Shantou Maosheng and hence Shantou Maosheng is an associate (as defined under Chapter 14A of the Listing Rules) of Mr. Lin and a connected person of the Group. Details of the terms of the framework purchase agreement with Shantou Maosheng and the transactions contemplated thereunder were set out in the Prospectus.

Annual review of the continuing connected transactions

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

a. in the ordinary and usual course of business of the Group;

b. on normal commercial terms or better; and

c. according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to perform certain procedures in respect of the continuing connected transactions set out above in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions.

RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken by the Group in its normal course of business are set out in note 32 to the consolidated financial statements. Those related party transactions which constituted connected transactions/continuing connected transactions under the Listing Rules, which are set out in the paragraph headed "Connected Transactions and Continuing Connected Transactions" on pages 43 to 44, have complied with Chapter 14A of the Listing Rules.

DEED OF NON-COMPETITION

Pursuant to a deed of non-competition dated June 9, 2014 (the "**Deed of Non-competition**") entered into among Mr. Zheng Yaonan, Mr. Zhang Shengfeng, Mr. Lin Zonghong, Mr. Cheng Zuming, Great Brilliant Investment Holdings Limited, Forever Flourish International Holdings Limited, Forever Shine Holdings Limited, Mountain Dragon Investment Limited and Harmonious Composition Investment Holdings Limited (the "**Controlling Shareholders**") and the Company, the Controlling Shareholders have given certain non-competition undertakings in favour of the Company. Please refer to the Prospectus for details of the terms of the Deed of Non-competition. The independent non-executive Directors have reviewed matters relating to the compliance with the Deed of Non-competition in 2014. The Controlling Shareholders have provided the Company with an annual confirmation of compliance with the provisions of the Deed of Non-competition.

During 2014, the Controlling Shareholders provided the Company with all information necessary for the enforcement of the Company's rights under the Deed of Non-competition, all information reasonably requested by the Company from time to time relating to the Excluded Businesses (as defined in the Deed of Non-competition) and such other business opportunities or activities related to any business of the Group as the Company reasonably believed was available to the Controlling Shareholders or that the Controlling Shareholders may be planning to participate in, as well as access to appropriate staff members of the Controlling Shareholders to discuss and obtain such information, in order to enable the Company to consider whether to exercise any of its rights under the Deed of Non-competition.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at December 31, 2014, none of the Directors is interested in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' AND CHIEF EXECUTIVE OFFICERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2014, the Directors and the chief executive officers of the Company had the following interests and short positions 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 ("**SFO**")), as recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules:

(i) Interest and short positions in the Company

Name of director	Nature of interest	Number of shares held[1]	Approximate percentage of shareholding interest
Mr. ZHENG Yaonan	Interests held jointly with another person; interest of controlled company	1,242,150,000(L)[2][3]	65.16%(L)
Ms. WU Xiaoli	Interest of spouse	1,242,150,000(L)[2][3]	65.16%(L)
Mr. ZHANG Shengfeng	Interests held jointly with another person; interest of controlled company	1,242,150,000(L)[2]	65.16%(L)
Mr. LIN Zonghong	Interests held jointly with another person; interest of controlled company	1,242,150,000(L)[2]	65.16%(L)
Mr. CHENG Zuming	Interests held jointly with another person; interest of controlled company	1,242,150,000(L)[2]	65.16%(L)

Notes:

(1) The letter "L" denotes the person's long position in the shares and the letter "S" denotes the person's short position in the shares.

(2) Mr. ZHENG Yaonan ("**Mr. Zheng**"), Mr. ZHANG Shengfeng ("**Mr. Zhang**"), Mr. LIN Zonghong ("**Mr. Lin**"), Mr. CHENG Zuming ("**Mr. Cheng**"), Great Brilliant, Forever Flourish, Forever Shine, Mountain Dragon and Harmonious Composition, acting in concert, together controlled 65.16% of the total issued share capital in the Company. As such, each of them was deemed to be interested in such 65.16% interest in the total issued share capital of the Company.

(3) Ms. WU Xiaoli is the spouse of Mr. Zheng. Under Part XV of the SFO, she was deemed to be interested in the same number of shares in which Mr. Zheng is interested.

(ii) Interest in associated corporations of the Company

Name of Director	Name of associated corporation	Nature of interest	Number of shares held	Approximate percentage of shareholding interest
Mr. ZHENG Yaonan	Harmonious Composition Investment Holdings Limited	Interest of controlled company	622,183	62.1%
Mr. ZHANG Shengfeng	Harmonious Composition Investment Holdings Limited	Interest of controlled company	193,488	19.3%
Mr. LIN Zonghong	Harmonious Composition Investment Holdings Limited	Interest of controlled company	145,108	14.5%
Mr. CHENG Zuming	Harmonious Composition Investment Holdings Limited	Interest of controlled company	41,221	4.1%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at December 31, 2014, the interests and short position of substantial shareholders (other than the Directors and chief executive officers) in the shares and the underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Nature of interest	Number of shares held[1]	Approximate percentage of shareholding interest
Great Brilliant Investment Holdings Limited	Interests held jointly with another person; interest of controlled company	1,242,150,000(L)[2]	65.16%(L)
Forever Flourish International Holdings Limited	Interests held jointly with another person; interest of controlled company	1,242,150,000(L)[2]	65.16%(L)
Ms. CAI Shaoru[3]	Interest of spouse	1,242,150,000(L)	65.16%(L)
Forever Shine Holdings Limited	Interests held jointly with another person; interest of controlled company	1,242,150,000(L)[2]	65.16%(L)
Ms. CAI Jingqin[4]	Interest of spouse	1,242,150,000(L)	65.16%(L)
Mountain Dragon Investment Limited	Interests held jointly with another person; interest of controlled company	1,242,150,000(L)[2]	65.16%(L)
Harmonious Composition Investment Holdings Limited	Interests held jointly with another person; beneficial interest	1,242,150,000(L)[2]	65.16%(L)
Capital Today Investment XVIII (HK) Limited	Beneficial owner	190,350,000(L)	9.98%(L)
Capital Today Investment XVIII Limited[5]	Interest of controlled company	190,350,000(L)	9.98%(L)
Capital Today China Growth Fund, LP[5]	Interest of controlled company	190,350,000(L)	9.98%(L)
Capital Today China Growth GenPar, LTD[5]	Interest of controlled company	190,350,000(L)	9.98%(L)
Capital Today Partners Limited[5]	Interest of controlled company	190,350,000(L)	9.98%(L)
Ms. XU Xin[5]	Interest of controlled company	190,350,000(L)	9.98%(L)

Notes:

(1) The letter "L" denotes the person's long position in the shares and the letter "S" denotes the person's short position in the shares.

(2) Mr. Zheng, Mr. Zhang, Mr. Lin, Mr. Cheng, Great Brilliant, Forever Flourish, Forever Shine, Mountain Dragon and Harmonious Composition, acting in concert, together controlled 65.16% of the total issued share capital in the Company. As such, each of them was deemed to be interested in such 65.16% interest in the total issued share capital of the Company.

(3) Ms. CAI Shaoru is the spouse of Mr. Zhang. Under Part XV of the SFO, she was deemed to be interested in the same number of shares in which Mr. Zhang was interested.

(4) Ms. CAI Jingqin is the spouse of Mr. Lin. Under Part XV of the SFO, she was deemed to be interested in the same number of shares in which Mr. Lin was interested.

(5) Capital Today Investment XVIII (HK) Limited, a Hong Kong registered company, held 190,350,000 shares, representing 9.98% of the total issued share capital of the Company. Capital Today Investment is wholly owned by Capital Today Investment XVIII Limited, which is an exempted company incorporated in the BVI. Capital Today China Growth Fund, LP, an exempted limited partnership registered in the Cayman Islands, holds 99.58% shareholding interest in Capital Today Investment XVIII Limited. The sole general partner of Capital Today China Growth Fund, LP is Capital Today China Growth GenPar, LTD, an exempted company registered in the Cayman Islands, 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, LP, Capital Today China Growth GenPar, LTD, Capital Today Partners Limited and Ms. XU Xin was deemed to be interested in 190,350,000 shares held by Capital Today Investment XVIII (HK) Limited, representing 9.98% of the total issued share capital of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, from June 26, 2014, the date on which the shares of the Company were listed on the Stock Exchange, up to the date of this report, there has been sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" section on pages 31 to 38 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended December 31, 2014 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution for the re-appointment of PricewaterhouseCoopers as the independent auditor of the Company will be proposed at the forthcoming annual general meeting.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company, they are advised to consult an expert.

BOARD OF DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

The Board of Directors is responsible for the preparation of accounts for each financial period, which gives a true and fair view of the state of affairs of the Group and of the results and cashflows for that period. In preparing these accounts for the year ended December 31, 2014, the Board of Directors has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable, and has prepared the accounts on a going concern basis. The Directors were not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern. The Board of Directors is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Group.

