Cosmo Lady (China) Holdings Company Limited

都市麗人(中國)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2298

INTERIM REPORT 2015

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. ZHENG Yaonan *(Chairman and Chief Executive Officer ("**CEO**"))*
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, FCA, 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
People's Republic of China ("**PRC**")

HONG KONG OFFICE

Suite 2012, Tower 1, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

SHARE REGISTRARS

Principal

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

Hong Kong Branch

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

LEGAL ADVISORS

As to Hong Kong laws:
Cleary Gottlieb Steen & Hamilton
(Hong Kong)
37/F, Hysan Place
500 Hennessy Road
Hong Kong

As to PRC laws:
Jingtian Gongcheng
34/F, Tower 3
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

		Six months ended June 30,		
		2015	2014	Change
Revenue	RMB'000	**2,207,351**	1,735,524	+27.2%
Operating profit	RMB'000	**347,892**	260,181	+33.7%
Profit attributable to equity holders of the Company	RMB'000	**270,350**	192,185	+40.7%
Gross profit margin	%	**44.7%**	40.1%	+11.5%
Operating profit margin	%	**15.8%**	15.0%	+5.3%
Profit margin attributable to equity holders of the Company	%	**12.2%**	11.1%	+9.9%
Earnings per share — basic and diluted	RMB cents	**14.18**	12.72	+11.5%


COSMO

Statement from Chairman and CEO

Dear Shareholders,

In the first half of 2015, the global economy has been volatile and China's economy also faced downward pressure. Amid these challenging conditions, the Chinese government has ensured the stable growth of the economy by introducing a number of effective policies and measures. Thanks to the concerted and vigorous efforts of our staff members, we have achieved encouraging overall operational results and continued the rapid development of our business in the first half of 2015 despite the challenging macroeconomic market environment. Our total revenue rose from approximately RMB1,736 million in the first half of 2014 to approximately RMB2,207 million in the first half of 2015, representing an increase of 27.2%. Net profit in the first half of 2015 amounted to approximately RMB270 million, increased by 40.7% over the same period of 2014. Earnings per share in the first half of 2015 was RMB14.18 cents (first half of 2014: RMB12.72 cents), representing an increase of 11.5% over the same period of 2014.

ZHENG Yaonan
Chairman and CEO

We have been pursuing our multi-channel development strategy and are committed to the expansion of diversified channels. We are dedicated to developing our business in areas with lower penetration rates, including tiers three and four cities, towns and counties as well as social communities, traffic hubs, school zones and commercial hypermarket complex in tiers one and two cities, thereby increasing our presence in locations convenient for shopping and with strong consumption demand. We have subdivided various consumer groups based on their consumption behaviors, and expanded the group-buying sales channel in order to diversify our sales channels. Furthermore, we acquired certain well-known high-end intimate wear brands, including Ordifen, Rubii and Ilsée in the first half of 2015, which enhanced our coverage from the mass market channels to the high-end market channels. The complementary effect and synergy in areas like sales and research and development of new product designs between the newly acquired brands and our existing brands is conducive to the improvement of our business scale and operational efficiency. In the first half of 2015, we have expanded our channel network rapidly. As at June 30, 2015, we had a total of 8,253 outlets, including 1,394 self-managed outlets and 6,859 franchised outlets.

We have also adhered to the development strategies of brand and product diversifications in the first half of 2015. In addition to the acquisition of high-end intimate wear brands, we also launched a new brand named "Miyajia", which targets at kids aged between 3 to 10 years old with a brand philosophy of providing kids with comfortable, clean and healthy intimate wear products. Our products designed for kids have achieved outstanding sales results in the market. We utilized our accurate brand positioning to provide consumers with a more considerate, tailored and caring shopping experience. Apart from brand diversification, we had also diversified our product categories during the first half of 2015. We joined hands with one of the largest acrylic fiber companies in Japan, Mitsubishi Rayon Company Limited, to launch smart thermal clothes, and cooperated with Invista, a subsidiary of Koch Industries, Inc., to provide customers with more comfortable products with lycra fabric. Our cooperation with Walt Disney group and Sanrio group enabled us to provide consumers with more personal and fashionable products. Furthermore, in view of consolidating our market share in the fragmented male intimate wear market, we made continuous efforts in enriching our men's intimate wear products offerings, which resulted in the rapid development of our male brand "Cosmo Esquire".

We have continued to focus on the enhancement of our brand image. In April 2015, we organized a grand intimate wear fashion show event. Ms. Lin Chi-ling (林志玲小姐) and Mr. Huang Xiaoming (黃曉明先生), being the respective spokespersons for our women's and men's products, attended the event in person and presented the fashion show. The event was well-received by both the media and customers and has drawn significant attention from the industry, which successfully enhanced the image of our Group.

We are dedicated to building a sophisticated information technology system to strengthen our retail capability and supply chain management. We have also enhanced our strategic cooperation with our core original equipment manufacturer ("**OEM**") suppliers and upstream suppliers of raw materials, and hence strengthened our bargaining capability and reduced our purchasing costs, which we believe will benefit our procurement in the long term and further reduce our costs.

Despite uncertainties in the global macroeconomic environment in the first half of 2015, China remains the largest developing country in the world having a large population of consumers with increasing national per capita disposable income and hence a vast market. We remain confident of the prospect of the development in the country and also the intimate wear market. We are confident that our Group will achieve better operational results in the second half of 2015 and create greater returns for shareholders by continuing our focus on the largest market segment of the Chinese intimate wear market, namely the mass market. We will also strive for further expansion in the high-end market, by adhering to the principle of respecting the market trends while emphasizing on reform and innovation and by maintaining our customer-oriented approach.

ZHENG Yaonan
Chairman and CEO

Hong Kong, August 17, 2015

MARKET REVIEW

China's economy has maintained a steady growth in the first half of 2015 despite the sluggish global market sentiment. According to the National Bureau of Statistics of China, the gross domestic product of China in the first half of 2015 was RMB29,687 billion, representing a year-on-year increase of 7.0% which indicates a slight deceleration in the pace of economic growth. During the same period, the disposable income of the Chinese residents continued to rise. In the first half of 2015, the national per capita disposable income of China increased by 9.0% and reached RMB10,931. While the per capita disposable income of urban residents rose by 8.1% and stood at RMB15,699, that of rural residents increased by 9.5% to RMB5,554. In line with the sustaining increment of the residents' per capita disposal income, the retail sales market in China showed considerable growth over the first half of 2015. During the first half of 2015, total retail sales of consumer goods in China increased by 10.4% and amounted to RMB14,158 billion, among which 86.1% of sales was attributable to the retail activities taken place in urban areas, representing a growth of 10.2% compared to the same period last year. Retail sales in rural areas attained a growth of 11.6% compared to the same period last year.

The increase in the national per capita disposable income of China as above-mentioned and the increase in retail sales of China's intimate wear industry in the past three years, according to Frost & Sullivan, entails enormous business potential for Cosmo Lady (China) Holdings Company Limited (the "**Company**") and its subsidiaries (the "**Group**"). The Group will continue to focus on the largest segment of the intimate wear market, namely the mass market, as well as to expand its market share in the high-end intimate wear market, and will continue to build an extensive distribution network which enables it to reach consumers in different tiers of cities, counties and towns across China. The extensive distribution network of the Group includes on the one hand, five major types of outlets for the mass market, namely outlets in commercial streets, social communities, traffic hubs, school zones and commercial hypermarket complex; on the other hand, malls, department stores and shopping centres for the high-end market. Furthermore, it appears to the Group that the Chinese consumers are becoming more interested in high value-for-money products with fashionable design given the change in consumer habits. It is believed that the Group's strategy of offering consumers with products of high quality standards at affordable prices has effectively rendered it one of the most popular intimate wear brands among the Chinese consumers. Thanks to its continuing efforts, the Group remained the largest branded intimate wear enterprise in the PRC in terms of total retail sales in 2014.

BUSINESS REVIEW

For the six months ended June 30, 2015, the Group recorded revenue of RMB2,207,351,000, representing a 27.2% growth as compared to the same period of 2014. Profit attributable to equity holders of the Company increased by 40.7% to RMB270,350,000. Earnings per share amounted to RMB14.18 cents (2014: RMB12.72 cents), representing an increase of 11.5%. While having continuously expanding its retail network with a net increase of 649 retail outlets (excluding the outlets of the Acquired Brands (as defined below)) over the six months ended June 30, 2015, the Group managed to attain a same store sales growth around 5% in the six months ended June 30, 2015.

