都市丽人
COSMO LADY

Cosmo Lady (China) Holdings Company Limited
都市麗人（中國）控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2298

2015
Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. WEN Baoma

Independent Non-executive Directors

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

Joint Company Secretaries

Mr. YU Chun Kau, *FCPA, FCCA, 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

Risk Management Committee

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

AUTHORIZED REPRESENTATIVES

Mr. ZHENG Yaonan
Mr. YU Chun Kau

REGISTERED OFFICE

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

HEAD OFFICE IN CHINA

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

HONG KONG OFFICE

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

		Year ended December 31,		
		2015	2014	Change
Revenue	*RMB'000*	4,953,415	4,007,636	+23.6%
Operating profit	*RMB'000*	688,803	575,056	+19.8%
Profit attributable to equity holders of the Company	*RMB'000*	540,008	425,227	+27.0%
Gross profit margin	*%*	42.7%	39.1%	+9.2%
Operating profit margin	*%*	13.9%	14.3%	-2.8%
Margin of profit attributable to equity holders of the Company	*%*	10.9%	10.6%	+2.8%
Earnings per share				
– basic	*RMB cents*	28.33	24.86	+14.0%
– diluted	*RMB cents*	28.33	24.86	+14.0%
Final dividend per share	*HK$ cents*	11.00	10.00	+10.0%

		As at December 31,		
		2015	2014	Change
Gearing ratio	*%*	Net cash	Net cash	
Current ratio	*times*	3.2	4.4	-1.2
Average inventory turnover period	*days*	92.5	78.0	+14.5
Average trade receivables turnover period	*days*	29.4	20.6	+8.8
Average trade payables turnover period	*days*	49.2	36.6	+12.6

Statement from Chairman and CEO

SHARPENING
COMPETITIVE EDGE

Dear Shareholders,

Last year in 2015 was an extraordinary year. During the year, the China's macroeconomic growth fell faster, and the gross domestic product ("**GDP**") of China in 2015 increased by 6.9% as compared with the previous year; the total retail sales of social consumer goods increased by 10.7% over the previous year with the growth rate also decreasing. China's economic growth has entered a new normal state, but the Chinese government has vigorously promoted the structural reforms on the supply-side of the economy, and the overall macroeconomic situation has remained stable.

In 2015, we faced the challenges arising from many complicated factors, such as an overall macroeconomic downturn, the decline in growth rate of total retail sales of social consumer goods, effect of warm weather in winter in the fourth quarter, and the relocation of our logistics center. Despite the above, we are still able to continue to focus on the largest and fastest growing segment of the intimate wear mass market, as well as to expand our market share in the intimate wear mass market. At the same time, through the acquisition of the high-end brand Ordifen (歐迪芬), we achieved the full coverage in intimate wear market by capturing the whole spectrum from the mass market to high-end market. In response to various unfavorable factors and leveraging resources available, we have devised various measures in advance and kept the sustainable and stable rapid growth of our performance in business operations even under the environment that suffering from the trend of an accelerating decline of macroeconomic growth.

Mr. ZHENG Yaonan
Chairman and CEO

In 2015, although we were affected by the interweaving of various negative factors, we continued to achieve outstanding business performance thanks to the efforts of our management and staff members. Our total revenue grew by 23.6% from approximately RMB4,008 million in 2014 to approximately RMB4,953 million in 2015. Operating profit grew by 19.8% from approximately RMB575 million in 2014 to approximately RMB689 million in 2015. Net profit grew by 27.0% from 2014 to approximately RMB540 million in 2015. Earnings per share grew by 14.0% from 2014 to RMB28.33 cents in 2015 (2014: RMB24.86 cents). Despite the unfavorable overall market environment, we have achieved good performance as reflected by various operational indicators. In order to provide better returns for shareholders of the Company (the "**Shareholders**"), the board of directors (the "**Directors**") (the "**Board**") of Cosmo Lady (China) Holdings Company Limited (the "**Company**") proposed to distribute the final dividend of HK$11.0 cents (equivalent to RMB9.31 cents) for each ordinary share. The dividend payout ratio was 32.9% of the profit attributable to Shareholders.

In 2015, we adopted the multi-channel strategy on selling our products. In the intimate wear mass market, our brands Cosmo Lady (都市 • 儷人), Cosmo Elegance (都市 • 絲語) and Cosmo Blossom (都市 • 繽紛派) continued to deepen their market penetration across the channels in the third- and fourth-tier cities. Because of the nature of low investment with a high return level, the channel of the third- and fourth-tier cities became one of our key directions of channel development. We continued to strengthen the five categories of outlet layout covering the commercial streets, social communities, school zones, traffic hubs and commercial hypermarket complexes. Outlets covering social communities category demonstrated a good development trend and it became our focus of future channel development. While strengthening the development of the offline channels, we strengthened the development of our online channels. In only less than two years, our e-commerce business rapidly developed because of the strong brandings of Cosmo Lady, Cosmo Elegance and Cosmo Blossom. For the year ended December 31, 2015, the e-commerce revenue was approximately RMB175 million, representing a 136.6% increase as compared with the same period of last year. The sales of our intimate wear products in the major e-commerce business platforms, namely Tmall.com, JD.com and VIP.com, were ranked as top ten sellers, achieving a remarkable sales results.

In 2015, we adopted the multi-brand strategy. We were committed in providing the younger generation with products that matched the consumer demand and are high value-for-money in nature. We continued to strengthen the management of the new brand of Freeday (自在時光) through further strengthening its brand position as a simple young fashion brand, attracting young customers aged between 18 and 30, and continuously improving the store image, the quality of products, which led to the brand of Freeday gaining opportunities for a good development. Through the acquisition of the high-end brand Ordifen, we entered into the high-end market channels of the intimate wear industry. Through the brand remodeling of Ordifen, optimization of sales channels, transformation of supply chains and construction of information technology system after its acquisition, the continued same stores sales growth of Ordifen made the turnaround of the overall operating performance of Ordifen's business from a loss and the Ordifen brand gradually revitalized. We are optimistic about the prospects for the future development of Ordifen.