On behalf of the Board
Zheng Yaonan
Chairman & Chief Executive Officer

Hong Kong, March 9, 2015

Independent Auditor's Report

羅兵咸永道

To the shareholders of Cosmo Lady (China) Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Cosmo Lady (China) Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 52 to 105, which comprise the consolidated and company statements of financial position as at December 31, 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirement of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 9, 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,	
		2014	2013
	Note	**RMB'000**	RMB'000
Revenue	6	**4,007,636**	2,916,266
Cost of sales	9	**(2,440,117)**	(1,847,409)
Gross profit		**1,567,519**	1,068,857
Selling and marketing expenses	9	**(890,308)**	(588,906)
General and administrative expenses	9	**(185,792)**	(147,410)
Other income	7	**79,098**	38,957
Other gains/(losses) – net	8	**4,539**	(32)
Operating profit		**575,056**	371,466
Finance income		**12,400**	4,829
Finance costs		**–**	(1,422)
Finance income – net	12	**12,400**	3,407
Profit before income tax		**587,456**	374,873
Income tax expense	13	**(162,229)**	(99,365)
Profit for the year		**425,227**	275,508
Other comprehensive loss for the year			
(Items that may be reclassified subsequently to profit or loss)			
Exchange differences		**(4,479)**	–
Total comprehensive income for the year		**420,748**	275,508
Profit attributable to:			
Equity holders of the Company		**425,227**	275,508
Total comprehensive income attributable to:			
Equity holders of the Company		**420,748**	275,508
Earnings per share	14	**RMB cents**	RMB cents
Basic and diluted		**24.86**	18.37

The notes on pages 58 to 105 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31,	
		2014	2013
	Note	**RMB'000**	RMB'000
Assets			
Non-current assets			
Property, plant and equipment	*16*	**271,339**	198,723
Land use rights	*17*	**93,551**	72,289
Intangible assets	*18*	**25,407**	28,117
Deferred income tax assets	*19*	**23,610**	15,595
Deposits, prepayments and other receivables	*23*	**30,275**	19,949
		444,182	334,673
Current assets			
Inventories	*21*	**638,606**	404,356
Trade receivables	*22*	**280,805**	170,609
Deposits, prepayments and other receivables	*23*	**324,716**	91,206
Bank balances and cash	*24*	**1,080,562**	306,252
		2,324,689	972,423
Total assets		**2,768,871**	1,307,096

	Note	As at December 31, 2014 RMB'000	2013 RMB'000
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital	25	**117,320**	–
Share premium	25	**1,431,994**	–
Other reserves	26	**231,699**	656,265
Retained earnings		**456,519**	31,292
Total equity		**2,237,532**	687,557
Liabilities			
Current liabilities			
Trade payables	28	**269,958**	219,300
Accruals and other payables	29	**209,752**	189,286
Dividends payable		**–**	200,000
Current income tax liabilities		**51,629**	10,953
Total liabilities		**531,339**	619,539
Total equity and liabilities		**2,768,871**	1,307,096
Net current assets		**1,793,350**	352,884
Total assets less current liabilities		**2,237,532**	687,557

ZHENG Yaonan
Director

LIN Zonghong
Director

The notes on pages 58 to 105 are integral parts of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

	Note	As at December 31, 2014 RMB'000
Assets		
Non-current assets		
Interests in a subsidiary	20	444,577
Current assets		
Other receivables		324
Amounts due from a subsidiary	20	1,106,730
Bank balances and cash	24	9,288
		1,116,342
Total assets		1,560,919
Equity		
Capital and reserves attributable to equity holders of the Company		
Share capital	25	117,320
Share premium	25	1,431,994
Other reserves	26	7,559
Accumulated losses		(6,811)
Total equity		1,550,062
Liabilities		
Current liabilities		
Accruals and other payables	29	10,857
Total equity and liabilities		1,560,919
Net current assets		1,105,485
Total assets less current liabilities		1,550,062

ZHENG Yaonan
Director

LIN Zonghong
Director

The notes on pages 58 to 105 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company				
	Share capital RMB'000 (Note 25)	Share premium RMB'000 (Note 25)	Other reserves RMB'000 (Note 26)	Retained earnings RMB'000	Total equity RMB'000
As at January 1, 2013	–	–	421,343	184,980	606,323
Comprehensive income					
Profit for the year	–	–	–	275,508	275,508
Total comprehensive income	–	–	–	275,508	275,508
Transaction with equity holders					
Capitalization upon conversion of a subsidiary of the Company into a joint stock company	–	–	197,183	(197,183)	–
Appropriation to statutory reserves	–	–	32,013	(32,013)	–
Equity-settled share-based compensation	–	–	5,726	–	5,726
Dividends distributed to the then equity holders	–	–	–	(200,000)	(200,000)
Total transactions with equity holders	–	–	234,922	(429,196)	(194,274)
As at December 31, 2013	–	–	656,265	31,292	687,557
As at January 1, 2014	**–**	**–**	**656,265**	**31,292**	**687,557**
Comprehensive income					
Profit for the year	**–**	**–**	**–**	**425,227**	**425,227**
Other comprehensive loss					
Exchange differences	**–**	**–**	**(4,479)**	**–**	**(4,479)**
Total comprehensive (loss)/income for the year	**–**	**–**	**(4,479)**	**425,227**	**420,748**
Transaction with equity holders					
Issuance of ordinary shares for Reorganization	**6**	**429,994**	**–**	**–**	**430,000**
Effect of the Reorganization	**–**	**–**	**(428,938)**	**–**	**(428,938)**
Capitalization of share premium	**92,301**	**(92,301)**	**–**	**–**	**–**
Issuance of ordinary shares upon initial public offering ("IPO")	**25,013**	**1,136,655**	**–**	**–**	**1,161,668**
Shares issuance costs	**–**	**(42,354)**	**–**	**–**	**(42,354)**
Equity-settled share-based compensation	**–**	**–**	**8,851**	**–**	**8,851**
Total transaction with equity holders	**117,320**	**1,431,994**	**(420,087)**	**–**	**1,129,227**
As at December 31, 2014	**117,320**	**1,431,994**	**231,699**	**456,519**	**2,237,532**

The notes on pages 58 to 105 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31, 2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Cash generated from operations	*30(a)*	75,457	328,433
Income tax paid		(129,568)	(110,838)
Net cash (used in)/generated from operating activities		(54,111)	217,595
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment	*30(b)*	1,213	38
Net proceeds from available-for-sale financial assets		–	10,000
Interest income		12,400	4,829
Purchases of property, plant and equipment		(114,279)	(30,211)
Purchases of land use rights		(18,586)	(24,389)
Purchases of intangible assets		(10,038)	(21,014)
Term deposits with initial term of over three months		(150,000)	–
Net cash used in investing activities		(279,290)	(60,747)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares for Reorganization		430,000	–
Payment for settlement of the Reorganization		(428,938)	–
Proceeds from issuance of new ordinary shares upon IPO		1,161,668	–
Shares issuance costs		(34,680)	–
Proceeds from borrowings		–	80,000
Repayments of borrowings		–	(107,000)
Dividends paid to the then equity holders		(163,538)	(48,229)
Interest paid for borrowings		–	(1,462)
Release of restricted bank deposits		–	30,000
Net cash generated from/(used in) financing activities		964,512	(46,691)
Net increase in cash and cash equivalents		631,111	110,157
Cash and cash equivalents at beginning of the year	*24*	290,027	179,870
Effect of foreign exchange rate changes		199	–
Cash and cash equivalents at end of the year	*24*	921,337	290,027

The notes on pages 58 to 105 are integral parts of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

Cosmo Lady (China) Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on January 28, 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 Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY-1108, Cayman Islands.

The Company is an investment holding company. Its subsidiaries (the Company and its subsidiaries are thereinafter regarded to as the "Group") are principally engaged in the designing, marketing and selling of intimate wear products (the "Business") 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 ("Stock Exchange") on June 26, 2014.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and have been approved for issue by the Company's board of directors (the "Board") on March 9, 2015.

1.2 Group Reorganization

Prior to the incorporation of the Company and the completion of the reorganization (the "Reorganization") as described below, the Group's Business was operated through Cosmo Lady Guangdong Holdings Limited (廣東都市麗人實業有限公司) ("Cosmo Lady Guangdong") and its subsidiaries. Cosmo Lady Guangdong, initially known as Dongguan City Beauty Industry Co., Ltd. (東莞市都市麗人實業有限公司), was established in the PRC on September 29, 2009 as a limited liability company, subsequently converted into a joint stock company with limited liability under the Company Law of the PRC on July 29, 2013 with the name of Cosmo Lady Garment Co., Ltd. (都市麗人服飾股份有限公司) and further converted into a limited liability company on January 28, 2014 and changed to its current name. Cosmo Lady Guangdong was effectively owned as to 52.662% by Mr. ZHENG Yaonan, 16.377% by Mr. ZHANG Shengfeng, 12.282% by Mr. LIN Zonghong, 3.489% by Mr. CHENG Zuming, 12.69% by Capital Today Investment XVIII (HK) Limited ("Capital Today Investment"), 2.0% by Tianjin Urban Daming Enterprise Management Partnership (Limited Partnership) ("Tianjin Daming") and 0.5% by Shenzhen Urban Boshi Investments Company Limited ("Shenzhen Boshi"). Mr. ZHENG Yaonan is regarded as the ultimate controlling party of the Group. Mr ZHENG Yaonan, Mr. ZHANG Shengfeng, Mr. LIN Zonghong, and Mr. CHENG Zuming are directors of the Company.