New venture into the high-end intimate wear market

On March 1, 2015, the Group entered into an asset transfer agreement to acquire, among other things, the assets and businesses in connection with the sale, design, research, development and manufacturing of certain renowned high-end intimate wear brands, namely Ordifen (歐迪芬), Rubii (璐比) and Ilsée (伊夏) (the "**Acquired Brands**"). Please refer to the announcement published by the Company on March 1, 2015 (the "**Acquisition Announcement**") for details of such acquisition (the "**Acquisition**"). The Acquisition has facilitated the Group's access to the high-end intimate wear distribution channels in China, including department stores and shopping malls in tiers one and two cities in China and hence access to customers in the high-end intimate wear market, which marked the beginning of the Group's new venture into the high-end intimate wear market in China. Immediately after the Acquisition, the Group has launched several initiatives to realize the synergies of the integration and consolidation of the Acquired Brands into the Group's operation, including but not limited to the improvement of retail capability, the strengthening of marketing capability, the enhancement of logistic management, the research and development of new product categories and re-negotiation with suppliers for more favorable terms. The Group has successfully improved the retail management and reduced the cost of sales of the Acquired Brands, developed various new products under the Acquired Brands, as well as launched promotion campaigns that were well received by the market over the first half of the year.

As at June 30, 2015, there were 578 retail outlets of the Acquired Brands, which consist of 344 franchised outlets and 234 self-managed outlets. The majority of these retail outlets are located in the shopping malls and department stores in tiers one and two cities in China. The Group will improve the performance of the retail outlets on an on-going basis and will also consider establishing new retail outlets in places with high growth potential.

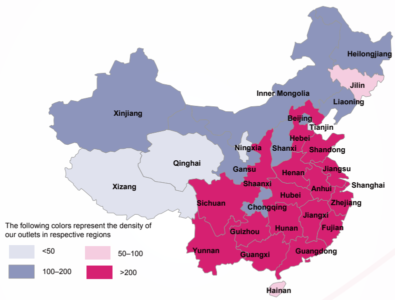
Encouraging financial performance of the Acquired Brands

There has been improvement in the financial performance of the Acquired Brands since the consolidation of its accounts into the Group's accounts on June 1, 2015. As mentioned in the Acquisition Announcement, the Acquired Brands recorded net loss for the previous two years. Thanks to the efforts of the Group in improving the operation and management of the Acquired Brands, they recorded a net profit after the consolidation of their accounts into the Group. Please see below selected profit and loss items and balance sheet items of the Acquired Brands for the month ended June 30, 2015 and as at June 30, 2015, respectively:

	RMB'000
Profit and loss items:	
Revenue	19,262
Gross profit	13,701
Net profit	1,082
Balance sheet items:	
Total assets	231,508
Net assets	101,082
Inventories	90,317
Trade receivables	16,950
Trade payables	24

A vast distribution network across China

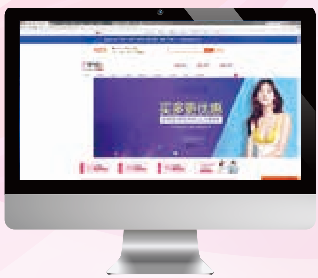
One of the competitive edges of the Group which distinguishes it from other market players is its massive distribution network covering more than 330 prefecture-level cities in all provinces as well as province-level municipalities and autonomous regions in China, which allows it to effectively reach an enormous amount of customers. As of June 30, 2015, without taking into account the distribution network of the Acquired Brands, the Group's distribution network comprised 7,675 retail outlets, of which 6,515 were franchised outlets and 1,160 were self-managed outlets. The Group attained a net increase of 649 retail outlets over the six months ended June 30, 2015 (excluding the outlets of the Acquired Brands), of which 466 were franchised outlets and 183 were self-managed outlets. The pace of the expansion is satisfactory and the Group will continue to open new outlets in locations where suitable business opportunities are identified.



Promising growth in e-commerce

The performance of the Group's e-commerce business has been encouraging. During the first half of 2015, the Group's products have been available on a number of online sales platforms, including but not limited to Tmall.com, VIP.com and JD.com and recorded considerable increases in sales through these platforms. The Group expects to increase the number of online sales platforms in the second half of 2015 and will continue to reinforce the integration of its online and offline sales channels. Further, the Group was invited to join the selected core merchandiser alliance of juhuasuan.com, which is a large scale online sales platform operated by the Alibaba Group. Members of this alliance are entitled to extra resources and support regarding their online marketing activities through the online media platforms operated by the Alibaba Group.

For the six months ended June 30, 2015, revenue attributed to e-commerce sales amounted to RMB43,316,000, accounting for 2.0% of the Group's total revenue (six months ended June 30, 2014: 0.2%). Such amount also represented a 1,062.8% increase of e-commerce sales as compared to the same period last year. This growth is encouraging giving the hot season for e-commerce sales traditionally falls on the second half of the year.



The Group runs a membership program and the number of registered members as at June 30, 2015 amounted to over 35 million. This membership program has effectively allowed the Group to perform analysis on spending behavior of different consumer groups from different backgrounds so that the Group has been able to launch differentiated marketing activities to strengthen customer loyalty of its brands. The Group's e-commerce platform (www.dslrpark.com)* serves as an effective communication channel between the Group and its members since, for example, members can enjoy different levels of discounts for their purchases depending on the type of their membership, redeem the bonus points accumulated from their purchases to exchange for free gifts or get cash discounts for products on the e-commerce platform. The Group's membership program has also provided a vast and loyal customer base for it to further develop its e-commerce business.

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

Full spectrum of product categories under diversified brands

The Group adopts a multi-brand strategy to cater for the divergent tastes and needs of consumers of different demographics. The Group currently has ten brands which cater for customers from the age of three in the mass and high-end markets. The Group has been marketing its products to female consumers in the mass market segment through various brands, including "Cosmo Lady" (都市 • 儷人), "Cosmo Elegance" (都市 • 絲語), "Cosmo Blossom" (都市 • 繽紛派), "Secret of City Beauty" (都市麗人的秘密) and "Freeday" (自在時光), each of which portrays different design styles with different price ranges; while male products are sold under the brand "Cosmo Esquire" (都市 • 鋒尚). The Group also sells high-end products under the Ordifen, Rubii and Ilsée brands. In view of the elevating popularity of "Secret of City Beauty" and "Cosmo Esquire", standalone stores have been opened for each of these two brands which aim to provide the customers with a more enjoyable and comfortable shopping environment, as well as to highlight the images for such brands.

In the first half of 2015, the Group introduced a new brand "Miyajia" (眯雅佳) which offers intimate wear products for kids and juveniles, including mainly underpants, socks, thermal clothes and sleepwear and loungewear. As at June 30, 2015, products of "Miyajia" brand were available at approximately 2,400 outlets of the Group. In view of the increasing demand for safe and high quality clothing for children, the Group is confident that the products of "Miyajia" brand, which emphasize comfort and hygiene, will be well received by the market.

Further, the Group has entered into a cooperation agreement with Walt Disney group and is licensed to launch intimate wear products bearing Disney cartoon characters. Such products are expected to be available under the brands of the Group, including "Miyajia" brand in 2016. It is believed the opening of the Shanghai Disneyland in or around December 2015 will effectively catalyze the popularity of the Group's Disney line products. The Group is also cooperating with Sanrio group and has been launching products with famous cartoon characters like Hello Kitty and Bad Badtz-Maru.

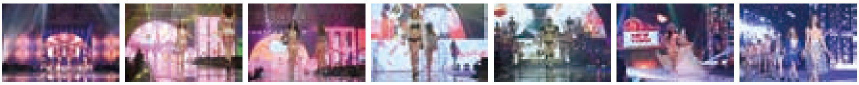
Besides, the Group strives to offer its customers one-stop shopping experience in which they are able to buy a great variety of products of supreme quality at competitive prices. The Group has been enriching its product offering during the first half of 2015. In particular, the product range of "Cosmo Esquire" brand has been significantly broadened and standalone stores of "Cosmo Esquire" brand have been opened. For the six months ended June 30, 2015, revenue attributed to product sales of "Cosmo Esquire" brand amounted to RMB206,890,000, accounting for 9.4% of the Group's total revenue (six months ended June 30, 2014: 8.6%). Such amount also represented a 38.3% increase of product sales of "Cosmo Esquire" brand as compared to the same period last year.