In 2015, we adopted the strategy of product diversifications. We were dedicated to providing a one-stop shopping experience for consumers by further enriching the product lines. We launched the kids' brand Miyajia (眯雅佳) and entered into the category of kids' intimate wear. We also strengthened the category development, expanded and enriched categories of functional intimate wear brand, Secret of City Beauty (都市麗人的秘密). Usually in winter, China's female consumers are more willing to buy beautiful, warm leggings rather than only traditional long johns. We closely followed this fashion trend, optimized categories of leggings which in turn obtained good performance during the reporting period. For the year ended December 31, 2015, the sales of the categories of leggings throughout the year were more than 13 million pairs and the sales revenue increased by 39.8% over the same period as compared to previous year. We continued to strengthen the development and promotion of men's category and revenue of men's category continued to grow steadily.

In 2015, we further strengthened the promotion effort of our brands. In April 2015, we organized a mega intimate wear fashion show. At the show we invited Ms. Lin Chi-ling (林志玲小姐) and Mr. Huang Xiaoming (黃曉明先生) as the respective brand spokespersons for our women's and men's products, and other famous Chinese celebrities were on the stage together. The event showed the latest fashion styles and demonstrated excellent qualities of the products, having a significant influence in the industry and firmly rooting the image of our brands into the hearts of the people. We also strengthened interactions with other different types of media such as domestic television and online media. For example, we exclusively sponsored the second season of the program "Hurry Up, Brother" (奔跑吧兄弟) by cztv.com (新藍網) of Zhejiang Television (浙江衛視) and an online broadcast of "The Voice of China" (中國好聲音) on cztv.com. We are preparing to host a fashion show creating the largest influence in fashion on Asia in April 2016 to further expand our brand influence.

In 2015, China's economic growth continued to slow down. We are of the view that China's economy will continue to fluctuate in 2016 and the risks of economic downturn will remain, so we continue our cautious-optimism on the economic situation in 2016. Yet, there are opportunities along with the risks, and opportunities and challenges coexist. When the economic environment is good, it will generally boost the business operations of enterprises, but when the economic environment sharply fluctuates, it will have an adverse impact on the business operations of enterprises and a large number of enterprises will be eliminated from the market. "It takes a good blacksmith to make good steel". Only enterprises that innovate themselves and have the courage to change can survive in the adverse environment. We mainly focus on the mass market of intimate wear and such products are the most basic consumer goods and counter-cycled. Under the favorable circumstances of decline in market rent and stable labor costs, we will take more strategic measures in upturning development, planning further layout for the future development and expanding the greater space for development.

In the coming 2016, we will maintain operating under prudent business ideas, while expanding the scale of our channels. We will also pay more attention to our corporate culture development, strengthen effort in improving our brands, the quality of products and the retail sales capacity. We will continue to integrate internal resources to achieve synergies between the mass market brands and high-end market brands. We believe that through our continuous internal optimization and external expansion, our brands will become popular, cost-effective, and fashionable well-known brands accepted by more consumers. We also believe that we will successfully complete all the plans and tasks in 2016 and create better returns for our shareholders.

ZHENG Yaonan
Chairman and Chief Executive Officer

Hong Kong, March 29, 2016

Management Discussion and Analysis

MARKET REVIEW

Maintained a Stable Growth of China's Economy

China's economy explored to a series of material events in 2015. According to the National Bureau of Statistics of China, the GDP of China in 2015 was RMB67,671 billion, representing a year-on-year increase of 6.9%. Such increase being below 7.0% has only occurred for the first time since 1990. Furthermore, 2015 was a year of high volatility in the China's stock market and the continuous depreciation of Renminbi against United States dollars resulted in pressure on China's economy.

In order to maintain a stable growth of economy, the China's government continued its economic reforms and introduced a series of steady growth measures, such of which is delivering results currently. The China's government expects that, the average growth rate of GDP in the next five years will be over 6.5% and the GDP and the per capita income of both urban and rural residents in 2020 will be doubled compared to 2010.

Recently, the growth of consumption has continued to drive the growth of the economy. According to the Ministry of Commerce of China, the ratio of consumption to the growth of the economy accounted to 66.4% in 2015, representing an increase of 15.4% compared to last year. Such increase was mainly due to the continuous improvement of living standards in China and the stable pace of economic growth. In 2015, the national per capita disposable income of China increased by 7.4% and reached RMB21,966. While the per capita disposable income of urban residents rose by 6.6% to RMB31,195, that of rural residents increased by 7.5% to RMB11,422. In 2015, total retail sales of consumer goods in China increased by 10.7% to RMB30,093 billion, among which 86.1% of sales was attributable to the retail activities taken place in urban areas, representing a growth of 10.5% compared to 2014. Retail sales in rural areas also grew at 11.8% compared to 2014. It is expected that the China's economy will demonstrate a more healthy growth and sustainable development in the future, according to the data shown above.

Continued High Growth Rate of China's Intimate Wear Industry

Stimulated by the increasing income level and demand of higher quality life, Chinese consumers have raised their requirements on not only the outerwear products, but also the intimate wear products. Along with growing demand, the total retail sales value of intimate wear market in China have maintained a double-digit growth over the past five years, and stimulated by stronger marketing, as well as the development of various segment markets, the compound annual growth rate ("**CAGR**") of the total retail sales value of intimate wear market in China is expected to grow at approximately 13.2% in next five years, according to Frost & Sullivan.

From 2011 to 2015, the market share of mass market has enjoyed a significant growth, with a market share increasing from 47.8% to 51.0%, according to Frost & Sullivan. Given the huge potential consumer base and the increasing demand of existing consumers to renew their intimate wears, the mass market is expected to demonstrate large market potential, with a market increasing to 55.7% by the end of 2020, with a CAGR of 15.2% from 2015 to 2020. Affordable pricing has placed large impact on the fast growth of the mass market, when consumers have continuously sought for high value-for-money products. In addition, another key character of the mass market customers is that they continuously seek for a variety of products.

According to Frost & Sullivan, China intimate wear market is a highly fragmented market with over 3,000 market players. In 2015, the Company and its subsidiaries (the "**Group**") ranked number one in the overall China intimate wear market with a market share of 3.3%, as it targets the largest and fastest-growing mass market, which brings significant growth on consumer demand. Overlooking the whole market, the Group has become the largest branded intimate wear company in China in terms of total retail sales in the past few years. Considering each major product category of the overall China intimate wear market, the Group ranked number one in terms of bra, underpants, and sleepwear and loungewear and ranked the second in terms of retail sales of thermal clothes in 2015. Among all mass market players, the Group is the only leading market player, with a market share of 6.4% in terms of total retail sales of intimate wear mass market in 2015.