In preparation for the initial listing of the Company's shares on the Main Board of the Stock Exchange, the Reorganization was undertaken pursuant to which Cosmo Lady Guangdong and its subsidiaries were transferred to the Company. The Reorganization involved the following:

(i) On January 22, 2014, Great Brilliant Investment Holdings Limited ("Great Brilliant"), Forever Flourish Investment Holdings Limited ("Forever Flourish"), Forever Shine Holdings Limited ("Forever Shine") and Mountain Dragon Investment Limited ("Mountain Dragon") were incorporated in the British Virgin Islands (the "BVI") with an authorized share capital of 50,000 shares with a par value of US$1.00 each, 1 share of each of Great Brilliant, Forever Flourish, Forever Shine and Mountain Dragon was allotted and issued to Mr. ZHENG Yaonan, Mr. ZHANG Shengfeng, Mr. LIN Zonghong and Mr. CHENG Zuming credited as fully paid, respectively, on January 30, 2014.

(ii) On January 22, 2014, Great Ray Investment Holdings Limited ("Great Ray") was incorporated in the BVI with an authorized share capital of 50,000 shares with a par value of US$1.00 each, 1 share was allotted and issued to Mr. ZHENG Yaonan and credited as fully paid on January 30, 2014.

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION (Continued)

1.2 Group Reorganization (Continued)

(iii) On January 23, 2014, Harmonious Composition Investment Holdings Limited ("Harmonious Composition") was incorporated in the BVI with an authorized share capital of 50,000 shares with a par value of US$1.00 each, 621 shares, 193 shares, 145 shares and 41 shares were allotted and issued to Great Brilliant, Forever Flourish, Forever Shine and Mountain Dragon respectively and credited as fully paid on January 30, 2014.

(iv) On January 28, 2014, the Company was incorporated in the Cayman Islands with an authorized share capital of US$50,000, divided into 5,000,000 shares with a par value of US$0.01 each. Upon its incorporation, 1 share was allotted and issued to Reid Services Limited and transferred to Harmonious Composition at par on January 30, 2014. On January 30, 2014, 8,480 ordinary shares, 1,269 ordinary shares and 250 ordinary shares of US$0.01 each were allotted and issued to Harmonious Composition, Capital Today Investment and Great Ray, respectively.

(v) On January 29, 2014, Cosmo Lady (International) Holdings Company Limited ("Cosmo Lady International") was incorporated in the BVI with an authorized share capital of 50,000 shares with a par value of US$1.00 each, 1 share was allotted and issued to the Company and credited as fully paid on January 30, 2014. As a result, Cosmo Lady International became a wholly owned subsidiary of the Company.

(vi) On February 12, 2014, Cosmo Lady (Hong Kong) Holdings Company Limited ("Cosmo Lady Hong Kong") was incorporated in Hong Kong with an authorized share capital of HK$10,000, divided into 10,000 shares with a par value of HK$1.00 each. Upon its incorporation, 1 ordinary share of HK$1.00 was allotted and issued to Cosmo Lady International as fully paid. As a result, Cosmo Lady Hong Kong became a wholly owned subsidiary of Cosmo Lady International.

(vii) On February 25, 2014, 71,829 ordinary shares, 11,421 ordinary shares and 2,250 ordinary shares of the Company were allotted and issued to Harmonious Composition, Capital Today Investment and Great Ray at considerations of US$21,497,509 (equivalent to approximately RMB130,731,000), US$8,972,000 (equivalent to approximately RMB54,560,000) and US$1,767,482 (equivalent to approximately RMB10,748,000), respectively.

(viii) On February 25, 2014, 4,500 ordinary shares of the Company were allotted and issued to Cosmic Vanguard Group Limited ("Cosmic Vanguard"), a company incorporated in the BVI, at a consideration of US$38,473,554 (equivalent to approximately RMB233,960,000) pursuant to a share subscription agreement.

(ix) Pursuant to the share transfer agreements dated February 13, 2014, Cosmo Lady Hong Kong acquired the 100% equity interest in Cosmo Lady Guangdong at a consideration of approximately RMB428,938,000 from its then equity holders including 52.662% equity interest from Mr. ZHENG Yaonan, 16.377% equity interest from Mr. ZHANG Shengfeng, 12.282% equity interest from Mr. LIN Zonghong, 3.489% equity interest from Mr. CHENG Zuming, 12.69% equity interest from Capital Today Investment 2.0% equity interest from Tianjin Daming and 0.5% equity interest from Shenzhen Boshi, respectively. As a result, Cosmo Lady Guangdong became an indirect wholly owned subsidiary of the Company.

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION (Continued)

1.2 Group Reorganization (Continued)

(x) Pursuant to the resolutions in writing of all of the Company's shareholders passed on June 9, 2014: (a) the authorized share capital of the Company was increased from US$50,000 to US$50,000,000 by the creation of an additional 4,995,000,000 shares of US$0.01 each, and (b) conditional on share premium account of the Company being credited as a result of the issue of the offer shares by the Company pursuant to the proposed global offering as described in the prospectus of the Company dated June 16, 2014 (the "Prospectus"), the Company capitalized an amount of US$14,999,000, standing to the credit of its share premium account of the Company by applying such sum to pay up in full at par a total of 1,499,900,000 shares for allotment and issue to the shareholders on a pro rata basis immediately before the global offering ("Capitalization").

Upon completion of the Reorganization, the Company became the holding company of all the companies now comprising the Group. The directors of the Company regarded Great Brilliant, a company controlled by Mr ZHENG Yaonan, as being the ultimate holding company of the Company upon completion of the Reorganization.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied for all the years presented, unless otherwise stated.

2.1 Basis of preparation

Immediately prior to and after the Reorganization, the Group's Business is held by Cosmo Lady Guangdong and its subsidiaries. Pursuant to the Reorganization, Cosmo Lady Guangdong and the Group's Business are transferred to and held by the Company. The Company and its other subsidiaries have not been involved in any business prior to and at the time of the Reorganization. The Reorganization is merely a reorganization of the Group's Business with no change in the ultimate controlling party and management of the Group's Business.

The consolidated financial statements of the Group has been prepared in accordance with International Financial Reporting Standards ("IFRSs") and under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures

(a) Effect of adopting interpretation and amendments to standards

The following interpretation and amendments to standards have been adopted by the Group for the first time for the financial year beginning January 1, 2014. The adoption of these amended standards and interpretation does not have any significant impact to the results or financial position of the Group.

IAS 32 (Amendment)	Offsetting Financial Assets and Financial liabilities
IFRS 10, IFRS 12 and IAS 27 (2011) (Amendment)	Consolidation for Investment Entities
IAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 (Amendment)	Novation of Derivatives
IFRIC – Int 21	Levies
IFRSs (Amendment)	Annual Improvements 2010–2012 cycle

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

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning January 1, 2014 and have not been early adopted by the Group:

IAS 19 (Amendment)	Defined Benefit Plants: Employee Contributions[1]
IFRSs (Amendment)	Annual Improvements 2010-2012 cycle and 2011–2013 cycle[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 11 (Amendment)	Acquisitions of Interests in Joint Operations[2]
IAS 16 and 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
IFRS 10 and IAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
IAS 27 (Amendment)	Equity Method in Separate Financial Statements[2]
IFRSs (Amendment)	Annual Improvements 2012–2014[2]
IFRS 10,12 and IAS 28 (Amendment)	Investment entities: applying the consolidation exception[2]
IAS 1 (Amendment)	Disclosure initiative[2]
IFRS 15	Revenue from Contracts with Customers[3]
IFRS 9	Financial Instruments[4]

1 Effective for annual periods beginning on or after 1 January 2015
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment on the impact of these standards and amendments to standards on the financial statements of the Group in the initial application. The adoption of the above is not expected to have a material effect on the Group's operating results or financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

(c) *New Hong Kong Companies Ordinance (Cap.622)*

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after March 3, 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intra-group transactions, balances and unrealized gains on transactions between the combining entities or businesses are eliminated. Unrealized losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or businesses have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) *Business combinations*

Except for the Reorganization, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) *Business combinations* (Continued)

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the profit or loss.

(b) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are 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 segments, has been identified as executive directors of the Company that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The function currency of the Company is Hong Kong dollar ("HK$"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group are within the PRC, the Group determined to present its financial statements in RMB(unless otherwise stated).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognized in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less depreciation and provision for impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over, where appropriate, their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	2–3 years
Machinery and equipment	5–10 years
Furniture, fittings and equipment	3–5 years
Vehicles	5 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

Construction in progress represents buildings under construction and is stated at cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains/losses – net" in the profit or loss.

2.6 Land use rights

Land use rights represent upfront prepayments made for the land use rights at historical cost, and are expensed in the profit or loss on a straight-line basis over the terms of the leases. Whenever there is impairment, the impairment is recognized in the profit or loss.

2.7 Intangible assets

(a) Acquired trademark

Separately acquired trademark is carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization of trademark that has definite useful lives is calculated using the straight-line method to allocate the costs of acquired trademark over its estimated useful lives of 10 years.

(b) Computer software

Acquired computer software license is capitalized on the basis of the costs incurred to acquire the specific software. These costs are amortized over a period ranging from 3 to 10 years.

2.8 Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Loan and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting year. These are classified as non-current assets. The Group's loans and receivables comprise "trade receivables and other receivables", "cash and cash equivalents" and "restricted bank deposits", in the balance sheets.

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade date-the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the profit or loss as "other gains/losses – net".

Interest on available-for-sale financial assets is recognized in the profit or loss as part of finance income.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of financial assets

(a) *Assets carried at amortized cost*

The Group assesses at the end of each reporting year whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the profit or loss.