Currently, the Group is cooperating with various internationally renowned corporations to develop and improve its products, including cooperating with Mitsubishi Rayon Company Limited, one of the largest acrylic fiber companies in Japan, for the introduction of smart thermal clothing (regarding the "Warmtech" material and brand) and INVISTA (a subsidiary of Koch Industries, Inc., regarding "Lycra" fiber).

Dedicated and successful marketing initiatives

In April 2015, the Group held a mega annual intimate wear fashion show for its 2015 collection that showcased its exquisite products as well as the latest fashion trends in the intimate wear industry. During the mega fashion show, our spokespersons, Ms. Lin Chi-ling (林志玲小姐) and Mr. Huang Xiaoming (黃曉明先生), other artists and professional models strolled down the catwalk with the Group's latest products which were well-received by the audiences and media and successfully generated publicity for the Group's products. More than 2,000 participants attended the event which effectively reinforced and elevated the Group's corporate and brand images and awareness.

Besides, the Group has continued the engagement of highly popular artists Ms. Lin Chi-ling and Mr. Huang Xiaoming as the spokespersons for the Group's core female brand "Cosmo Lady" together with its sub-brands and its male brand "Cosmo Esquire", respectively. In the first half of 2015, the Group has sponsored the Chinese variety show "Hurry Up, Brother" (奔跑吧兄弟) of Zhejiang Television which promoted the brand image of the Group. Various marketing initiatives, including TV commercials, paper-print/online advertisements, mini fashion shows held in different cities and promotion campaigns tailored for different festivals have also been launched throughout the first half of 2015, which boosted the Group's brand awareness and stimulated sales.

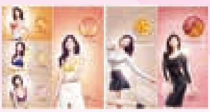


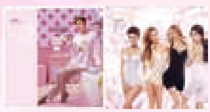
Enhancement of logistics capabilities and optimization of supply and retail chain

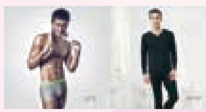
In view of the escalation of its retail network, the Group has been strengthening its logistics capabilities. In addition to the existing central logistics center located at the Group's Dongguan headquarters and the regional logistics center in Tianjin, one additional new logistics center in Dongguan has commenced operation in July 2015. The new Dongguan logistics center has a construction floor area of 72,765 square meters and is equipped with modern and advanced facilities. With the establishment of this new logistics center, the Group anticipates that the order processing cycle will be materially shortened. Meanwhile, the construction of another new logistics center in Tianjin commenced in April 2015 and it is expected to be completed in the year of 2016.

Aiming to streamline its supply chain management, the Group has continued to develop and improve its information system connected to its raw material and OEM suppliers so that information sharing and flow among the Group's raw material and OEM suppliers and the Group is facilitated. On the retail front, the Group has adopted an order management system which coordinates, among others, inventory and sales. The Group also equipped itself with a new BW system which specializes in financial planning and business warehouse and enables the Group to improve its retail sales.

As a result of the above initiatives, the procurement and production processes, shipment coordination and inventory management of the Group have been optimized and become more cost-effective.







Community involvement and awards

The Group is committed to adding value and bringing benefits to its stakeholders and the community. At the same time, it has been striving for sustainable business growth, developing its employees, growing with its business partners, generating long term returns to its shareholders and contributing to the community in which it operates its business.

The Group is devoted to promoting a better community. During the six months ended June 30, 2015, the Group has made donations to a number of charitable organizations focusing on education and development of the underprivileged children and youth, such as the Fujian Youth Services Center (新閩青年服務中心) and the Guangdong Youth Development Foundation (廣東青少年發展基金).

The Group's efforts in talent cultivation was also well recognized. In June 2015, the Group was awarded with the accolade of "Training base for talents of the Chinese textile industry" ("中國紡織服裝人才培養基地") from the China Textile Industry Association and China Textile Education Society ("中國紡織工業聯合會" 以及 "中國紡織服裝教育學會") in recognition of the Group's efforts in nurturing talents for the textile industry in China.

FINANCIAL REVIEW

Revenue

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

The total revenue increased by 27.2% from RMB1,735,524,000 for the six months ended June 30, 2014 to RMB2,207,351,000 for the six months ended June 30, 2015. 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, as well as 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 8,253 outlets including 6,859 franchised outlets and 1,394 self-managed outlets in more than 330 prefecture-level cities across China as of June 30, 2015 and via online sales platforms. The following table sets out a breakdown of the total revenue by sales channel, each expressed in the absolute amount and as a percentage of the total revenue, for the periods indicated.

	Six months ended June 30,			
	2015		2014	
	RMB'000	**%**	RMB'000	%
Sales to franchisees	**1,402,352**	**63.5**	1,152,120	66.4
Retail sales	**761,683**	**34.5**	579,679	33.4
E-commerce	**43,316**	**2.0**	3,725	0.2
Total revenue	**2,207,351**	**100.0**	1,735,524	100.0

Revenue by types 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 a breakdown of the total revenue by product category, each expressed in the absolute amount and as a percentage of the total revenue, for the periods indicated.

	Six months ended June 30,			
	2015		2014	
	RMB'000	**%**	RMB'000	%
Bras	**1,150,376**	**52.1**	882,617	50.9
Underpants	**340,410**	**15.4**	287,793	16.6
Sleepwear and loungewear	**355,910**	**16.1**	303,859	17.5
Thermal clothes	**100,816**	**4.6**	71,351	4.1
Others (1)	**259,839**	**11.8**	189,904	10.9
Total revenue	**2,207,351**	**100.0**	1,735,524	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, Freeday as well as newly acquired brands including Ordifen, Rubii and Ilsée. 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, for the periods indicated.

	Six months ended June 30,			
	2015		2014	
	RMB'000	**%**	RMB'000	%
Cosmo Lady	**899,908**	**40.8**	752,325	43.3
Cosmo Elegance	**691,548**	**31.2**	587,188	33.8
Cosmo Blossom	**290,395**	**13.2**	206,512	11.9
Cosmo Esquire	**206,890**	**9.4**	149,576	8.6
Ordifen, Rubii and Ilsée	**19,262**	**0.9**	—	—
Others	**99,348**	**4.5**	39,923	2.4
Total revenue	**2,207,351**	**100.0**	1,735,524	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 a breakdown of the total revenue by geographic region, each expressed in the absolute amount and as a percentage of the total revenue, for the periods indicated.

	Six months ended June 30,			
	2015		2014	
	RMB'000	**%**	RMB'000	%
Southern China(1)	**902,996**	**40.9**	800,146	46.1
Eastern China(2)	**543,652**	**24.6**	355,247	20.5
South-Western China(3)	**417,374**	**18.9**	336,703	19.4
Northern China(4)	**343,329**	**15.6**	243,428	14.0
Total revenue	**2,207,351**	**100.0**	1,735,524	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 65.5% and 66.6% of the total turnover for the six months ended June 30, 2015 and 2014, respectively. The aggregate revenue contributed by Southern China and Eastern China as a percentage of the total revenue decreased slightly during the six months ended June 30, 2015 compared with the same period of 2014, because sales in Northern China increased significantly by 41.0% over the same periods indicated.

Cost of sales

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

Costs of sales increased by 17.5% during the six months ended June 30, 2015 compared with the same period of 2014, because of business expansion. The table below sets forth a breakdown of cost of sales, each expressed in the absolute amount and as a percentage of the total cost of sales, for the periods indicated.

	Six Months Ended June 30,			
	2015		2014	
	RMB'000	%	RMB'000	%
Cost of inventories recognized in cost of sales	**1,187,253**	**97.3**	992,047	95.5
Employee benefit expenses	**11,486**	**0.9**	13,284	1.3
Government surcharges and levies	**9,693**	**0.8**	9,706	0.9
Write-down of inventories	**11,976**	**1.0**	23,660	2.3
Others	**245**	**0.0**	194	0.0
Total cost of sales	**1,220,653**	**100.0**	1,038,891	100.0

Gross profit and gross profit margin

During the six months ended June 30, 2015, the Group recorded a gross profit of RMB986,698,000, representing an increase of 41.6% over the same period of 2014.