BUSINESS REVIEW

For the year ended December 31, 2015, as a result of the Group's concerted effort in striving the best interests for its stakeholders, the Group's revenue grew by 23.6% over the previous year to RMB4,953,415,000. Despite the challenges such as uncertainties around the China's economy in 2015 and also the warm weather in winter in the fourth quarter of 2015, the Group was able to timely refine and effectively adopt its strategic plans, achieved a satisfactory sales growth and was able to maintain a healthy mid single-digit same sales growth for the whole year 2015. Profit attributable to equity holders of the Company increased by 27.0% to RMB540,008,000. Earnings per share reached RMB28.33 cents in 2015 (2014: RMB24.86 cents), representing a year-on-year increase of 14.0%.

In 2015, the Group has continued its strategy to strive for sustainable growth in the mass market of the intimate wear industry, through enhancement of brand awareness, comprehensive development of multiple distribution channels and full spectrum of product categories under diversified brands. Meanwhile, the Group has also gained access to the high-end intimate wear market in China through its acquisition of certain renowned high-end brands, namely Ordifen and its sub-brands (the "**Acquisition**"), including but not limited to Rubii (璐比) and Ilsée (伊夏) (the "**Acquired Brands**") in the first quarter of 2015. Leveraging on its massive distribution networks, and diversified products and multiple brands strategies, the Group has further strengthened its core competences as a leader in the China's intimate wear industry over the year.

Milestone: Ascending into High-end Intimate Wear Segment

On March 1, 2015, the Group entered into the Asset Transfer Agreement to acquire, among other things, the assets and businesses in connection with the sale, design, research, development and manufacturing of the Acquired Brands. Through the Acquisition (Please refer to the announcement published by the Company on March 1, 2015 for further details of the Acquisition), the Group successfully penetrated into the high-end intimate wear distribution channels in China, including department stores and shopping malls in first- and second-tier cities and hence being able to gain access to high-end consumers, which established a solid foundation to further develop in the high-end intimate wear market. 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 operations, which include connection of operating system between each outlet and the headquarters so that the Group could have a direct control of its newly acquired retail network, implementation of the enterprise resource planning (ERP) system, the improvement of retail, marketing and logistics capability and re-negotiation with suppliers for more favorable terms. The Group has successfully improved the retail management, reduced certain costs of operating 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 year.

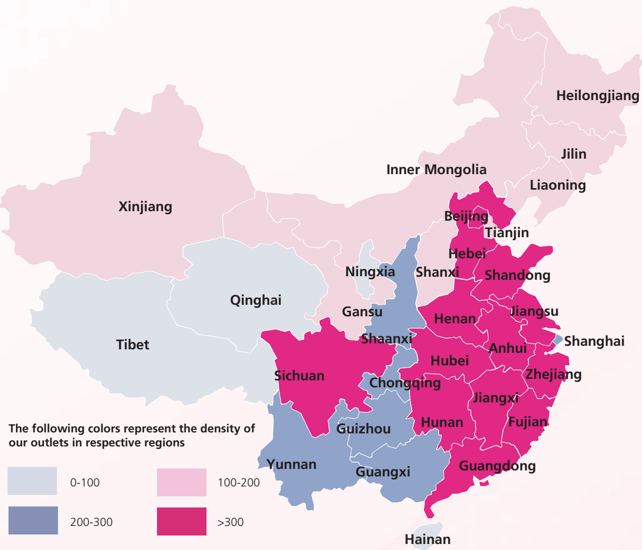
As at December 31, 2015, there were 551 retail outlets of the Acquired Brands, which consist of 189 franchised outlets and 362 self-managed outlets, mainly located in the shopping malls and department stores in major cities of China.

There have been improvements in the financial performance of the Acquired Brands since the consolidation of their accounts into the Group's accounts on June 1, 2015. As a result of a series of improvement and strategic plans launched as mentioned above, the financial performance of the Acquired Brands has improved significantly after the Acquisition.

Despite the encouraging performance, the Group will continue to streamline and optimize the business operations and distribution networks of the Acquired Brands in future and more importantly, reinforce and elevate the brand awareness in the high-end market.

Extensive and Effective Distribution Network Across China

One of the competitive advantages of the Group is the massive and omni-channel distribution network covering more than 330 prefecture-level cities in all provinces as well as province-level municipalities and autonomous regions in China. According to Frost & Sullivan, the Group ranked number one in China in terms of number of retail outlets among all major intimate market players in 2015. Such extensive network facilitates the Group to effectively be connected with a wide range of consumers with different demographics. As of December 31, 2015, without taking into account the distribution network of the Acquired Brands, the Group's distribution network comprised 8,058 retail outlets, of which 6,937 were franchised outlets and 1,121 were self-managed outlets. The Group attained a net increase of 1,032 retail outlets (excluding the outlets of the Acquired Brands) in 2015, of which 888 were franchised outlets and 144 were self-managed outlets. A major part of the expansion has taken place in locations where market presence by the Group is relatively low.



During 2015, the Group continued its progressive expansion strategy of its mass market retail network in five major types of areas including commercial streets, social communities, traffic hubs, school zones and commercial hypermarket complexes as well as high-end retail network in malls, department stores and shopping centers. In addition, the Group located its retail outlets across China, particularly in regions with high growth potential (mainly third- and fourth-tier cities and counties) in order to enhance market penetration and achieve a steady and sustainable business growth. In view of the uncertain economy conditions in China's economy, the Group has been more cautious and tightened the relevant policy in monitoring the outlets expansion plan.

Multiple Brands for Wide Spectrum of Consumers

The Group adopts a multi-brand strategy throughout the value chain of its operation in the intimate wear industry. The Group currently has ten major brands, which provide a variety of value-for-money products for its consumers of different demographics with divergent tastes and needs in the mass and high-end markets.

For mass market segment, the Group has been marketing its products to female consumers through various brands including "Cosmo Lady", "Cosmo Elegance", "Cosmo Blossom", "Secret of City Beauty" and "Freeday", each of which demonstrates different design styles with different price ranges and for different age groups; while male and kids products are sold under the brands "Cosmo Esquire" (都市 • 鋒尚) and "Miyajia", respectively. For high-end market, the Group sells its products under Ordifen and its sub-brands.