(b) *Assets classified as available-for-sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in the profit or loss on equity instruments are not reversed through the profit or loss. If, in a subsequent year, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises costs of merchandise, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business. If collection of trade receivables and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents

In the consolidated statement of cash flow, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.15 Restricted bank deposits

Restricted bank deposits represent guaranteed deposits placed at designated bank accounts as cash collateral for construction of certain property, plant and equipment. Such restricted bank deposits are released after full settlement of the construction contract.

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Employee benefits

(a) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all eligible employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK$1,250 till May 2014, as appropriate. The cap of the contributions was increased to HK$1,500 from June 2014. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS37 and involves the payment of termination benefits.

(c) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year.

(d) Bonus entitlements

The expected cost of bonus payments are recognized as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the awards, and:

- Including any market performance conditions (for example, an entity's share price);

- Excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- Including the impact of any non-vesting conditions (for example, the requirement for employees to save or holders shares for a special period of time).

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognized over the different length vesting periods of each grant which is the period over which all of the specified vesting conditions are to be satisfied, with a credit recognized in equity.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-market performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

(b) Share-based payment transactions among group entities

The grant by the company over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2.21 Provisions

Provisions for restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Provisions (Continued)

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognized as a provision.

2.22 Operating leases – as leasee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for products supplied, stated net of discounts, returns and value added taxes.

The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods – sales to franchisees

Sales of goods are recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to the franchisees and title has been passed. Accumulated experience is used to estimate and provide for sales returns at the time of sale.

(b) Sales of goods – retail sales and e-commerce transaction

Revenue from the sales of goods is recognized when the risk and reward of the products have been transferred to the retail customer, which is usually at the time when a group entity has delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Accumulated experience is used to estimate and provide for sales returns at the time of sale.

(c) Franchise fee and software usage fee income

Franchise fee and software usage fee income is recognized when the services are rendered to franchisees.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Revenue recognition (Continued)

(d) *Other services income*

Other services income is recognized when the services are rendered.

(e) *Interest income*

Interest income is recognized using the effective interest method.

2.24 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

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

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

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends were approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 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), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize 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 year.

(a) *Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates in the PRC with most of the Group's transactions denominated and settled in RMB. The Group's assets and liabilities, and transactions arising from its operations do not expose the Group to material foreign exchange risk as the Group's assets and liabilities as at December 31, 2014 are denominated in the respective group companies' functional currencies.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets (other than bank balances and cash, details of which have been disclosed in Note 24), the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's has no interest-bearing liabilities as at the year-end date.

(c) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits and other receivables, bank balances and cash included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

For wholesale to customers, the Group has policies in place to ensure credit terms are only granted to franchise customers with an appropriate credit history and the Group performs periodic credit evaluations of these customers, taking into account their financial position, past experience and other factors. For other customers without credit terms granted, deposits and advances are received in most cases before delivery is made. Normally the Group does not require collaterals from trade debtors. Provisions are made for past due balances when management considers the loss from non-performance by the customers is likely. Sales to retail customers are settled in cash or using major credit cards.

The Group also makes deposits for rental of certain of its retail outlets with the relevant landlords. Management does not expect any loss arising from non-performance by these counterparties.

As at December 31, 2014, substantially all the bank balances, term deposits and restricted bank deposits with banks as detailed in Note 24 are held in major banks located in the PRC and Hong Kong, which management believes are of high credit quality. The management does not expect any loss arising from non-performance by these counterparties. As at December 31, 2014, bank balances, term deposits and restricted bank deposits totaling approximately RMB537,108,000 are held with major state-owned banks in the PRC and Hong Kong (2013: RMB235,080,000).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been for payment for capital expenditures, purchases and operating expenses. The Group finances its working capital requirements through a combination of internal generated funds and bank borrowings, as necessary.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed credit facilities to meet its working capital requirements.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining year at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand RMB'000	Less than 3 months RMB'000	Between 3 and 6 months RMB'000	Total RMB'000
As at December 31, 2014				
Trade payables	–	269,958	–	269,958
Financial liabilities as included in accruals and other payables	115,126	–	–	115,126
	115,126	269,958	–	385,084
As at December 31, 2013				
Trade payables	–	219,300	–	219,300
Financial liabilities as included in accruals and other payables	50,179	24,145	15,937	90,261
Dividends payable	200,000	–	–	200,000
	250,179	243,445	15,937	509,561

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 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 net debt divided by total capital. Net debt calculated as total borrowings less cash and cash equivalents, term deposits and restricted bank deposits. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debts. As at December 31, 2014, the Group has a net cash position and the aggregate balances of cash and cash equivalents, term deposits and restricted bank deposits exceed the total balance of borrowings by RMB1,080,562,000 (2013: RMB306,252,000).

3.3 Fair value estimation

The Group's financial instruments recognized in the consolidated balance sheet are mainly receivables and financial liabilities carried at amortized cost. The fair values of these financial instruments approximate their carrying amounts.

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 December 31, 2014, the Group does not have any financial instruments that are measured in the consolidated statement of financial position at fair value.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each statement of financial position date.

(b) Income tax

The Group is subject to income taxes in different locations in the PRC. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

5 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 makes strategic decisions.

The Group is principally engaged in designing, marketing and selling of intimate wear products. All of its revenue are derived in the PRC.

None of the revenue derived from any single external customer amounted to more than 10% of the Group's revenue (2013: None).

6 REVENUE

	Year ended December 31, 2014 RMB'000	2013 RMB'000
Sales to franchisees	**2,689,850**	2,240,433
Retail sales	**1,317,786**	675,833
	4,007,636	2,916,266

7 OTHER INCOME

	Year ended December 31, 2014 RMB'000	2013 RMB'000
Franchise fee income	**3,334**	3,091
Software usage fee income	**4,230**	6,403
Government grants *(a)*	**41,101**	22,952
Service fee income *(b)*	**23,497**	–
Others	**6,936**	6,511
	79,098	38,957

Notes:

(a) Government grants received comprised financial subsidies received from various local governments in the PRC. There are no unfulfilled conditions or contingencies relating to these incomes.

(b) Service fee income mainly comprised store interior design services provided for franchised outlets.

8 OTHER GAINS/(LOSSES) – NET

	Year ended December 31, 2014 RMB'000	2013 RMB'000
Loss on disposal of property, plant and equipment – net	**(139)**	(32)
Net foreign exchange gains	**4,678**	–
	4,539	(32)

9 EXPENSES BY NATURE

	Year ended December 31,	
	2014	2013
	RMB'000	RMB'000
Costs of inventories recognized in cost of sales	**2,358,988**	1,792,171
Employee benefit expenses (including directors' emoluments) *(Note 10)*	**265,747**	228,940
Operating lease rentals in respect of land and buildings	**140,673**	183,560
Concessionaire fee in respect of outlets under cooperative arrangements	**389,601**	78,516
Marketing and promotion expenses	**63,207**	61,364
Government charges and levies	**31,186**	19,313
Consulting service expenses	**42,269**	21,126
Listing expenses	**22,676**	16,466
Depreciation and amortization *(Notes 16, 17 and 18)*	**38,296**	29,762
Consumables recognized in expenses	**18,775**	25,726
Write-down of inventories *(Note 21)*	**36,695**	27,415
Auditors' remuneration	**2,750**	136
Net (write-back of)/provision for impairment of trade receivables *(Note 22)*	**(1,055)**	2,442
Miscellaneous	**106,409**	96,788
Total cost of sales, selling and marketing expenses and general and administrative expenses	**3,516,217**	2,583,725

10 EMPLOYEE BENEFIT EXPENSES

The employee benefit expenses, including directors' and senior management's emoluments, are as follows:

	Year ended December 31,	
	2014	2013
	RMB'000	RMB'000
Wages, salaries and bonuses	**229,450**	206,123
Pension costs – defined contribution plans	**20,703**	11,591
Welfare and allowance	**6,743**	5,500
Equity-settled share-based compensation *(Note 27(c))*	**8,851**	5,726
	265,747	228,940

11 DIRECTORS AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and chief executive's emoluments

Directors' and chief executive's emoluments are set out below:

	Fees RMB'000	Wages, salaries and bonuses RMB'000	Employer's contributions to retirement schemes RMB'000	Total RMB'000
Year ended December 31, 2014				
Executive Directors				
Mr. ZHENG Yaonan[1][2]	–	632	42	674
Mr. ZHANG Shengfeng[2]	–	483	42	525
Mr. LIN Zonghong[2]	–	483	42	525
Mr. CHENG Zuming[2]	–	483	40	523
Ms. WU Xiaoli[2]	–	391	42	433
Non-executive Director				
Ms. XU Xin[6]	–	–	–	–
Mr. WEN Baoma[3]	–	50	–	50
Independent Non-executive Directors				
Dr. DAI Yiyi[4]	150	–	–	150
Mr. CHEN Zhigang[4]	120	–	–	120
Mr. YAU Chiming[5]	89	–	–	89
	359	2,522	208	3,089
Year ended December 31, 2013				
Executive Directors				
Mr. ZHENG Yaonan[1][2]	–	480	39	519
Mr. ZHANG Shengfeng[2]	–	420	39	459
Mr. LIN Zonghong[2]	–	420	39	459
Mr. CHENG Zuming[2]	–	420	37	457
Ms. WU Xiaoli[2]	–	300	39	339
Non-executive Director				
Ms. XU Xin[6]	–	–	–	–
Mr. WEN Baoma[3]	–	–	–	–
Independent Non-executive Directors				
Dr. DAI Yiyi[4]	67	–	–	67
Mr. CHEN Zhigang[4]	53	–	–	53
	120	2,040	193	2,353

11 DIRECTORS AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

Notes:

(1) Mr. ZHENG Yaonan is also the chief executive of the Group.