Gross profit margin of the Group increased from 40.1% for the six months ended June 30, 2014 to 44.7% for the six months ended June 30, 2015. 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 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 six months ended June 30, 2015 amounted to RMB1,040,000 (2014: RMB1,302,000).

Selling and marketing expenses increased by 51.1% from RMB382,431,000 for the six months ended June 30, 2014 to RMB577,806,000 for the six months ended June 30, 2015. The increase was primarily attributable to the increase in the number of the self-managed outlets from 833 as of June 30, 2014 to 1,394 as of June 30, 2015 leading to the increase in the outlets related expenses such as employee benefit expenses, operating lease rentals in respect of land and buildings and concession fees during the periods indicated.

General and administrative expenses

General and administrative expenses primarily consist of employee benefit expenses, government charges and levies, consulting service fees, depreciation and amortization, and others. The equity-settled share-based compensation included in employee benefit expenses for the six months ended June 30, 2015 amounted to RMB2,499,000 (2014: RMB3,031,000).

General and administrative expenses decreased by 5.8% from RMB87,723,000 for the six months ended June 30, 2014 to RMB82,633,000 for the six months ended June 30, 2015. The decrease was primarily attributable to the listing expenses of RMB22,676,000 incurred in the six months ended June 30, 2014 decreased to nil in the six months ended June 30, 2015, partly offset by an increase in employee benefit expenses of RMB11,906,000 as a result of the growth of the Group's business.

Other income

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

Other (losses)/gains — net

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

Finance income

Finance income represents interest income derived from short-term bank deposits, loan to a third party and other financial assets. The Group had finance income of RMB11,012,000 and RMB4,070,000 for the six months ended June 30, 2015 and 2014, 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 expenses 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 RMB72,066,000 for the six months ended June 30, 2014 to RMB88,554,000 for the six months ended June 30, 2015. The increase in income tax expense was primarily due to an increase in taxable income. The effective tax rate of the Group for the six months ended June 30, 2014 and 2015 was 27.3% and 24.7%, respectively. Decrease in the effective tax rate was primarily attributable to the decrease in the expenses that were not deductible for tax purposes incurred in the six months ended June 30, 2015. As of June 30, 2015, the Group had fulfilled all its tax obligations and did not have any unresolved tax disputes.

WORKING CAPITAL MANAGEMENT

	The Group		Excluding the Acquired Brands	
	Six months ended June 30, 2015	Year ended December 31, 2014	**Six months ended June 30, 2015**	Year ended December 31, 2014
Inventory turnover days	**96.7**	78.0	**90.5**	78.0
Trade receivables turnover days	**23.6**	20.6	**23.1**	20.6
Trade payables turnover days	**41.9**	36.6	**42.1**	36.6

The increase in inventory turnover days by 18.7 days was primarily due to the increase in inventory balance from RMB638,606,000 as of December 31, 2014 to RMB673,126,000 as of June 30, 2015, arising from the increased proportion of sales through the self-managed outlets as well as the impact of the completion of the acquisition of assets in respect of the Acquired Brands in June 2015.

Trade receivables turnover days slightly increased from 20.6 days for the year ended December 31, 2014 to 23.6 days for the six months ended June 30, 2015, while trade payables turnover days increased from 36.6 days for the year ended December 31, 2014 to 41.9 days for the six months ended June 30, 2015.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy balance sheet. As of June 30, 2015, net working capital was RMB1,654,837,000, representing a decrease of 7.7% or RMB138,513,000 as compared with that of December 31, 2014. As of June 30, 2015, current ratio was 3.4 times (December 31, 2014: 4.4 times) (Current ratio is calculated by using the following formula: current assets/current liabilities), mainly attributable to the payment of dividends to the then equity holders during the period.

Net cash generated from operations increased by RMB83,116,000 to RMB220,650,000 for the six months ended June 30, 2015 from RMB137,534,000 for the six months ended June 30, 2014, mainly attributable to the expansion of the Group's business.

Net cash used in investing activities for the six months ended June 30, 2015 was RMB65,513,000 (2014: RMB29,723,000). During the six months ended June 30, 2015, the Group invested RMB68,920,000, RMB4,550,000 and RMB45,000,000 on payments and deposits for purchases of property, plant and equipment (including retail outlets' decorations), intangible assets, and business acquisition respectively.

During the six months ended June 30, 2015, net cash used in financing activities was RMB114,713,000 (2014: net cash generated from financing activities RMB967,575,000), mainly attributable to the payment of dividends to the then equity holders of RMB114,713,000.

As of June 30, 2015, the Group was in a net cash position of RMB967,181,000 (December 31, 2014: RMB921,337,000).

CAPITAL EXPENDITURES

Capital expenditures increased from RMB36,405,000 for the six months ended June 30, 2014 to RMB181,463,000 for the six months ended June 30, 2015. Capital expenditures were used primarily for (i) construction of Dongguan Fumin Industrial Park, which serves as an additional regional logistics center in Dongguan, (ii) the Acquisition, and (iii) additions to property, plant and equipment for the newly opened self-managed outlets.

PLEDGE OF ASSETS

As of June 30, 2015, no property, plant and equipment, and land use rights were pledged as security for banking facilities available to the Group.

CONTINGENT LIABILITIES

As of June 30, 2015, 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 six months ended June 30, 2015, 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 June 30, 2015 and December 31, 2014 were denominated in the respective group companies' functional currencies.

Interest rate risk

As the Group has no significant interest-bearing assets (other than restricted bank deposits and cash and cash equivalents), the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits and other receivables, cash and cash equivalents and restricted cash with banks included in the consolidated balance sheets represent the maximum exposure to credit risk in relation to the Group's 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 of June 30, 2015 and December 31, 2014, all of the bank balances 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 of June 30, 2015 and December 31, 2014, the Group held bank balances and restricted bank deposits totalling RMB763,211,000, and RMB537,108,000, respectively, with the four major state-owned banks of the PRC.

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 had 9,115 full-time employees as of June 30, 2015. The Group believes employees are crucial to its continuous success and hence places great emphasis on recruiting, developing and retaining talents. The Group recruits quality personnel from universities and technical schools and provides ongoing training and development opportunities to its staff members. Over six thousand staff members participated in more than 500 staff training programs that the Group held during the first half of 2015. The Group has been dedicating efforts and resources to create a caring and encouraging work environment as well as cultivate senses of belonging among its staff. Various staff welfare initiatives and programs have been carried out during the first half of 2015. Besides, the Group offers competitive remuneration packages and performance based incentives to all employees across different functional departments. The Group performs regular reviews on its human resources policies to cater for its corporate development needs on a timely manner.

SUBSEQUENT EVENTS

There were no significant subsequent events affecting the Group that took place from June 30, 2015 to the date of this report.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The total net proceeds from the Company's initial public offering amounted to approximately HK$1,463 million (equivalent to approximately RMB1,162 million). The Group has, during the six months ended June 30, 2015, utilized RMB94,706,000 (equivalent to approximately HK$120,071,000) to expand its retail network by increasing the number of its self-managed outlets, RMB49,327,000 (equivalent to approximately HK$62,538,000) and RMB11,088,000 (equivalent to approximately HK$14,058,000), respectively to establish the regional logistics centers in Dongguan and Tianjin, RMB6,412,000 (equivalent to approximately HK$8,129,000) to upgrade information technology infrastructure, and RMB45,000,000 (equivalent to approximately HK$57,052,000) as consideration paid for the Acquisition. As at June 30, 2015, 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 anticipated stable economic growth in China for 2015. While uncertainty in the global financial markets may exert impacts on the economy of China, coupled with internal challenges facing the Chinese economy, the Chinese government has been implementing policies and measures to stimulate economic development and to raise the living standards of citizens. On the other hand, the progress of urbanization in China has been encouraging and the Chinese consumer sentiment is positive given the increase in national per capita disposable income, which the Group believes are key drivers of its retail sales and prospects, since it possesses an extensive retail network not only in top-tier cities but also cities of lower tiers, counties and towns. Going forward, the Group will continue to expand its retail network into places where it has low market presence and places having high potential for growth.