"Cosmo Lady", "Cosmo Elegance" and "Cosmo Blossom" remained the core brands which account for over 80% of the Group's revenue while "Freeday", a brand first introduced in the fourth quarter of 2014 with an image of Korean style with simple and fresh design, has created a new element of growth momentum for the Group in 2016. "Freeday" offers quality products with affordable price range and targets at young consumers who are fashion-conscious. During the year, the Group refined the design of its "Freeday" standalone outlets with simple and energetic image, and it was well accepted by the market, as reflected in meaningful sales growth thereafter. As at December 31, 2015, there were 60 "Freeday" standalone outlets. The Group believes this brand will continue its growing potential in 2016.


For male products, "Cosmo Esquire" continued to be the leading player in terms of the retail sales in men's intimate wear market in China in 2015, according to Frost & Sullivan. While the Group has been continuously enriching its men's products in view of high growth potential of the male intimate wear market, the market is indeed at an early stage in which male consumers are in the progress of developing their own brand awareness of intimate wear and importance of comfortable intimate wears. Nevertheless, the Group will continue to consolidate its capability to further penetrate into the male intimate wear market.

Diversified Product Portfolio

In order to satisfy increasing demands of consumers, the Group has been committing to diversify its product portfolio on various aspects such as product functionality and design. "Secret of City Beauty", a premium intimate wear brand launched in 2014, offers products of superior quality with functional body-shaping features and aims to attract the urban white-collar ladies and well-off housewives. In 2015, with the aim to consolidate the leading position and also provide a one-stop shopping experience in its outlets, the Group launched a new brand "Miyajia" which offers intimate wear products for kids and juveniles. Apart from its stylish design targeting needs of kids and juveniles, Miyajia also emphasizes comfort and hygiene in view of the increasing demand for safe and high quality clothing for children. As at December 31, 2015, products of "Miyajia" were available at approximately 6,700 outlets of the Group.

To further elevate its brand value, the Group has entered into a cooperation agreement with Walt Disney group during 2015 and is licensed to launch intimate wear products bearing Disney cartoon characters. Such products will be available under the brands of the Group, including "Miyajia" brand in the first half of 2016. The Group believes the opening of the Shanghai Disneyland in June 2016 will effectively stimulate the sales of its 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.


The Group realizes continuously upgrading product quality and functionality sharpens its competitive edge. Apart from investments in internal research and development, the Group is currently cooperating with various internationally renowned enterprises 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 the "Lycra" fiber).

In addition, as a socially responsible market leader, the Group has dedicated to promote women's health. In 2015, the Group has cooperated with "Pink Ribbon", an internationally well-known charity platform for breast cancer awareness, to foster knowledge on this aspect through a number of initiatives including design, promotion and sales of bras in "Pink Ribbon" series, which have been well received by the market. This raises consumers' awareness on women's health, and at the same time incorporates new elements in its products as a growth driver to diversify its product development strategy.

Encouraging Performance in E-commerce

The Group realizes the increasing importance of e-commerce as one of the sales channels in China's intimate wear industry and has launched its e-commerce platform in February 2014. Since the second quarter of 2014, the Group has adopted an effective strategy to partner with prominent online sales platforms including but not limited to Tmall.com, VIP.com and JD.com. During 2015, the Group has further consolidated such distribution channel through enhancing brand awareness and increasing traffic in online platforms, broadening its online sales network and reinforcing the integration of its online and offline sales channels. Further, the Group was invited to join the selected core merchandiser alliance of juhuasuan.com (a well-known Alibaba Group-operated online sales platform) during the year and was entitled to extra and priority use of resources and support on marketing activities through Alibaba Group's online media platforms. Such entitlement greatly catalyzed the sales growth of the overall e-commerce business.

Thanks to the Group's keen effort in developing e-commerce business, its performance in 2015 has been encouraging, particularly in Singles' Day on November 11, 2015, a renowned online shopping festival in China, in which the Group achieved an exciting growth on sales and traffic compared with 2014. For the year ended December 31, 2015, revenue attributed to e-commerce sales amounted to RMB174,571,000, accounting for 3.5% of the Group's total revenue (2014: 1.9%). Such amount also represented a 136.6% increase of e-commerce sales as compared to last year.

According to Frost & Sullivan, e-commerce sales accounted for 3.2% of the overall China intimate wear market in 2015. However, it will increase dramatically in the next 5 years, due to the development of the mobile internet and smartphone technology, accounting for 6.5% market share in 2020. Hence, the Group expects that the proportion of sales through e-commerce of the Group will grow significantly and continually in the coming future.

Consumers Loyalty: An Essence for Long-term Sustainable Growth

The Group runs a membership program and the number of registered members (the "**Members**") as at December 31, 2015 reached 37 million. This membership program has effectively enabled the Group to understand the spending behavior and habits of consumer groups from different backgrounds and in different regions, so that the Group could customize and launch differentiated marketing activities to strengthen customers loyalty of its brands.

In addition, the Group understands that engaging Members in its marketing and promotional activities is a key to success. In this regard, the Group's own e-commerce platform (www.dslrpark.com)* serves as an effective channel connecting the Group with its Members since, for example, Members can participate in member-only promotion campaigns periodically, enjoy different levels of discounts for their purchases depending on the type of their membership, and redeem the bonus points accumulated from their purchases to exchange for free gifts or get cash discounts for products on the Group's own 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.

Moreover, in order to strengthen management of Members, further the attachment of Members to the Group and assist with franchised outlets to engage in marketing activities focusing on Members with ease and accuracy, since November 2015, the Group has commenced the programming development of mobile applications ("**APPs**") for franchisees so that franchisees will be benefited by being able to obtain sale figures and purchasing behaviors of their Members in a timely and accurate manner. The program development of the APPs is now completed and in the phase of joint-test verification. It is expected that the APPs will be launched in the first half of 2016. After the programs are on-line, it is expected that the proportion of sales to Members will increase substantially and at the same time a strong basis is provided as a foundation for franchisees to launch tailor-made marketing activities for their Members.