(2) Mr. ZHENG Yaonan, Mr. ZHANG Shengfeng, Mr. LIN Zonghong, Mr. CHENG Zuming and Ms. WU Xiaoli were appointed as executive directors effective from January 30, 2014. They were also employees of the Group and the Group paid employee emoluments to them in their capacity as employees before their appointments as executive directors.

(3) Mr. WEN Baoma was appointed as a non-executive director effective from April 16, 2014.

(4) Mr. CHEN Zhigang and Dr. DAI Yiyi were appointed as independent non-executive directors effective from June 9, 2014. They were also independent non-executive directors of a subsidiary of the Company and the Group paid directors' emoluments to them in their capacity as independent non-executive directors.

(5) Mr. YAU Chiming was appointed as independent non-executive directors effective from June 9, 2014.

(6) Ms. XU Xin was appointed and resigned as a non-executive director on January 30, 2014 and March 31, 2014, respectively.

No director or chief executive has waived or agreed to waive any emoluments during the year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 1 director (2013: 4), whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 4 (2013: 1) during the year are as follows:

	Year ended December 31,	
	2014 RMB'000	2013 RMB'000
Wages, salaries and bonuses	**3,286**	400
Pension costs – defined contribution plans	**196**	20
Equity-settled share-based compensation	**3,064**	–
	6,546	420

The emoluments fell within the following bands:

	Year ended December 31,	
	2014	2013
	Number of individual	
Emolument bands:		
HK$500,001 to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**2**	–
HK$4,500,001 to HK$5,000,000	**1**	–

During the year, no director or none of the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office (2013: Nil).

11 DIRECTORS AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(Continued)

(c) Senior management remuneration by band

The remuneration of the senior management of the Group fell within the following bands:

	Year ended December 31,	
	2014	2013
HK$500,001 to HK$1,000,000	**1**	4
HK$1,000,001 to HK$1,500,000	**2**	–
HK$4,500,001 to HK$5,000,000	**1**	–

12 FINANCE INCOME – NET

	Year ended December 31,	
	2014 **RMB'000**	2013 RMB'000
Finance income		
Interest income on short-term bank deposits	**5,151**	1,752
Interest income on available-for-sale financial assets	**7,249**	3,077
	12,400	4,829
Finance costs		
Interest expense on bank borrowings, wholly repayable within five years	**–**	(1,422)
Finance income – net	**12,400**	3,407

13 INCOME TAX EXPENSE

	Year ended December 31,	
	2014 RMB'000	2013 RMB'000
Current income tax		
– Hong Kong profits tax *(note (a))*	**–**	–
– PRC corporate income ("CIT")	**170,244**	97,528
	170,244	97,528
Deferred income tax *(Note 19)*	**(8,015)**	1,837
Income tax expense	**162,229**	99,365

(a) Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% for the year ended 31 December 2014 (2013: Not applicable).

(b) PRC corporate income tax

The Group's subsidiaries in the PRC are subject to PRC corporate income tax at the rate of 25% for the year ended 31 December 2014 (2013: 25%), based on the existing legislation, interpretations and practices in respect thereof.

(c) Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the British Virgin Islands (the "BVI") was incorporated under the International Business Companies Act of the BVI and, accordingly, is exempted from BVI income tax.

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:

	Year ended December 31,	
	2014 RMB'000	2013 RMB'000
Profit before income tax	**587,456**	374,873
Tax calculated at statutory tax rates applicable to each group entity	**146,864**	93,718
Tax effect of:		
Expenses not deductible for tax purposes	**15,365**	5,647
Income tax expense	**162,229**	99,365

Note:

The weighted average applicable tax rate for the year is 27.6% (2013: 26.5%). The fluctuation in the weighted average applicable tax rate increased mainly because of the change in the relative profitability of the companies within the Group.

14 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December,	
	2014	2013
Profit for the year attributable to equity holders of the Company *(RMB'000)*	**425,227**	275,508
Weighted average number of ordinary shares for the purposes of basic earnings per share *(thousands of shares)*	**1,710,467**	1,500,000
Basic earnings per share *(RMB cents per share)*	**24.86**	18.37

Note: The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended December 31, 2013 and 2014 has been retrospectively adjusted for the effects of the Capitalization of the ordinary shares which took place on June 26, 2014 (Note 1.2(x)).

Diluted

Diluted earnings per share is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the year (2013:Nil).

15 DIVIDENDS

	Year ended December 31,	
	2014 **RMB'000**	2013 RMB'000
Final dividend, proposed, of HK$10.0 cents (2013:Nil) per ordinary share	**151,182**	–
Dividends declared by Cosmo Lady Guangdong to its then equity holders	**–**	200,000

At a meeting held on March 9, 2015, the directors recommended a final dividend of HK$10.0 cents (equivalent to approximately RMB7.93 cents) per ordinary share of the Company, totalling approximately RMB151,182,000 for the year ended 31 December 2014. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation for the year ending 31 December 2015.

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Furniture, fittings and equipment RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At January 1, 2013							
Cost	148,234	14,574	24,593	27,236	2,579	–	217,216
Accumulated depreciation	(8,658)	(3,006)	(3,577)	(5,582)	(676)	–	(21,499)
Net book amount	139,576	11,568	21,016	21,654	1,903	–	195,717
Year ended December 31, 2013							
Opening net book amount	139,576	11,568	21,016	21,654	1,903	–	195,717
Additions	6,360	8,212	917	9,274	728	2,018	27,509
Disposals	–	–	–	(70)	–	–	(70)
Depreciation *(Note 9)*	(7,059)	(7,557)	(2,949)	(5,731)	(1,137)	–	(24,433)
Closing net book amount	138,877	12,223	18,984	25,127	1,494	2,018	198,723
At December 31, 2013							
Cost	154,594	22,786	25,510	36,402	3,307	2,018	244,617
Accumulated depreciation	(15,717)	(10,563)	(6,526)	(11,275)	(1,813)	–	(45,894)
Net book amount	138,877	12,223	18,984	25,127	1,494	2,018	198,723
Year ended December 31, 2014							
Opening net book amount	**138,877**	**12,223**	**18,984**	**25,127**	**1,494**	**2,018**	**198,723**
Additions	**2,266**	**21,473**	**115**	**14,582**	**390**	**65,324**	**104,150**
Transfer	**953**	**–**	**–**	**–**	**–**	**(953)**	**–**
Disposals	**–**	**–**	**–**	**(1,352)**	**–**	**–**	**(1,352)**
Depreciation *(Note 9)*	**(7,332)**	**(10,413)**	**(3,143)**	**(7,984)**	**(1,310)**	**–**	**(30,182)**
Closing net book amount	**134,764**	**23,283**	**15,956**	**30,373**	**574**	**66,389**	**271,339**
At December 31, 2014							
Cost	**157,813**	**44,259**	**25,625**	**49,632**	**3,697**	**66,389**	**347,415**
Accumulated depreciation	**(23,049)**	**(20,976)**	**(9,669)**	**(19,259)**	**(3,123)**	**–**	**(76,076)**
Net book amount	**134,764**	**23,283**	**15,956**	**30,373**	**574**	**66,389**	**271,339**

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation of property, plant and equipment has been charged to the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended December 31,	
	2014	2013
	RMB'000	RMB'000
Cost of sales	**1,336**	400
Selling and marketing expenses	**18,127**	15,638
General and administrative expenses	**10,719**	8,395
	30,182	24,433

17 LAND USE RIGHTS

The Group's land use rights relate to land situated in the PRC and held on leases of between 10 and 50 years. The land use rights are amortized over their unexpired lease terms on a straight-line basis, the net book value of which are analyzed as follows:

	Year ended December 31,	
	2014	2013
	RMB'000	RMB'000
At January 1	**72,289**	48,639
Additions	**23,086**	24,928
Amortization charges *(Note 9)*	**(1,824)**	(1,278)
At December 31	**93,551**	72,289

Amortization of land use right has been charged to the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended December 31,	
	2014	2013
	RMB'000	RMB'000
Selling and marketing expenses	**650**	414
General and administrative expenses	**1,174**	864
	1,824	1,278

18 INTANGIBLE ASSETS

	Acquired trademark RMB'000	Computer software RMB'000	Total RMB'000
At January 1, 2013			
Cost	2,990	14,232	17,222
Accumulated amortization	(249)	(1,477)	(1,726)
Net book amount	2,741	12,755	15,496
Year ended December 31, 2013			
Opening net book amount	2,741	12,755	15,496
Additions	100	16,572	16,672
Amortization charges *(Note 9)*	(308)	(3,743)	(4,051)
Closing net book amount	2,533	25,584	28,117
At December 31, 2013			
Cost	3,090	30,804	33,894
Accumulated amortization	(557)	(5,220)	(5,777)
Net book amount	2,533	25,584	28,117
Year ended December 31, 2014			
Opening net book amount	**2,533**	**25,584**	**28,117**
Additions	**–**	**3,580**	**3,580**
Amortization charges *(Note 9)*	**(309)**	**(5,981)**	**(6,290)**
Closing net book amount	**2,224**	**23,183**	**25,407**
At December 31, 2014			
Cost	**3,090**	**34,384**	**37,474**
Accumulated amortization	**(866)**	**(11,201)**	**(12,067)**
Net book amount	**2,224**	**23,183**	**25,407**

18 INTANGIBLE ASSETS (Continued)

Amortization of intangible assets has been charged to the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended December 31,	
	2014	2013
	RMB'000	RMB'000
Selling and marketing expenses	**4,754**	2,597
General and administrative expenses	**1,536**	1,454
	6,290	4,051

19 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. As at December 31, 2014, majority of the Group's deferred income tax assets are expected to be recovered within 12 months.