The Group is of the view that numerous smaller and less competitive brands in the mass market segment in the Chinese intimate wear industry will be further marginalized or eliminated amid the vigorous rivalry. To capture opportunities arising from market consolidation, the Group is dedicated to, on the one hand, continuously enhancing its core competitiveness, including expanding its extensive distribution network comprising 8,253 retail outlets (franchised: 6,859 and self-managed: 1,394) and fast developing e-commerce channel, offering diversified brands including the newly acquired Ordifen, Rubii and Ilsée brands and the newly launched Miyajia brand, offering manifold product categories with the introduction of smart thermal clothing and the application of new Lycra fiber to its products, developing cost-effective retail and supply chain management with advanced information technology systems like the OMS and BW systems, and elevating its well-known brand image of providing best value for money to customers via its spokespersons (Ms. Lin Chi-ling and Mr. Huang Xiaoming) as well as marketing events like annual mega fashion show. On the other hand, the Group will, after the Acquisition, continue to explore potential targets for acquisition in the industry.

To further consolidate its leading position in the PRC intimate wear industry, the Group plans to implement a number of initiatives, including launching new brands and product categories with fashionable design and new features, expanding its e-commerce network and further the integration of its online and offline sales channels, upgrading its information technology systems, expanding its footprint overseas and collaborating with other reputable intimate wear brands.

Looking ahead, the Group will persist with its pursuit of further solidified leadership and greater market share in the currently fragmented intimate wear market in China.

INTERIM DIVIDEND

The board of directors of the Company (the "**Board**") does not recommend the payment of interim dividend to shareholders of the Company for the six months ended June 30, 2015.

Report on Review of Interim Financial Information

羅兵咸永道

TO THE BOARD OF DIRECTORS OF COSMO LADY (CHINA) HOLDINGS COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 29 to 64, which comprises the condensed consolidated balance sheet of Cosmo Lady (China) Holdings Company Limited (the "**Company**") and its subsidiaries as at June 30, 2015 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 17, 2015

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2015

		Six months ended June 30,	
	Note	**2015** **Unaudited** **RMB'000**	2014 Unaudited RMB'000
Revenue	*5*	**2,207,351**	1,735,524
Cost of sales	*7*	**(1,220,653)**	(1,038,891)
Gross profit		**986,698**	696,633
Selling and marketing expenses	*7*	**(577,806)**	(382,431)
General and administrative expenses	*7*	**(82,633)**	(87,723)
Other income	*6*	**22,957**	33,374
Other (losses)/gains — net	*6*	**(1,324)**	328
Operating profit		**347,892**	260,181
Finance income	*8*	**11,012**	4,070
Profit before income tax		**358,904**	264,251
Income tax expenses	*9*	**(88,554)**	(72,066)
Profit for the period		**270,350**	192,185
Other comprehensive income/(loss) for the period			
Item that may be reclassified subsequently to profit or loss			
— Exchange differences		**6,723**	(32)
Total comprehensive income for the period		**277,073**	192,153

	Note	Six months ended June 30, 2015 Unaudited RMB'000	2014 Unaudited RMB'000
Profit attributable to:			
Equity holders of the Company		**270,350**	192,185
Total comprehensive income attributable to:			
Equity holders of the Company		**277,073**	192,153
		RMB cents	RMB cents
Earnings per share attributable to equity holders of the Company for the period	*10*		
— basic		**14.18**	12.72
— diluted		**14.18**	12.72

The notes on pages 37 to 64 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet
As at June 30, 2015

	Note	As at June 30, 2015 Unaudited RMB'000	As at December 31, 2014 Audited RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*12*	**414,254**	271,339
Land use rights	*12*	**92,511**	93,551
Intangible assets	*12*	**34,209**	25,407
Deferred income tax assets		**25,391**	23,610
Loan to a third party	*13*	**105,000**	—
Deposits, prepayments and other receivables		**42,531**	30,275
		713,896	444,182
Current assets			
Inventories		**673,126**	638,606
Trade receivables	*14*	**296,944**	280,805
Deposits, prepayments and other receivables		**405,671**	324,716
Bank balances and cash	*15*	**976,406**	1,080,562
		2,352,147	2,324,689
Total assets		**3,066,043**	2,768,871
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*16*	**117,320**	117,320
Share premium	*16*	**1,431,994**	1,431,994
Other reserves	*17*	**241,961**	231,699
Retained earnings		**575,694**	456,519
Total equity		**2,366,969**	2,237,532

	Note	As at June 30, 2015 Unaudited RMB'000	As at December 31, 2014 Audited RMB'000
LIABILITIES			
Current liabilities			
Trade payables	19	298,528	269,958
Accruals and other payables		337,543	209,752
Current income tax liabilities		61,239	51,629
		697,310	531,339
Non-current liabilities			
Deferred income tax liabilities		1,764	—
Total liabilities		699,074	531,339
Total equity and liabilities		3,066,043	2,768,871
Net current assets		1,654,837	1,793,350
Total assets less current liabilities		2,368,733	2,237,532

ZHENG Yaonan
Director

ZHANG Shengfeng
Director

The notes on pages 37 to 64 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity
For the six months ended June 30, 2015

				Unaudited		
	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
As at January 1, 2015		117,320	1,431,994	231,699	456,519	2,237,532
Comprehensive income						
Profit for the period		—	—	—	270,350	270,350
Other comprehensive income						
Exchange differences		—	—	6,723	—	6,723
Total comprehensive income for the period		—	—	6,723	270,350	277,073
Transactions with equity holders						
Dividend		—	—	—	(151,175)	(151,175)
Equity-settled share-based compensation	*18*	—	—	3,539	—	3,539
Total transactions with equity holders		—	—	3,539	(151,175)	(147,636)
As at June 30, 2015		117,320	1,431,994	241,961	575,694	2,366,969

	Note	Unaudited Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
As at January 1, 2014		—	—	656,265	31,292	687,557
Comprehensive income						
Profit for the period		—	—	—	192,185	192,185
Other comprehensive loss						
Exchange differences		—	—	(32)	—	(32)
Total comprehensive (loss)/ income for the period		—	—	(32)	192,185	192,153
Transactions with equity holders						
Issuance of ordinary shares for Reorganization	*16(b)*	6	429,994	—	—	430,000
Effect of the Reorganization	*17*	—	—	(428,938)	—	(428,938)
Capitalization of share premium	*16(c)*	92,301	(92,301)	—	—	—
Issuance of ordinary shares upon initial public offering ("**IPO**")	*16(d)*	25,013	1,136,655	—	—	1,161,668
Shares issuance costs	*16(e)*	—	(42,354)	—	—	(42,354)
Equity-settled share-based compensation	*18*	—	—	4,333	—	4,333
Total transactions with equity holders		117,320	1,431,994	(424,605)	—	1,124,709
As at June 30, 2014		117,320	1,431,994	231,628	223,477	2,004,419

The notes on pages 37 to 64 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2015

	Six months ended June 30,	
	2015	2014
	Unaudited	Unaudited
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	**301,389**	190,349
Income tax paid	**(80,739)**	(52,815)
Net cash generated from operating activities	**220,650**	137,534
Cash flows from investing activities		
Purchases of property, plant and equipment	**(68,920)**	(25,050)
Purchases of land use rights	**—**	(7,719)
Purchases of intangible assets	**(4,550)**	(1,028)
Proceeds from disposal of property, plant and equipment	**—**	4
Acquisition of a business, net cash acquired *(Note 20)*	**(45,000)**	—
Loan to a third party *(Note 13)*	**(105,000)**	—
Proceeds from maturity of term deposits with initial term of over three months	**150,000**	—
Interest income received	**7,957**	4,070
Net cash used in investing activities	**(65,513)**	(29,723)

	Six months ended June 30,	
	2015	2014
	Unaudited	Unaudited
	RMB'000	RMB'000
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	**—**	(31,617)
Dividends paid	**(114,713)**	(163,538)
Net cash (used in)/generated from financing activities	**(114,713)**	967,575
Net increase in cash and cash equivalents	**40,424**	1,075,386
Cash and cash equivalents at beginning of the period	**921,337**	290,027
Exchange gains on cash and cash equivalents	**5,420**	—
Cash and cash equivalents at end of the period *(Note 15)*	**967,181**	1,365,413

The notes on pages 37 to 64 form an integral part of this condensed consolidated interim financial information.