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

Dedicated and Effective Brand Building Initiatives

Brand recognition is a key factor in consumers' purchase decisions and is critical to long-term business development. The Group has continuously invested in marketing activities to cultivate consumer loyalty and brand awareness through a wide variety of media, ranging from traditional channels such as television media, to promotional events, exhibitions, and various sponsorships. To optimize the effectiveness of its overall marketing strategy, the Group has continued to engage reputable artists with high popularity in China, Ms. Lin Chi-ling and Mr. Huang Xiaoming, as the spokespersons for its core female brands and its male brand "Cosmo Esquire", respectively. Their participation in various promotion and marketing campaigns has fostered the corporate image of the Group as well as its brands.

With the aim to strengthen the Group's influence and its leading position in China's intimate wear industry, the Group organized a mega annual intimate wear fashion show "The One" in April 2015 for its latest product collections that showcased its high quality and trendy products as well as demonstrating its pioneering role of the intimate wear fashion trends in China. During the mega fashion show, the Group's spokespersons, other artists and professional models strolled down the catwalk with the Group's stylish products which were well-recognized by audiences and media.

Apart from the above, to mark a milestone of sales of the one-billionth intimate wear product, the Group held a celebration ceremony in November 2015. Professional models demonstrated traditional lingerie with both Eastern and Western styles under different themes such as various dynasties in Ancient China by way of a catwalk show, which illustrated the evolution of the intimate wear culture across time. The highlight of the ceremony was Ms. Lin Chi-ling showcasing the specially designed one-billionth commemorative and elegant intimate wear product. The event was widely covered by media and further enhanced the Group's leading role in the market.

As an effective means to heighten the Group's visibility and publicity, the Group has sponsored a number of popular Chinese variety shows in 2015 including "Hurry Up, Brother", "the Voice of China (season 4)" (中國好聲音4), "Challenger Alliance" (挑戰者聯盟) and "Chef Nic" (12道鋒味) of Zhejiang Television, and "Who's the Singer" (歌手是誰) of Beijing Television which greatly promoted the brand image of the Group. Other marketing initiatives, including television 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 year, which boosted the Group's brand awareness and stimulated sales.

Streamlined Retail and Supply Chain Management

In view of the continuous expansion, the Group understands outstanding logistics management is one of the top priorities for long-term sustainable growth and therefore has been fast fashioning its supply chain. In addition to the existing logistics center located at the Group's Dongguan headquarters and the regional logistics center in Tianjin, the new central logistics center in Dongguan has commenced operation since July 2015. The new Dongguan central logistics center has a construction floor area of over 70,000 square meters and is equipped with advanced automated facilities which greatly enhance the Group's logistics capabilities in terms of deliver and storage capacity and sorting efficiency, and also shorten the order processing cycle. Meanwhile, the construction of another new regional logistics center in Tianjin was started in April 2015 and it is expected to commence its operation in the year of 2017.

Apart from the above, in order to be able to cope with the ever-changing market environment, the Group has put into place the Order Management System ("**OMS**") in 2015. Through the operation of OMS, aiming at the fast and efficient supply chain management, orders from multiple channels can be unified into one single management system such that all information can be conveniently and helpfully visualized. The phase I of this OMS project was completed in April 2015, achieving a singular approach to warehouse inventory management, as well as supporting various logistics processes, such as direct distribution, transshipment and express courier of products. Phase II of OMS will be in operation in 2016 and by then the management of inventory of suppliers and the tracking of on-the-road products can be achieved.

In addition, the Group has been devoting to consolidate its supply chain management. For upper stream, the Group has been working to connect its information system to its raw material and OEM suppliers so that information sharing and flow between these suppliers and the Group is facilitated. This does not only increase the efficiency on both the Group and suppliers in production and ordering cycle, but also provides the Group meaningful data for negotiation on purchase terms.

For its retail side, the Group has adopted the point of sales terminals system which connects to the centralized system at the headquarters of the Group for daily analysis, so that the Group is able to timely understand and cope with market changes, responsively and agilely adjust production planning and marketing strategies so as to more accurately capture market opportunities and also better manage inventory risks. Targeting mobile payment as a payment method gradually becoming the trend, in 2015, the Group successfully had arrangements in place with Tencent and China Telecom to explore and develop this payment method through utilizing mobile payment systems which are based on the existing cashier systems in outlets – the Weixin Pay (微信支付) and Bestpay (翼支付). Not only more payment options are made available to customers, sales of products are also boosted through implementation of these systems.

The Group will continue to optimize its information technology systems in the retail management, procurement and production processes, shipment coordination and inventory management.

Devoting Product Innovation and Quality Control

In such a market of increasing fashion awareness and greater demand on intimate wear comfort, the Group has been investing in its product innovation capability to deliver new consumer-oriented products. Initiatives include continuous effort in computerized design system development, as well as recruitment and retention of talented designers. Currently, the Group has a committed in-house product design, research and development team of approximately 100 staff members for its major product categories, which launches products with new exterior designs and functionalities throughout the year to cope with consumer demand changes. As of December 31, 2015, the Group has a total of 117 registered patents in China.

Apart from product innovation, the Group has been committed to adopting a well-functioned quality control system in order to ensure delivery of high standard of products to its consumers. In view of the continuous business expansion, the Group is currently establishing a new quality control center of approximately 1,200 square meters in Dongguan with more sophisticated equipment installed. The Group will continue to pursue the highest standard of quality control management for the best interests of its consumers.

Corporate Social Responsibility and Awards

As a responsible corporate citizen, the Group is dedicated not only to providing high quality products to its customers, but also committed to giving back to the communities in which it operates its business. In 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 Chinese Humanist Association of Guangdong (廣東僑屆人文學會), 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 effort in contributing and leading the China intimate wear market were also widely recognized. In 2015, the Group was honored to be awarded with the following accolades: "China Textile and Apparel Industry Brand Contribution Award" ("中國針織行業品牌貢獻獎") from the China National Textile and Apparel Council (中國針織工業協會) in recognition of the Group's continuous contribution to the industry; and also "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 (中國紡織工業聯合會) and China Textile Education Society (中國紡織服裝教育學會) in recognition of the Group's effort in nurturing talents for the textile industry in China. The Group will continue to strive to deliver high quality products to its customers and contribute to the intimate wear industry.

FINANCIAL REVIEW

Revenue

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

The total revenue increased by 23.6% from RMB4,007,636,000 for the year ended December 31, 2014 to RMB4,953,415,000 for the year ended December 31, 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, the enhanced operational efficiency of the retail network and the improved performance of the online sales platforms.