Deferred income tax assets

	Write-down of inventories RMB'000	Provision for trade receivables RMB'000	Provision for sales return RMB'000	Unrealized profit RMB'000	Tax losses carried forward RMB'000	Others RMB'000	Total RMB'000
At January 1, 2013	3,209	–	2,658	6,215	5,350	–	17,432
(Charged)/credited to the consolidated statement of profit or loss	3,645	666	(1,668)	(4,093)	(1,819)	1,432	(1,837)
At December 31, 2013	6,854	666	990	2,122	3,531	1,432	15,595
(Charged)/credited to the consolidated statement of profit or loss	2,320	(263)	(192)	3,519	(638)	3,269	8,015
At December 31, 2014	**9,174**	**403**	**798**	**5,641**	**2,893**	**4,701**	**23,610**

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of related tax benefits through future taxable profits is probable.

As at December 31, 2014, temporary differences relating to the undistributed profits of certain subsidiaries of the Group in the PRC amounted to RMB401,827,000 (2013: RMB31,292,000). Deferred tax liabilities of RMB40,183,000 (2013: RMB3,129,000) have not 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.

20 INTERESTS IN A SUBSIDIARY – THE COMPANY

	As at December 31,	
	2014	2013
	RMB'000	RMB'000
Unlisted equity investment, at cost	**–**	–
Capital contribution relating to share-based payment *(a)*	**14,577**	–
Loans to a subsidiary *(b)*	**430,000**	–
	444,577	–
Amounts due from a subsidiary *(c)*	**1,106,730**	–

Notes:

(a) The capital contribution relates to share-based payment relates to shares granted by the Company to employees of subsidiaries. Refer to Note 27 for further details on the Group's share award scheme.

(b) Loans to a subsidiary are unsecured and non-interest bearing. These loans have no fixed terms of repayment and are regarded as equity contributions to a subsidiary.

(c) Amounts due from a subsidiary are unsecured, non-interest bearing and repayable on demand. The carrying amounts of these balances are mainly denominated in HK$ and approximate their fair values.

21 INVENTORIES

	As at December 31,	
	2014	2013
	RMB'000	RMB'000
Raw materials	**4,246**	6,191
Work in progress	**4,773**	5,456
Finished goods	**666,282**	420,124
	675,301	431,771
Less: provision for impairment losses	**(36,695)**	(27,415)
	638,606	404,356

Inventories are valued at the lower of cost and estimated net realizable value. Provision is made for obsolete and slow-moving items. The inventory write-down recognized in the consolidated statement of profit or loss and other comprehensive income amounted to approximately RMB36,695,000 for the year ended December 31, 2014 (2013: RMB27,415,000).

22 TRADE RECEIVABLES

	As at December 31,	
	2014	2013
	RMB'000	RMB'000
Due from third parties	**282,416**	173,275
Less: provision for impairment	**(1,611)**	(2,666)
Trade receivables – net	**280,805**	170,609

(a) As at December 31, 2014, 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 60 to 90 days from the invoice date for seasonal products. The Group also gives franchise customers a credit period of 180 to 360 days for their first order of products for new outlets. The ageing analysis of trade receivables based on invoice date, as at December 31, 2014 is as follows:

	As at December 31,	
	2014	2013
	RMB'000	RMB'000
Trade receivables, gross		
– Within 30 days	**153,555**	123,513
– Over 30 days and within 60 days	**89,133**	32,751
– Over 60 days and within 90 days	**21,432**	7,483
– Over 90 days and within 180 days	**12,851**	8,457
– Over 180 days and within 360 days	**2,740**	636
– Over 360 days	**2,705**	435
	282,416	173,275

22 TRADE RECEIVABLES (Continued)

(c) Trade receivables of the Group are analyzed as below:

	As at December 31,	
	2014	2013
	RMB'000	RMB'000
Fully performing under credit terms	**242,701**	156,516
Past due but not impaired	**38,104**	14,093
Non-performing and impaired	**1,611**	2,666
	282,416	173,275
Less: provision for impairment	**(1,611)**	(2,666)
Trade receivables – net	**280,805**	170,609

As at December 31, 2014, trade receivables of RMB1,611,000 of the Group are impaired and have been fully provided for (2013: RMB2,666,000). The individually impaired receivables mainly relate to certain franchise customers who are in unexpectedly difficult economic situations.

For past due but not impaired receivables, based on the past experiences, the directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in their credit quality and the balances are considered fully recoverable. These trade receivables relate to a number of independent debtors for whom there is no recent history of default. The Group does not hold any collateral as security over these debtors.

The ageing analysis of the Group's trade receivables which are past due but not impaired is as follows:

	As at December 31,	
	2014	2013
	RMB'000	RMB'000
– Within 30 days	**31,212**	9,025
– Over 30 days and within 60 days	**4,886**	1,617
– Over 60 days and within 90 days	**914**	1,667
– Over 90 days and within 180 days	**290**	713
– Over 180 days and within 360 days	**337**	636
– Over 360 days	**465**	435
	38,104	14,093

22 TRADE RECEIVABLES (Continued)

(d) Movements in the Group's provision for impairment of trade receivables are as follows:

	As at December 31,	
	2014 **RMB'000**	2013 RMB'000
At January 1	**2,666**	224
Provision for impairment	**878**	2,607
Write-back of impairment due to collection	**(1,933)**	(165)
At December 31	**1,611**	2,666

23 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at December 31,	
	2014 **RMB'000**	2013 RMB'000
Prepayments for acquisition of land use rights	**–**	4,500
Prepayments for acquisition of property, plant and equipment	**13,439**	3,571
Prepayments for acquisition of intangible assets	**6,675**	618
Value added tax recoverable	**96,371**	39,225
Prepayments and deposits	**23,153**	26,532
Prepaid rental expenses	**170,756**	28,042
Prepayments for purchase of goods	**26,661**	–
Others	**17,936**	8,667
	354,991	111,155
Less: non-current portion	**(30,275)**	(19,949)
Current portion	**324,716**	91,206

As at December 31, 2014, the fair values of the Group's deposits, prepayments and other receivables, except for the prepayments which are not financial assets, approximate to their carrying amounts.

As at December 31, 2014, the carrying amounts of the Group's deposits and other receivables are denominated in RMB.

As at December 31, 2014, the Group's deposits and other receivables are fully performing under normal business terms.

24 BANK BALANCES AND CASH

	Group As at December 31,		Company As at December 31,	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Bank balances and cash				
Cash and cash equivalents	**921,337**	290,027	**9,288**	–
Term deposits with initial term of over three months *(a)*	**150,000**	–	**–**	–
Restricted bank deposits *(b)*	**9,225**	16,225	**–**	–
	1,080,562	306,252	**9,288**	–
Denominated in:				
RMB	**754,843**	306,252	**1,016**	–
HK$	**324,595**	–	**7,148**	–
Other currencies	**1,124**	–	**1,124**	–
	1,080,562	306,252	**9,288**	–

(a) As at December 31, 2014, the weighted average effective interest rate of the Group's term deposits with initial terms of over three months was 2.81% (2013: Nil) per annum.

(b) Restricted bank deposits were pledged to banks as follows:

	As at December 31,	
	2014 RMB'000	2013 RMB'000
As collateral for outstanding bank borrowings of certain franchisees of the Group	**–**	7,000
As collateral for construction of certain property, plant and equipment	**9,225**	9,225
	9,225	16,225

(c) 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.

25 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
As at date of incorporation *(note (a))*	10,000	1	–	1
Issuance of ordinary shares *(note (b))*	90,000	5	429,994	429,999
Capitalization of share premium *(note (c))*	1,499,900,000	92,301	(92,301)	–
Issuance of ordinary shares upon IPO *(note (d))*	406,457,000	25,013	1,136,655	1,161,668
Share issuance cost *(note (e))*	–	–	(42,354)	(42,354)
As at December 31, 2014	**1,906,457,000**	**117,320**	**1,431,994**	**1,549,314**

Notes:

(a) Upon incorporation on January 28, 2014, the authorized share capital of the Company was US$50,000, divided into 5,000,000 shares with a par value of US$0.01 each.

Upon its incorporation, one share was allotted and issued to Reid Services Limited and transferred to Harmonious Composition at par on January 30, 2014. On the same date, 8,480 ordinary shares, 1,269 ordinary shares and 250 ordinary shares of US$0.01 each were allotted and issued to Harmonious Composition, Capital Today Investment and Great Ray, respectively at par. These shares rank pari passu in all respects with the share in issue.

(b) On February 25, 2014, 71,829 ordinary shares, 11,421 ordinary shares and 2,250 ordinary shares of the Company were allotted and issued to Harmonious Composition, Capital Today Investment and Great Ray at considerations of approximately RMB130,731,000, RMB54,560,000 and RMB10,748,000, respectively. On the same date, 4,500 ordinary shares of the Company were allotted and issued to Cosmic Vanguard at a consideration of approximately RMB233,960,000 pursuant to a share subscription agreement. These shares rank pari passu in all respects with the shares in issue.