1 General information and group reorganization

(a) 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 hereinafter referred 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 have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") since June 26, 2014.

This condensed consolidated interim financial information for the six months ended June 30, 2015 is presented in Renminbi ("**RMB**"), unless otherwise stated. This condensed consolidated interim financial information is unaudited but has been reviewed by the audit committee of the Company and approved for issue by the Company's board of directors on August 17, 2015.

(b) 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.

1 General information and group reorganization (Continued)

(b) Group reorganization (Continued)

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.

(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.

1 General information and group reorganization (Continued)

(b) Group reorganization (Continued)

(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.

1 General information and group reorganization (Continued)

(b) Group reorganization (Continued)

(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.

(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 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.

This condensed consolidated interim financial information for the six months ended June 30, 2015 has been prepared in accordance with International Accounting Standard ("**IAS**") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the financial statements of the Group for the year ended December 31, 2014, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements of the Group for the year ended December 31, 2014.

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those adopted in the financial statements of the Group for the year ended December 31, 2014, except as mentioned below.

(a) Amended standards adopted by the Group

The following amended standards are mandatory for accounting periods beginning on or after January 1, 2014.

IAS 19 (amendment)	Defined benefit plans: employee contribution
IFRSs (amendment)	Annual improvements to IFRSs 2010–2012 cycle
IFRSs (amendment)	Improvements to IFRSs 2011–2013 cycle

The adoption of these amended standards does not have any material effect on the Group's operating results or financial position.

2 Basis of preparation (Continued)

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

The following new standards and amendments to standards have been issued but are not effective for the period and have not been early adopted by the Group:

IAS 16 and IAS 38 (amendment)	Clarification of acceptable methods of depreciation and amortisation (1)
IAS 16 and IAS 41 (amendment)	Agriculture: bearer plants (1)
IAS 27 (amendment)	Equity method in separate financial statements (1)
IAS 28 and IFRS 10 (amendment)	Sale of contribution of assets between an investor and its associate or joint venture (1)
IFRS 11 (amendment)	Accounting for acquisition of interests in joint operation (1)
IFRS 14	Regulatory deferral accounts (1)
IFRSs (amendment)	Annual improvements to IFRSs 2012–2014 cycle (1)
IFRS 9	Financial instruments (2)
IFRS 15	Revenue from contracts with customers (2)

(1) Effective for the Group for annual period beginning on January 1, 2016
(2) Effective for the Group for annual period beginning on January 1, 2018

The Group is in the process of making an assessment on the impact of these standards, amendments and interpretations on the consolidated financial statements of the Group in the initial application.

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

3 Financial risk management

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 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 condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the financial statements of the Group for the year ended December 31, 2014.

There have been no changes in any risk management policies since December 31, 2014.

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 June 30, 2015, 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 RMB976,406,000 (as at December 31, 2014: RMB1,080,562,000).

3 Financial risk management (Continued)

3.3 Fair value estimation

As at June 30, 2015, the Group does not have any financial assets or financial liabilities in the consolidated balance sheet which is measured at fair value.

4 Segment information

The Group operates as a single operating segment. The single operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors that make strategic decisions.

The Group is principally engaged in the designing, marketing and selling of intimate wear products. All of its revenues are derived in the PRC for the six months ended June 30, 2015.

None of the revenue derived from any single external customer amounted to more than 10% of the Group's revenue for the six months ended June 30, 2015.

5 Revenue

	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
Sales to franchisees	**1,402,352**	1,152,120
Retail sales	**804,999**	583,404
	2,207,351	1,735,524

6 Other income and other (losses)/gains — net

	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
Other income:		
Franchise fee income	**1,443**	1,797
Software usage fee income	**1,946**	2,011
Government grants	**11,309**	14,872
Service fee income	**2,627**	11,813
Others	**5,632**	2,881
	22,957	33,374
Other (losses)/gains — net:		
Net foreign exchange (losses)/gains — net	**(1,303)**	457
Loss on disposal of property, plant and equipment — net	**(21)**	(129)
	(1,324)	328

7 Expenses by nature

	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
Costs of inventories recognized in cost of sales	**1,187,253**	992,047
Employee benefit expenses (including directors' emoluments)	**217,616**	121,921
Operating lease rentals in respect of land and buildings	**205,021**	60,575
Concessionaire fee in respect of outlets under cooperative arrangement	**59,183**	187,190
Depreciation and amortization	**30,765**	17,215
Write-down of inventories	**11,976**	23,660
Net provision/(write-back) for impairment of trade receivables	**505**	(577)
Listing expenses	**—**	22,676
Miscellaneous	**168,773**	84,338
Total cost of sales, selling and marketing expenses and general and administrative expenses	**1,881,092**	1,509,045

8 Finance income

	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
Interest income on short-term bank deposits	**4,854**	2,356
Other interest income	**3,064**	1,714
Interest income on loan to a third party	**3,094**	—
Finance income	**11,012**	4,070

9 Income tax expenses

	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
Current income tax — PRC corporate income tax	**90,335**	75,593
Deferred income tax	**(1,781)**	(3,527)
	88,554	72,066

(a) PRC corporate income tax

The income tax provision of the Group's subsidiaries in the PRC was calculated at the tax rate of 25% on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

(b) Hong Kong profits tax

No provision for Hong Kong profits tax has been made in the condensed consolidated interim financial information, as the Group did not have assessable profit in Hong Kong for the period.

(c) Overseas income tax

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

10 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 periods.

	Six months ended June 30,	
	2015	2014
Profit for the period attributable to equity holders of Company *(RMB'000)*	**270,350**	192,185
Weighted average number of ordinary shares for purposes of basic earnings per share *(thousands of shares)*	**1,906,457**	1,511,228
Basic earnings per share *(RMB cents per share)*	**14.18**	12.72

Note:

The weighted average number of ordinary shares for purposes of basic earnings per share for the six months ended June 30, 2014 has been retrospectively adjusted for the effects of the Capitalization of the ordinary shares which took place on June 26, 2014 (Note 1(b)(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 period.

11 Dividends

The Board does not recommend the payment of any interim dividend to shareholders of the Company for the six months ended June 30, 2015.

12 Property, plant and equipment, land use rights and intangible assets

	Property, plant and equipment RMB'000	Land use rights RMB'000	Intangible assets RMB'000
Six months ended June 30, 2015			
As at January 1, 2015	271,339	93,551	25,407
Additions	163,498	—	2,113
Acquisition of a business *(Note 20)*	5,865	—	9,987
Disposals	(21)	—	—
Depreciation and amortization	(26,427)	(1,040)	(3,298)
As at June 30, 2015	414,254	92,511	34,209
Six months ended June 30, 2014			
As at January 1, 2014	198,723	72,289	28,117
Additions	27,663	8,718	24
Disposals	(133)	—	—
Depreciation and amortization	(13,237)	(833)	(3,145)
As at June 30, 2014	213,016	80,174	24,996

13 Loan to a third party

Loan to a third party of RMB105,000,000 represents an entrusted loan advanced to Shanghai Ordifen Company Limited ("**Shanghai Ordifen**"), a third party, through Shenzhen branch of China Merchants Bank Co., Ltd. ("**CMB**"), as lending agent, pursuant to an entrusted loan entrustment agreement, entered into between a subsidiary of the Group and CMB, and an entrusted loan agreement, entered into between CMB and Shanghai Ordifen, as part of the acquisition of the business of Shanghai Ordifen, details of which are disclosed in Note 20.

The loan is interest bearing at 9% per annum, repayable in 2017 and secured by a joint guarantee provided by two shareholders of Shanghai Ordifen and a charge over a parcel of land and the building in Shanghai owned by Shanghai Ordifen.

14 Trade receivables

	As at June 30, 2015 RMB'000	As at December 31, 2014 RMB'000
Due from third parties	**299,033**	282,416
Less: provision for impairment	**(2,089)**	(1,611)
	296,944	280,805

As at June 30, 2015 and December 31, 2014, the fair values of the trade receivables of the Group approximate their carrying amounts.