Revenue by sales channel

The products of the Group are sold to consumers through an extensive network of 8,609 outlets including 7,126 franchised outlets and 1,483 self-managed outlets in more than 330 prefecture-level cities across China as of December 31, 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.

	Year ended December 31,			
	2015		2014	
	RMB'000	%	RMB'000	%
Sales to franchisees	3,155,892	63.7	2,689,850	67.1
Retail sales	1,622,952	32.8	1,244,013	31.0
E-commerce	174,571	3.5	73,773	1.9
Total revenue	4,953,415	100.0	4,007,636	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.

	Year ended December 31,			
	2015		2014	
	RMB'000	%	RMB'000	%
Bras	2,269,562	45.8	1,854,044	46.3
Underpants	795,833	16.1	622,152	15.5
Sleepwear and loungewear	715,422	14.4	606,815	15.1
Thermal clothes	600,198	12.1	517,094	12.9
Others[1]	572,400	11.6	407,531	10.2
Total revenue	4,953,415	100.0	4,007,636	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 and its sub-brands. The following table sets out a breakdown of the total revenue by brand, each expressed in the absolute amount and as a percentage of the total revenue.

	Year ended December 31,			
	2015		2014	
	RMB'000	%	RMB'000	%
Cosmo Lady	2,015,772	40.7	1,679,758	41.9
Cosmo Elegance	1,360,763	27.5	1,244,193	31.0
Cosmo Blossom	628,711	12.7	460,206	11.5
Cosmo Esquire	599,298	12.1	496,758	12.4
Ordifen	179,942	3.6	—	—
Others	168,929	3.4	126,721	3.2
Total revenue	4,953,415	100.0	4,007,636	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 region, each expressed in the absolute amount and as a percentage of the total revenue.

	Year ended December 31,			
	2015		2014	
	RMB'000	%	RMB'000	%
Southern China[1]	1,893,066	38.2	1,800,279	44.9
Eastern China[2]	1,241,543	25.1	804,075	20.1
South-Western China[3]	912,791	18.4	748,986	18.7
Northern China[4]	906,015	18.3	654,296	16.3
Total revenue	4,953,415	100.0	4,007,636	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, 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 63.3% and 65.0% of the total turnover for the year ended December 31, 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 year ended December 31, 2015 compared with 2014, because sales in Northern China increased significantly by 38.5% over last year.

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 in the absolute amount increased by 16.3% during the year ended December 31, 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.

	Year ended December 31,			
	2015 RMB'000	%	2014 RMB'000	%
Cost of inventories recognized in cost of sales	2,758,818	97.2	2,358,988	96.7
Government surcharges and levies	31,100	1.1	23,017	0.9
Employee benefit expenses	27,247	1.0	21,003	0.9
Write-down of inventories	20,699	0.7	36,695	1.5
Others	757	0.0	414	0.0
Total cost of sales	2,838,621	100.0	2,440,117	100.0

Gross Profit and Gross Profit Margin

During the year ended December 31, 2015, the Group recorded a gross profit of RMB2,114,794,000, representing an increase of 34.9% from 2014.

Gross profit margin of the Group increased from 39.1% for the year ended December 31, 2014 to 42.7% for the year ended December 31, 2015. The increase in gross profit margin of the Group was primarily due to the continuous improvements to sales channels and product portfolio, the further integration of the industry supply chain and the enhancement of economies of scale.

Selling and Marketing Expenses

Selling and marketing expenses primarily consist of employee benefit expenses, operating lease rentals in respect of land and buildings, concession fees, marketing and promotion expenses, consumables recognized in expenses, depreciation and amortization, and others. The equity-settled share-based compensation included in employee benefit expenses for the year ended December 31, 2015 is RMB2,081,000 (2014: RMB2,655,000).

Selling and marketing expenses increased by 46.8% from RMB890,308,000 for the year ended December 31, 2014 to RMB1,306,751,000 for the year ended December 31, 2015. The increase was primarily attributable to (i) the increase in the number of the self-managed outlets from 977 as of December 31, 2014 to 1,483 as of December 31, 2015 which led to the significant increase of the aggregate of employee benefit expenses, operating lease rentals in respect of land and buildings, and concession fees during the year, (ii) the significant expansion of the e-commerce business causing the significant increase of the related selling and marketing expenses during the year, as well as (iii) the additional inclusion of the selling and marketing expenses from the Acquired Brands as a result of the Acquisition.

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 year ended December 31, 2015 is RMB4,938,000 (2014: RMB6,196,000).

General and administrative expenses increased by 6.3% from RMB185,792,000 for the year ended December 31, 2014 to RMB197,495,000 for the year ended December 31, 2015. The increase was primarily attributable to an increase of RMB32,466,000 in employee benefit expenses incurred as a result of the business expansion, partially offset by a decrease of RMB22,676,000 in the one-off listing expenses incurred in last year.

Other Income

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

Other income decreased slightly by 3.0% from RMB79,098,000 for the year ended December 31, 2014 to RMB76,735,000 for the year ended December 31, 2015. The decrease was primarily attributable to the significant decrease of RMB16,348,000 in service fee income as a result of the completion of the upgrade of outlet image to the fourth generation for a majority of the franchised outlets on or before 2014 to which the Group provided outlet interior design services and decoration subsidies to existing franchisees for opening additional outlets, partially offset by the increase of RMB9,808,000 in government grants received.

Other Gains — Net

Other net gains consist of net loss on disposal of property, plant and equipment, and net foreign exchange 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 RMB21,766,000 and RMB12,400,000 for the year ended December 31, 2015 and 2014, respectively.

Income Tax Expense

Income tax expense primarily represents income tax payable by the Group under relevant income tax rules and regulations of the People's Republic of China (the "**PRC**"). Items of income tax expense consist 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 RMB162,229,000 for the year ended December 31, 2014 to RMB170,561,000 for the year ended December 31, 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 year ended December 31, 2014 and 2015 was 27.6% and 24.0%, respectively. As of December 31, 2015, the Group had fulfilled all its tax obligations and did not have any unresolved tax disputes.