The excess over the par value of RMB5,000 for the 90,000 shares issued was credited to the share premium account with an amount of RMB429,994,000.

(c) Pursuant to a resolution passed on June 9, 2014: (a) the authorized share capital of the Company was increased from US$50,000 to US$50,000,000 by the creation of an additional 4,995,000,000 shares of US$0.01 each immediately before the listing of the Company's shares on June 26, 2014. These shares rank pari passu in all respects with the shares in issue, and (b) the Company capitalized an amount of US$14,999,000, standing to the credit of its share premium account of the Company by applying such sum to pay up in full at par a total of 1,499,900,000 shares for allotment and issue to the shareholders on a pro rata basis immediately before the global offering.

(d) On June 26, 2014, the Company issued 406,457,000 ordinary shares of US$0.01 each at an offer price of HK$3.60 per share through the global offering for an aggregated consideration of approximately HK$1,463,245,000 (equivalent to approximately RMB1,161,668,000). These shares rank pari passu in all respects with the shares in issue.

(e) Share issuance cost mainly included underwriting commission, lawyer's fees, reporting accountant's fee and other related costs. Incremental costs that were directly attributable to the issue of the new ordinary shares amounting to RMB42,354,000 was treated as a deduction from share premium. Other share issuance costs which were not directly attributable to the issue of the new ordinary shares amounting to RMB39,142,000 were recognized as expenses in the consolidated statement of profit or loss and other comprehensive income.

26 OTHER RESERVES

Group

	Merger reserve RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Equity-settled share-based compensation RMB'000	Exchange reserve RMB'000	Total other reserves RMB'000
At January 1, 2013	103,172	42,776	275,247	148	–	421,343
Capitalization upon conversion of Cosmo Lady Guangdong into a joint stock company on July 29, 2013	316,828	(37,040)	(82,457)	(148)	–	197,183
Equity-settled share-based compensation	–	–	–	5,726	–	5,726
Appropriation to statutory reserve	–	32,013	–	–	–	32,013
At December 31, 2013	420,000	37,749	192,790	5,726	–	656,265
Effect of the Reorganization	(428,938)	–	–	–	–	(428,938)
Equity-settled share-based compensation	–	–	–	8,851	–	8,851
Exchange differences	–	–	–	–	(4,479)	(4,479)
At December 31, 2014	(8,938)	37,749	192,790	14,577	(4,479)	231,699

Notes:

(a) Merger reserve

Merger reserve as at December 31, 2013 represented the paid-in capital of Cosmo Lady Guangdong.

Merger reserve as at December 31, 2014 represented the difference of the aggregate consideration paid by the Group for the acquisition of subsidiaries pursuant to the Reorganization as disclosed in Note 1.2 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 January 1, 2013 represented the excess of the cash consideration over the paid-in capital arising from capital contributions to Cosmo Lady Guangdong by investors.

On July 29, 2013, Cosmo Lady Guangdong was converted into a joint stock company with limited liability by converting the total equity as at December 31, 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 with the amount of RMB192,790,000 has been recognized as capital reserve in the consolidated balance sheet.

26 OTHER RESERVES (Continued)

Company

	Equity-settled share-based compensation RMB'000	Exchange reserve RMB'000	Total other reserves RMB'000
At 28 January 2014	5,726	–	5,726
Equity-settled share-based compensation	8,851	–	8,851
Currency translation differences	–	(7,018)	(7,018)
At 31 December 2014	**14,577**	**(7,018)**	**7,559**

The loss attributable to the equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB6,811,000 (2013: Nil).

27 EQUITY-SETTLED SHARE-BASED COMPENSATION

Shenzhen Boshi and Tianjin Daming, entities which were set up for the benefits of the Group's employees and hold an aggregate 2.5% equity interest in Cosmo Lady Guangdong, operates a share award scheme (the "Share Award Scheme") in exchange for employee services to the Group. The equity interests in Cosmo Lady Guangdong held by Shenzhen Boshi and Tianjin Daming have been indirectly transferred to the Company and the Share Award Scheme has been effectively taken up by Great Ray upon the completion of the Reorganization.

The numbers of ordinary shares granted under the Share Award Scheme are as follows:

	Year ended December 31,	
	2014	2013
At January 1	**33,150,000**	23,100,000
Granted during the year	**2,700,000**	10,050,000
Forfeited	**(2,400,000)**	–
At December 31	**33,450,000**	33,150,000

(a) Vesting condition of the Share Award Scheme

Pursuant to the Share Award Scheme, vesting of shares awarded under the scheme are subject to the successful listing of the Company's shares on the Main Board of the Stock Exchange (the "Listing") as well as a 3-year service period after the Listing.

The vesting schedule of the shares awarded under the scheme is as follows:

- 35% will vest on the first anniversary of the date of the Listing;
- 35% will vest on the second anniversary of the date of the Listing;
- 30% will vest on the third anniversary of the date of the Listing.

27 EQUITY-SETTLED SHARE-BASED COMPENSATION (Continued)

(b) Fair value estimation of the equity instruments granted

As a private company with no quoted market price of the Company's equity instruments at the date of grant, the Company needs to estimate the fair value of its equity interest at the relevant grant dates. The discounted cash flow method under the income approach has been applied in the determination of the fair value of the equity interest in the Company. The discounted cash flow derived by management considered the Group's future business plan, specific business and financial risks, the stage of development of the Group's operations and economic and competitive elements affecting the Group's business, industry and market.

The fair values of each grant under Share Award Scheme are summarized as follows:

Grant date	RMB'000
December 18, 2012	13,695
March 12, 2013	5,906
January 1, 2014	8,054

(c) Accounting treatment of the share-based compensation

As the Company received the benefits associated with the services of the eligible employees, the fair value of the employee services received in exchange for the grant of the equity instruments is recognized as an expense. The total amount to be expensed is determined by the fair value of the equity instruments granted less the subscription cost of the instruments, and amortized over the different length vesting years of each grant with a credit recognized in equity as capital contribution.

Expenses arising from the share-based compensation have been charged in the consolidated statement profit or loss and other comprehensive income as follows:

	Year ended December 31,	
	2014	2013
	RMB'000	RMB'000
General and administrative expenses	**6,196**	3,186
Selling and marketing expenses	**2,655**	2,540
	8,851	5,726

28 TRADE PAYABLES

	As at December 31,	
	2014	2013
	RMB'000	RMB'000
Due to related parties *(Note 32(c))*	**3,488**	12,108
Due to third parties	**266,470**	207,192
	269,958	219,300

As at December 31, 2014, trade payables of the Group are non-interest bearing, and their carrying amounts approximate their fair values due to their short maturities.

As at December 31, 2014, trade payables are denominated in RMB.

	As at December 31,	
	2014	2013
	RMB'000	RMB'000
Trade payables		
– Within 30 days	**21,588**	51,580
– Over 30 days and within 60 days	**94,225**	69,172
– Over 60 days and within 90days	**68,690**	51,663
– Over 90 days and within 180 days	**62,839**	35,913
– Over 180 days and within 360 days	**22,048**	10,565
– Over 360 days	**568**	407
	269,958	219,300

29 ACCRUALS AND OTHER PAYABLES

	Group As at December 31,		Company As at December 31,	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Due to third parties				
Payables for purchases of property, plant and equipment and intangible assets	**5,841**	6,503	**–**	–
Receipts in advance from customers	**43,588**	65,928	**–**	–
Salaries and welfare payables	**35,816**	28,800	**–**	–
Accrued taxes other than income tax	**12,029**	4,297	**–**	–
Deposits from franchisees	**57,473**	50,179	**–**	–
Provision for sales return	**3,193**	3,961	**–**	–
Rental payables	**403**	2,908	**–**	–
Accrued listing expenses	**17,160**	15,937	**7,675**	–
Other accrued expenses and payables	**34,249**	10,773	**3,182**	–
	209,752	189,286	**10,857**	–

As at December 31, 2014, accruals and other payables of the Group are non-interest bearing, and their fair values, except for the receipts in advance from customers which are not financial liabilities, approximate their carrying amounts due to their short maturities.

As at December 31, 2014, accruals and other payables of the Group are denominated in RMB.