14 Trade receivables (Continued)

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 June 30, 2015 is as follows:

	As at June 30, 2015 RMB'000	As at December 31, 2014 RMB'000
Trade receivables, gross		
— Within 30 days	173,093	153,555
— Over 30 days and within 60 days	51,042	89,133
— Over 60 days and within 90 days	34,650	21,432
— Over 90 days and within 180 days	22,803	12,851
— Over 180 days and within 360 days	13,875	2,740
— Over 360 days	3,570	2,705
	299,033	282,416

15 Bank balances and cash

	As at June 30, 2015 RMB'000	As at December 31, 2014 RMB'000
Cash and cash equivalents	**967,181**	921,337
Term deposits with initial term of over three months	**—**	150,000
Restricted bank deposits	**9,225**	9,225
	976,406	1,080,562
Bank balances and cash are denominated in the following currencies:		
RMB	**920,327**	754,843
HK$	**55,261**	324,595
Others	**818**	1,124
	976,406	1,080,562

Cash at banks earns interest at floating rates based on daily bank deposit rates. The conversion of RMB denominated balances maintained in the PRC into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

As at June 30, 2015, restricted bank deposits were mainly pledged to banks as collateral for letter of guarantee.

16 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 June 30, 2015, December 31, 2014 and June 30, 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 shares in issue.

16 Share capital and share premium (Continued)

Notes: (Continued)

(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 day, 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 of RMB429,994,000 was credited to the share premium account.

(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 RMB39,143,000 were recognized as expenses in the consolidated income statement.

17 Other reserves

	Merger reserve RMB'000 (note (a))	Statutory reserve RMB'000	Capital reserve RMB'000 (note (b))	Equity-settled share based compensation reserve RMB'000 (Note 18)	Exchange reserve RMB'000	Total other reserves RMB'000
At January 1, 2015	(8,938)	37,749	192,790	14,577	(4,479)	231,699
Equity-settled share-based compensation	—	—	—	3,539	—	3,539
Currency translation differences	—	—	—	—	6,723	6,723
At June 30, 2015	(8,938)	37,749	192,790	18,116	2,244	241,961
At January 1, 2014	420,000	37,749	192,790	5,726	—	656,265
Effect of the Reorganization	(428,938)	—	—	—	—	(428,938)
Equity-settled share-based compensation	—	—	—	4,333	—	4,333
Currency translation differences	—	—	—	—	(32)	(32)
At June 30, 2014	(8,938)	37,749	192,790	10,059	(32)	231,628

17 Other reserves (Continued)

Notes:

(a) Merger reserve

Merger reserve as at January 1, 2014 represented the paid-in capital of Cosmo Lady Guangdong.

Merger reserve as at June 30, 2015 and 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(b) and the aggregate capital of the subsidiaries acquired, after elimination of investments in subsidiaries.

(b) Capital reserve

Capital reserve 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 of RMB192,790,000 has been recognized as capital reserve in the consolidated balance sheet.

18 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 of 2.5% equity interest in Cosmo Lady Guangdong (equivalent to 37,500,000 ordinary shares of the Company upon completion of the Capitalization), operate 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.

18 Equity-settled share-based compensation (Continued)

Details of each grant under the Share Award Scheme and the equivalent number of shares in the Company indirectly held by the eligible employees through Shenzhen Boshi/Tianjin Daming/Great Ray for the six months ended June 30, 2015 are as follows:

	Six months ended June 30,	
	2015	2014
	'000	'000
At January 1	33,450	33,150
Granted during the period	—	2,700
Forfeited	—	(2,100)
Vested	(11,708)	—
At June 30	21,742	33,750

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 vesting periods of each grant with a credit recognized in equity as the equity-settled share based compensation reserve.

For the six months ended June 30, 2015, expenses arising from the share-based compensation have been charged in the consolidated statement of comprehensive income as follows:

	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
General and administrative expenses	2,499	3,031
Selling and marketing expenses	1,040	1,302
	3,539	4,333

19 Trade payables

	As at June 30, 2015 RMB'000	As at December 31, 2014 RMB'000
Due to related parties	**6,718**	3,488
Due to third parties	**291,810**	266,470
	298,528	269,958

Trade payables of the Group were non-interest bearing, and their fair values approximate their carrying amounts due to their short maturities.

Trade payables are denominated in RMB.

The ageing analysis of the trade payables based on invoice date is as follows:

	As at June 30, 2015 RMB'000	As at December 31, 2014 RMB'000
Trade payables		
— Within 30 days	**26,337**	21,588
— Over 30 days and within 60 days	**88,745**	94,225
— Over 60 days and within 90 days	**65,156**	68,690
— Over 90 days and within 180 days	**83,920**	62,839
— Over 180 days and within 360 days	**29,791**	22,048
— Over 360 days	**4,579**	568
	298,528	269,958

20 Business combination

On March 1, 2015, Tianjin Ordifen Fashion Company Limited, an indirect wholly-owned subsidiary of the Company and a number of independent third parties entered into an asset transfer agreement ("**Asset Transfer Agreement**"), pursuant to which Tianjin Ordifen agreed to acquire the business of the design, research, development, sale and manufacturing of branded intimate wear products (under the brand of Ordifen, Rubii and Ilsée) owned by Shanghai Ordifen and certain related assets and liabilities (the "**Acquisition**") for a consideration of RMB92,000,000, subject to certain downward adjustments according to the terms of the Asset Transfer Agreement. The Acquisition was completed in June 2015 and the final consideration was concluded at RMB79,800,000 by the contracting parties.

As part of the Acquisition, the Group agreed to provide financial assistance to Shanghai Ordifen by way of a two-year term entrusted loan of RMB105,000,000, details of which have been disclosed in Note 13.

Shanghai Ordifen is a well-established intimate wear retailer and manufacturer in the PRC focusing on the high-end market. The Ordifen brand originated from Taiwan and entered the PRC market back in 1993. It is one of the high-end intimate wear brands with the long history in the PRC with great customer awareness. The Acquisition is in line with the Group's development strategies of optimizing its product and brand portfolio as it enables the Group to mark its presence in the high-end intimate wear market in the PRC. In addition, since the acquired business is in the same industry sector as the Group, the Group also expects to reduce costs through economies of scale. The goodwill of RMB2,887,000 arising from the Acquisition is mainly attributable to the operational synergy to be attained.

20 Business combination (Continued)

The following table summarizes the consideration paid for the Acquisition, the fair value of assets acquired and liabilities assumed at the date of acquisition.

	As at June 1, 2015 RMB'000
Purchase consideration	
– Cash paid	45,000
– Payable	34,800
Total purchase consideration	79,800
Recognized amounts of identifiable assets acquired and liabilities assumed	
Provisional fair value	
Property, plant and equipment	5,865
Intangible assets	7,100
Inventories	89,677
Trade receivables	20,124
Other receivables	11,072
Trade payables	(5,928)
Other payables	(49,219)
Deferred income tax liabilities	(1,778)
Total identifiable net assets	76,913
Goodwill	2,887
	79,800

20 Business combination (Continued)

As at the date of this report, the initial accounting for the Acquisition is determined on a provisional basis as the allocation of fair value to the identifiable assets and liabilities of the Acquisition is still progressing.

Acquisition-related costs were not significant and have been charged to general and administrative expenses. The revenue and the results contributed by acquired business to the Group for the period since the completion was RMB19,262,000 and RMB1,082,000, respectively. The Group's revenue and results for the period would not be materially different if the Acquisition had occurred on January 1, 2015.

21 Commitments

(a) Capital commitments

As at June 30, 2015 the Group had the following capital commitments not provided for:

	As at June 30, 2015 RMB'000	As at December 31, 2014 RMB'000
Authorized but not contracted:		
Property, plant and equipment	288,404	374,812
Contracted but not provided for:		
Property, plant and equipment	90,090	66,091
Intangible assets	12,159	13,178
	102,249	79,269

21 Commitments (Continued)

(b) Operating lease commitments

The future aggregate minimum lease payments in respect of buildings under non-cancellable operating leases are as follows:

	As at June 30, 2015 RMB'000	As at December 31, 2014 RMB'000
No later than 1 year	250,778	69,262
Later than 1 year and no later than 5 years	561,328	83,768
Later than 5 years	25,823	569
	837,929	153,599

22 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 for the six months ended June 30, 2015, and balances arising from related party transactions as at reporting date.