WORKING CAPITAL MANAGEMENT

	The Group As of December 31,		Excluding the Acquired Brands As of December 31,	
	2015	2014	2015	2014
Inventory turnover days	92.5	78.0	88.3	78.0
Trade receivables turnover days	29.4	20.6	29.6	20.6
Trade payables turnover days	49.2	36.6	49.9	36.6

The increase in inventory turnover days by 14.5 days was primarily due to the increase in inventory balance from RMB638,606,000 as of December 31, 2014 to RMB800,377,000 as of December 31, 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 increased from 20.6 days for the year ended December 31, 2014 to 29.4 days for the year ended December 31, 2015 because of the temporary extension of credit period granted to franchisees in December 2015 in view of the warm weather in winter in the fourth quarter of 2015 which temporarily and negatively affected the retail sales performance and cash flows of the franchised outlets.

Trade payables turnover days increased from 36.6 days for the year ended December 31, 2014 to 49.2 days for the year ended December 31, 2015 because of increased bargaining power against the OEM suppliers.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy balance sheet. As of December 31, 2015, net working capital was RMB1,874,372,000, representing an increase of 4.5% or RMB81,022,000 as compared with December 31, 2014. As of December 31, 2015, current ratio was 3.2 times (2014: 4.4 times) (Current ratio is calculated by using the following formula: Current Assets/Current Liabilities).

Net cash generated from operations was RMB402,704,000 for the year ended December 31, 2015 (2014: net cash used in operations was RMB54,111,000), mainly attributable to the expansion of the Group's business and better management of operating cash flows.

Net cash used in investing activities for the year ended December 31, 2015 was RMB229,319,000 (2014: RMB279,290,000). During the year ended December 31, 2015, the Group invested RMB192,945,000, RMB105,000,000 and RMB74,800,000 on payments and deposits for purchases of property, plant and equipment (including retail outlets' decorations), loan to a third party and business acquisition, respectively.

During the year ended December 31, 2015, net cash used in financing activities was RMB151,175,000 (2014: net cash generated from financing activities was RMB964,512,000), mainly attributable to the payment of dividends to the then equity holders in the amount of RMB151,175,000.

As of December 31, 2015, the Group was in a net cash position of RMB950,639,000 (2014: RMB921,337,000).

CAPITAL EXPENDITURES

Capital expenditures increased from RMB130,816,000 for the year ended December 31, 2014 to RMB346,954,000 for the year ended December 31, 2015. Capital expenditures for 2015 were used primarily for (i) construction of logistics centers in Dongguan and Tianjin, (ii) the Acquisition, (iii) additions to property, plant and equipment for the newly opened self-managed outlets, (iv) additions to computer software and (v) investments in available-for-sales financial assets and a joint venture.

PLEDGE OF ASSETS

As of December 31, 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 December 31, 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 tries to minimize these exposures through natural hedges, whenever possible or may enter into certain forward foreign exchange contracts, when necessary, to manage its exposure against foreign currencies risk and to mitigate the negative impact on exchange rate fluctuations. During the year ended December 31, 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 December 31, 2015 and December 31, 2014 were denominated in the respective group companies' functional currencies.

Interest Rate Risk

As the Group has no significant interest-earning assets (other than bank balances and cash and loan to a third party), the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no interest-bearing liabilities as at December 31, 2015 and December 31, 2014.

Price Risk

Except for the investments held by the Group and classified on the consolidated balance sheet as available-for-sale financial assets of RMB15,600,000 (2014: Nil), the Group is not exposed to any equity securities price risk.

Credit Risk

The Group has no significant concentrations of credit risk. The carrying amounts of loan to a third party, trade receivables, deposits and other receivables, cash and cash equivalents, term deposits 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 good credit histories, and credit evaluations were conducted on them periodically, taking into account their financial position, past experience and other factors. For customers to whom no credit terms were offered, the Group generally requires them to pay deposits and/or advances prior to delivery of products. The Group in general 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 credit cards issued by major banks. The Group also makes deposits to the relevant landlords for leases of certain of the self-managed outlets. The management does not expect to incur any loss from non-performance by these counterparties.

The Group also has policies in place to ensure that deposits with banks are mainly placed with either state-owned or reputable financial institutions in the PRC and Hong Kong. As of December 31, 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.

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 approximately 8,800 full-time employees as of December 31, 2015. The Group understands employees are valuable assets to its continuous success and hence has invested significantly in recruiting, nurturing and retaining talents. Staff attendances of over 13,500 were recorded in 1,300 staff training sessions held by the Group in 2015. The Group has been dedicating effort and resources to create a caring and encouraging work environment as well as cultivating the sense of belonging among its staff. Various staff welfare initiatives and programs have been carried out in 2015. Besides, the Group offers competitive remuneration packages and performance-based incentive schemes to all employees across different functional departments. The Group reviews regularly on its human resources policies to cater its corporate development needs on a timely manner.

ENVIRONMENTAL PROTECTION

Being a socially and environmentally responsible enterprise, the Group has been dedicating to achieve environmental sustainability through a number of initiatives in its daily operations. In particular, the Group regularly reviews the update of laws and regulations concerning environment protection and also ensures compliance to such legal compliance. The Group outsources the production of substantially all of its products to selected domestic OEM suppliers and therefore the operation of the Group does not produce material industrial waste and has a limited impact on the environment.

Concerning the Group's own production process, it has been accredited with ISO14001, which acknowledges that the environmental management system at the Group's production facility in Dongguan conforms to the relevant international standards set out by the International Organization for Standardization (ISO). All of the safety standards for the inspection of its products are based on relevant national standards and industrial standards, such as GB18401-2010 (national general safety technical code for textile products (國家紡織產品基本安全技術規範)), and are updated according to any changes to such national and industrial standards from time to time.

For the use of resources, the Group has been adopting policies on conservation of electricity, water and also papers. Initiatives include (i) trainings provided and campaigns launched to enhance employees' awareness of energy conservation in the workplace, (ii) encouraging the use of electronic systems and database for data storage and communication to reduce the use of papers and printings using double-sided papers or recycled papers; and (iii) setting yearly budget and obtaining explanation for over-utilization of the abovementioned resources in order to ensure continuous monitoring of their consumption.

During the year ended December 31, 2015, there was no reported instance of non-compliance relating to environmental protection laws and regulations, including the "Environmental Protection Law of the People's Republic of China" (中華人民共和國環境保護法) effective on January 1, 2015.