30 NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash generated from operations

	Year ended December 31,	
	2014	2013
	RMB'000	RMB'000
Profit for the year before income tax	**587,456**	374,873
Adjustments for:		
– Depreciation of property, plant and equipment *(Note 16)*	**30,182**	24,433
– Amortization of land use rights *(Note 17)*	**1,824**	1,278
– Amortization of intangible assets *(Note 18)*	**6,290**	4,051
– provision for impairment of trade receivables *(Note 22)*	**878**	2,607
– Write-down of inventories *(Note 21)*	**36,695**	27,415
– Finance income *(Note 12)*	**(12,400)**	(4,829)
– Finance costs *(Note 12)*	**–**	1,422
– Foreign exchange gains	**(4,678)**	–
– Equity-settled share-based compensation *(Note 27(c))*	**8,851**	5,726
– Loss on disposal of property, plant and equipment – net *(Note 8)*	**139**	32
	655,237	437,008
Changes in working capital:		
– (Increase)/decrease in trade receivables	**(111,074)**	7,578
– Decrease/(increase) in restricted bank deposits *(Note 24(b))*	**7,000**	(16,225)
– Increase in deposits, prepayments and other receivables	**(237,591)**	(23,484)
– Increase in inventories	**(270,945)**	(104,449)
– Increase/(decrease) in trade payables	**50,658**	(18,353)
– (Decreased)/Increase in accruals and other payables	**(17,828)**	46,358
Cash generated from operations	**75,457**	328,433

(b) Proceeds from disposal of property, plant and equipment

In the consolidated cash flow statements, proceeds from disposal of property, plant and equipment comprise:

	Year ended December 31,	
	2014	2013
	RMB'000	RMB'000
Net book amount of property, plant and equipment *(Note 16)*	**1,352**	70
Loss on disposal of property, plant and equipment *(Note 8)*	**(139)**	(32)
Proceeds from disposal of property, plant and equipment	**1,213**	38

31 COMMITMENTS

(a) Capital commitments

As at December 31, 2014 the Group had the following capital commitments not provided for:

	As at December 31, 2014 RMB'000	2013 RMB'000
Authorized but not contracted:		
Property, plant and equipment	**374,812**	377,736
Contracted but not provided for:		
Property, plant and equipment	**66,091**	89,619
Land use rights	**–**	16,935
Intangible assets	**13,178**	920
	79,269	107,474

(b) Operating lease commitments

As at December 31, 2014, the future aggregate minimum lease payments in respect of buildings under non-cancellable operating leases were as follows:

	As at December 31, 2014 RMB'000	2013 RMB'000
No later than 1 year	**69,262**	97,778
Later than 1 year and no later than 5 years	**83,768**	137,111
Later than 5 years	**569**	4,406
	153,599	239,295

The Company did not have any significant commitments at December 31, 2014 (2013: Nil).

32 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 operation 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 during the year, and balances arising from related party transactions as at December 31, 2014.

(a) Name and relationship with related parties

	Relationship with the Group
Mr. ZHANG Shengfeng	Director
Mr. LIN Zonghong	Director
Shantou City Shengqiang Knitting Industrial Co., Ltd (汕頭市盛強針織實業有限公司, "Shantou Shengqiang")	Controlled by a brother of Mr. ZHANG Shengfeng's spouse
Shantou City Maosheng Knitting Underwear Co., Ltd (汕頭市茂盛針織內衣有限公司, "Shantou Maosheng")	Controlled by a brother of Mr. LIN Zonghong

(b) Transactions with related parties

Purchases of goods:

	Year ended December 31,	
	2014	2013
	RMB'000	RMB'000
Continuing transactions:		
Shantou Shengqiang	**21,536**	25,563
Shantou Maosheng	**22,131**	21,257
	43,667	46,820

Purchases of goods from these related parties are on mutually agreed terms and conditions, and the purchase prices are determined on cost-plus basis, with a mark-up rate of no more than 9%.

32 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

Payables to related parties

	As at December 31,	
	2014	2013
	RMB'000	RMB'000
Trade balance *(Note 28)*:		
Shantou Shengqiang	**1,838**	9,490
Shantou Maosheng	**1,650**	2,618
	3,488	12,108

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

(d) Key management compensation

The remuneration of directors of the Company and other members of key management of the Group is as follows:

	Year ended December 31,	
	2014	2013
	RMB'000	RMB'000
Wages, salaries and bonuses	**6,439**	3,580
Pension costs – defined contribution plans	**425**	331
Equity-settled share-based compensation	**3,262**	971
	10,126	4,882

33 PARTICULARS OF THE SUBSIDIARIES OF THE GROUP

Particulars of the subsidiaries of the Group as at December 31, 2014 are set out below:

Company name	Place of incorporation	Paid-in capital/ registered capital	Interests held by the Group	Principal activities/ place of operation
Directly held:				
Cosmo Lady (International) Holdings Co., Ltd (都市麗人(國際)控股有限公司)	BVI	1 share of HK$1	100%	Investment holding/ Hong Kong
Indirectly held:				
Cosmo Lady Guangdong Holdings Limited (廣東都市麗人實業有限公司)	PRC	RMB 420,000,000	100%	Sale of intimate wear/ PRC
Beijing Ziseyangguang Sale Co., Ltd. (北京紫色陽光銷售有限公司)	PRC	RMB 1,000,000	100%	Sale of intimate wear/ PRC
Cosmo Lady Fashion (Shenzhen) Co., Ltd (深圳市都市麗人服裝有限公司)	PRC	RMB 2,000,000	100%	Sale of intimate wear/ PRC
Cosmo Lady Fashion (Wuhan) Co., Ltd (武漢市都市麗人銷售有限公司)	PRC	RMB 1,000,000	100%	Sale of intimate wear/ PRC
Cosmo Lady Fashion (Guangzhou) Co., Ltd (廣州市都市麗人服裝有限公司)	PRC	RMB 2,000,000	100%	Sale of intimate wear/ PRC
Fanxue Fashion (Changsha) Co., Ltd (長沙市凡雪服裝貿易有限公司)	PRC	RMB 1,000,000	100%	Sale of intimate wear/ PRC
Nanjing Caoyise Fashion Co., Ltd (南京草一色服裝銷售有限公司)	PRC	RMB 1,000,000	100%	Sale of intimate wear/ PRC
Xiamen Kexuan Fashion Co., Ltd (廈門可軒服裝有限公司)	PRC	RMB 1,000,000	100%	Sale of intimate wear/ PRC
Tianjin Dushifengshang Fashion Co., Ltd. (天津都市風尚服裝銷售有限公司)	PRC	RMB 30,000,000	100%	Sale of intimate wear/ PRC
Fanxue Fashion (Chongqing) Co., Ltd (重慶市凡雪服裝有限公司)	PRC	RMB 20,000,000	100%	Sale of intimate wear/ PRC
Fanxue Fashion (Shanghai) Co., Ltd (上海市凡雪服裝有限公司)	PRC	RMB 3,000,000	100%	Sale of intimate wear/ PRC

33 PARTICULARS OF THE SUBSIDIARIES OF THE GROUP (Continued)

Particulars of the subsidiaries of the Group as at December 31, 2014 are set out below: (Continued)

Company name	Place of incorporation	Paid-in capital/ registered capital	Interests held by the Group	Principal activities/ place of operation
Indirectly held: (Continued)				
Cosmo Lady Fashion (Chengdu) Co., Ltd (成都市都市麗人服裝有限公司)	PRC	RMB 2,000,000	100%	Sale of intimate wear/ PRC
Cosmo Lady Fashion (Guiyang) Co., Ltd (貴陽都市麗人服裝有限公司)	PRC	RMB1,000,000	100%	Sale of intimate wear/ PRC
Fanxue Fashion (Huizhou) Co., Ltd (惠州市凡雪服裝有限公司)	PRC	RMB1,000,000	100%	Sale of intimate wear/ PRC
Haodai Fashion (Hangzhou) Co., Ltd (杭州好戴服裝有限公司)	PRC	RMB1,000,000	100%	Sale of intimate wear/ PRC
Cosmo Lady Fashion (Yunnan) Co., Ltd (雲南都市麗人服裝有限公司)	PRC	RMB1,000,000	100%	Sale of intimate wear/ PRC
Cosmo Lady Fashion (Fuzhou) Co., Ltd (福州都市麗人服裝有限公司)	PRC	RMB 3,000,000	100%	Sale of intimate wear/ PRC
Fanxue Fashion (Zhengzhou) Co., (鄭州市凡雪服裝有限公司)	PRC	RMB1,000,000	100%	Sale of intimate wear/ PRC
Cosmo Lady (TianJin) E-commerce Company Limited (天津都市麗人電子商務有限公司)	PRC	RMB10,000,000	100%	Sale of intimate wear/ PRC
Cosmo Lady (International) Company Limited (都市麗人(國際))集團有限公司)	Hong Kong	1 share of HK$1	100%	Investment holding/ Hong Kong
Cosmo Lady (Hong Kong) Holdings Co., Ltd. (都市麗人(香港)控股有限公司)	Hong Kong	1 share of HK$1	100%	Investment holding/ Hong Kong
Freeday (Hong Kong) Holdings Company Limited (自由時光(香港)控股有限公司)	Hong Kong	1 share of HK$1	100%	Investment holding/ Hong Kong

The English names of the PRC companies referred to the above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

34 SUBSEQUENT EVENTS

On March 1, 2015, Tianjin (Ordifen) Fashion Company Limited, an indirect wholly-owned subsidiary of the Company, entered into an asset transfer agreement with, among others, Shanghai Ordifen Co., Ltd., Mr. Wang Wen-Tsung and Mr. Wang Chen-Hsing (collectively the "Sellers") to acquire the business of the design, research, development, sale and manufacturing of intimate wear products owned by the Sellers, including but not limited to the Ordifen, Rubii and Ilsée brands and certain assets in connection with the operation of such business (the "Acquisition") at a cash consideration of RMB92,000,000. The Acquisition is expected to be completed by June 2015.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last four financial years is set out as follows:

	Year ended December 31,			
	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**4,007,636**	2,916,266	2,257,626	1,655,803
Gross profit	**1,567,519**	1,068,857	616,675	400,196
Gross profit margin	**39.1%**	36.7%	27.3%	24.2%
Operating profit	**575,056**	371,466	255,842	222,665
Operating profit margin	**14.3%**	12.7%	11.3%	13.4%
Profit attributable to equity holders of the Company	**425,227**	275,508	192,742	168,609
Bank balances and cash	**1,080,562**	306,252	209,870	162,106
Borrowings	**–**	–	27,000	27,457
Total assets	**2,768,871**	1,307,096	1,090,568	872,288
Total liabilities	**531,339**	619,539	484,245	308,855
Total equity	**2,237,532**	687,557	606,323	563,433