22 Related-party transactions (Continued)

(a) Name and relationship with related parties

Name	Relationship with the Group
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
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

(b) Transactions with related parties

Purchases of goods:

	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
Continuing transactions:		
Shantou Shengqiang	**15,194**	12,521
Shantou Maosheng	**10,345**	16,038
	25,539	28,559

Purchases of goods from these related parties are on mutually agreed terms and conditions.

22 Related-party transactions (Continued)

(c) Balances with related parties

Payables to related parties

	As at June 30, 2015 RMB'000	As at December 31, 2014 RMB'000
Trade balances		
Shantou Shengqiang	6,393	1,838
Shantou Maosheng	325	1,650
	6,718	3,488

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 for the six months ended June 30, 2015 is as follows:

	Six months ended June 30,	
	2015 RMB'000	2014 RMB'000
Wages, salaries and bonuses	3,809	2,868
Social insurance and housing fund	234	182
Equity-settled share-based compensation	1,229	1,781
	5,272	4,831

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2015, the interests and short positions of the directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) as recorded in the register required to be kept by the Company under 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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

(i) Interest and short positions in the Company

Name of 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	1,175,422,000(L) [2][3]	61.65%(L)
Ms. WU Xiaoli	Interest of spouse	1,175,422,000(L) [2][3]	61.65%(L)
Mr. ZHANG Shengfeng	Interests held jointly with another person; interest of controlled company	1,175,422,000(L) [2]	61.65%(L)
Mr. LIN Zonghong	Interests held jointly with another person; interest of controlled company	1,175,422,000(L) [2]	61.65%(L)
Mr. CHENG Zuming	Interests held jointly with another person; interest of controlled company	1,175,422,000(L) [2]	61.65%(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 Investment Holdings Limited ("**Great Brilliant**"), Forever Flourish International Holdings Limited ("**Forever Flourish**"), Forever Shine Holdings Limited ("**Forever Shine**"), Mountain Dragon Investment Limited ("**Mountain Dragon**") and Harmonious Composition Investment Holdings Limited ("**Harmonious Composition**"), acting in concert, together controlled 61.65% of the total issued share capital in the Company. As such, each of them was deemed to be interested in such 61.65% 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	615,840	64.6%
Mr. ZHANG Shengfeng	Harmonious Composition Investment Holdings Limited	Interest of controlled company	177,125	18.6%
Mr. LIN Zonghong	Harmonious Composition Investment Holdings Limited	Interest of controlled company	128,743	13.5%
Mr. CHENG Zuming	Harmonious Composition Investment Holdings Limited	Interest of controlled company	31,707	3.3%

INTERESTS OR SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at June 30, 2015, the interests or short positions of substantial shareholders, other than the directors or the chief executives of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company 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	1,175,422,000(L) [2]	61.65%(L)
Forever Flourish International Holdings Limited	Interests held jointly with another person; interest of controlled company	1,175,422,000(L) [2]	61.65%(L)
Ms. CAI Shaoru [4]	Interest of spouse	1,175,422,000(L)	61.65%(L)
Forever Shine Holdings Limited	Interests held jointly with another person; interest of controlled company	1,175,422,000(L) [2]	61.65%(L)
Ms. CAI Jingqin [5]	Interest of spouse	1,175,422,000(L)	61.65%(L)
Mountain Dragon Investment Limited	Interests held jointly with another person; interest of controlled company	1,175,422,000(L) [2]	61.65%(L)
Harmonious Composition Investment Holdings Limited	Beneficial owner	1,175,422,000(L) [2]	61.65%(L)

Name	Nature of interest	Number of shares held [1]	Approximate percentage of shareholding interest
Capital Today Investment XVIII (HK) Limited	Beneficial owner	133,156,000(L)	6.98%(L)
Capital Today Investment XVIII Limited [5]	Interest of controlled company	133,156,000(L)	6.98%(L)
Capital Today China Growth Fund, LP [5]	Interest of controlled company	133,156,000(L)	6.98%(L)
Capital Today China Growth GenPar, LTD [5]	Interest of controlled company	133,156,000(L)	6.98%(L)
Capital Today Partners Limited [5]	Interest of controlled company	133,156,000(L)	6.98%(L)
Ms. XU Xin [5]	Interest of controlled company	133,156,000(L)	6.98%(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 61.65% of the total issued share capital in the Company. As such, each of them was deemed to be interested in such 61.65% 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 133,156,000 shares, representing 6.98% 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 133,156,000 shares held by Capital Today Investment XVIII (HK) Limited, representing 6.98% of the total issued share capital of the Company.

CORPORATE GOVERNANCE

The Company had complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules during the six months ended June 30, 2015 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 performs both the roles of the chairman of the Board and the CEO of the Company. Mr. Zheng with the established market reputation in the intimate wear industry in China is the founder of the Group and has extensive experience in the 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding securities transactions of the directors of the Company. Relevant employees who are likely to possess unpublished inside information of the Group are also subject to compliance with such code of conduct. Following specific enquiry, each of the directors and relevant employees has confirmed compliance with the required standard set out in the Model Code throughout the six months ended June 30, 2015.

AUDIT COMMITTEE

The primary responsibilities of the audit committee include (but without limitation) assisting 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 audit committee comprises three independent non-executive directors of the Company, 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 has reviewed with the management of the Company the accounting principles and practices adopted by the Group, and discussed the internal controls and financial reporting matters, including a review of the interim financial information for the six months ended June 30, 2015.

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

During the six months ended June 30, 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

The Company adopted a share option scheme on June 9, 2014 (the "**Share Option Scheme**") to provide incentives and/or rewards to directors or employees of the Group who in the sole discretion of the Board has contributed or will contribute to the Group (the "**Eligible Persons**") for their contribution to, and continuing efforts to promote the interests of the Group. The principal terms of the Share Option Scheme are as follows:

(a) Who may participate

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within the period of 10 years after the adoption date to grant options to any Eligible Person as the Board in its absolute discretion select to subscribe for such number of shares in the capital of the Company (the "**Shares**") as the Board may determine at the subscription price.

(b) Maximum number of Shares available for issue

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme must not exceed 190,645,700 Shares as approved by shareholders of the Company and must not in aggregate exceed 30% of Shares in issue from time to time. As at the respective date of the Company's 2014 annual report and this interim report, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme remained 190,645,700 Shares, which represents 10% of the total number of issued Shares as at the respective date of the Company's 2014 annual report and this interim report.

(c) Maximum entitlement of each Eligible Person

Unless approved by shareholders of the Company in general meeting in the manner prescribed in the Listing Rules, the maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted to any Eligible Person under the Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in any 12 month period shall not at the time of grant exceed 1% of the Shares in issue.

(d) Acceptance of an offer of options

An offer of the grant of an option under the Share Option Scheme shall remain open for a period of 28 days from the date on which such offer is made to an Eligible Person, provided that no such offer shall be open for acceptance after the tenth anniversary of the adoption date of the Share Option Scheme or after the termination of the Share Option Scheme. Participants are required to pay HK$1.00 as consideration for the acceptance of an option granted to them.

(e) Performance target and minimum holding period

Subject to such terms and conditions as the Board may determine, there is no minimum period for which an option must be held before it can be exercised and no performance target needs to be achieved by the grantee before the options can be exercised.

(f) Basis of determining the exercise price

The exercise price shall be a price determined by the Board and notified to an Eligible Person but in any event shall be at least the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of the option, which must be a business day; (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

(g) Duration of Share Option Scheme

No option may be vested more than 10 years after the date of grant. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years commencing from June 9, 2014.

As at June 30, 2015, no option had been granted or agreed to be granted under the Share Option Scheme.

DISCLOSURE OF INFORMATION OF DIRECTOR UNDER RULES 13.51(2) AND 13.51(B)(1) OF THE LISTING RULES

Save as disclosed below, there is no change in the information of each director that is required to be disclosed under Rules 13.51(2) and 13.51(B)(1) of the Listing Rules during the six months ended June 30, 2015.

Mr. YAU Chi Ming (Independent non-executive director)

Mr. YAU Chi Ming has been appointed as an independent non-executive director of TeleEye Holdings Limited (stock code: 8051), a company listed on the Growth Enterprise Market of the Stock Exchange, with effect from April 8, 2015.