EFFECTIVE MANAGEMENT OF RELATIONSHIPS WITH STAKEHOLDERS

The Group believes its stakeholders stand with it on the roadmap of sustainability. Stable relationships and effective communication with its stakeholders and balancing interests of different stakeholders are keys to business success and sustainability.

Relationship with Consumers

The Group places top priority on the interests of its consumers and is committed to provide them with satisfactory shopping experience. To ensure continuous improvement of quality of its products and services, the Group regularly conducts analysis on operating data in its outlets to understand diversified consumers' demands and market trends in different regions. The Group also runs a membership program with registered members of 37 million, which enables it to understand the spending behavior and habits of its members so that the Group could customize and launch differentiated marketing activities to strengthen consumers' loyalty of its brands. Besides, in order to gain thorough understanding on consumers' demand, the Group regularly carries out market surveys and face-to-face interviews with selected consumers to directly obtain their feedback and exchange ideas.

Apart from the above, the Group established an internal training center to provide regular trainings to all salespersons in its outlet with the aim to offer high standard of services to consumers. Last but not least, the Group also engages its consumers through a number of measures including its own e-commerce platform, press release and media interview.

Relationship with Franchisees

Franchisees are vital business partners for the Group's long-term success. In order to continuously improve their performance, the Group maintains close relationship with them through several initiatives including but not limited to (i) upon new outlet opening, providing advice on outlet design, outlet location and product combination, (ii) providing regular trainings and guidance on outlet management, (iii) continuously cooperating with franchisees on monitoring of outlets' performance, including setting key performance indicators and targets for outlets and conducting periodic reviews on performance of the outlets, (iv) holding regular meetings and exchange sessions with franchisees to share market information between the Group and franchisees, and (v) connecting operating system between outlets and the Group's headquarters so that operational data could be analyzed timely to facilitate responsiveness to satisfy the needs of consumers.

Relationship with Suppliers

The Group understands sustainable supply of quality products is indispensable for long-term business development. In view of this, the Group has adopted a supplier management policy to ensure quality and sustainability of products supply.

For potential suppliers, the Group conducts comprehensive evaluation in choosing its suppliers in a number of aspects including product quality and safety, price competitiveness, compliance matters, labor safety, business sustainability and stability, etc. Factory visits are carried out to facilitate effective evaluation. Regular reviews on major suppliers are also carried out to ensure their continuous commitment to the above aspects. Recommendations are provided to substandard suppliers for improvement before being removed from the vendor list.

Relationship with Employees

The Group considers its employees the key to a sustainable business growth and hence has invested significantly in recruiting, nurturing and retaining talents. Apart from providing competitive remuneration packages and performance-based incentive schemes, the Group regularly offers training sessions and various staff welfare initiatives and programs to its employees to create a caring and encouraging work environment as well as cultivating their sense of belonging. The Group reviews regularly on its human resources policies to cater its corporate development needs on a timely manner.

Relationship with Investors

The Group places significant resources in maintaining effective relationship with investors. Senior management is regularly involved as they believe constructive feedback and ideas from investors are beneficial for its future corporate development. The Group has opened up a wide range of channels to engage its investors including but not limited to involvements of investors in (i) regulatory and statutory reporting such as annual reports, interim reports and announcements, (ii) annual general meeting and press conference to exchange ideas between management and participants, such as Shareholders and media, for the Group's long-term corporate planning and strategies, (iii) face-to-face meetings and telephone conferences to directly communicate with Shareholders and investors, (iv) its investor relations website (http://www.cosmo-lady.com.hk)* with financial results, press releases, announcements and live webcast presentations for interim and annual results timely published, and (v) media interview and press release with latest information of the Group disseminated to the investors and public.

Advice from investors is valuable intangible asset and the Group will continue to streamline its policy and practices on investor relations.

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

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

The Group and its operations are subject to requirements under various laws and regulations. These include laws and regulations in the PRC relating to, among others, commercial franchise, product quality and liabilities, product sales through internet, labors and occupation safety, trademark and patent, taxation, foreign exchange, environmental protection. Also, as an issuer listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company is also subject to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Group has been establishing a number of initiatives to ensure compliance with these requirements including but not limited to internal control and risk management systems, regular and close communication and consultation with legal advisor, trainings and oversight of various business units with the designated resources at different levels of the Group. During the year ended December 31, 2015, the Group is not aware of any material breach of or non-compliance with applicable laws and regulations that have significant impact on its business and operations.

SUBSEQUENT EVENTS

There were no significant subsequent events affecting the Group that took place from December 31, 2015 to the date of this report.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company's ordinary shares were listed on the Main Board of the Stock Exchange on June 26, 2014. 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 year ended December 31, 2015, utilized RMB136,534,000 (equivalent to approximately HK$167,866,000) to expand its retail network by increasing the number of its self-managed outlets, RMB69,007,000 (equivalent to approximately HK$84,843,000) and RMB52,966,000 (equivalent to approximately HK$65,121,000), respectively to establish the regional logistics centers in Dongguan and Tianjin, RMB16,338,000 (equivalent to approximately HK$20,087,000) to upgrade information technology infrastructure, and RMB74,800,000 (equivalent to approximately HK$91,965,000) as consideration paid for the Acquisition. As at December 31, 2015, net proceeds not yet utilized were deposited with licensed banks in Hong Kong and China.

OUTLOOK AND STRATEGY

The Group expects business environment will be more challenging but opportunistic in 2016. The sluggish China's economic growth as reflected in the key macro-economic indicators and uncertainties in the global financial markets are generally perceived to have impact on the growth of national per capita disposable income, progress of urbanization in China and also the consumer's sentiment. Despite, the Chinese government has been implementing policies and measures to stimulate economic development and consumption, and to raise the living standards of citizens. Going forward, the Group will continue to expand its retail network, especially in places where it has low market presence and areas of high potential for growth.

In such a challenging year of 2016, the Group is of the view that those market participants with lower brand awareness and competitiveness in the China's intimate wear industry will be further marginalized or eliminated amid the fierce competition. In such an opportunistic environment, to capture growth potential arising from market consolidation, the Group will continue to explore an opportunity for inorganic growth in the industry. Meanwhile, the Group will dedicate to enhance its core competitiveness and outperform its competitors through a number of initiatives, including (i) expanding and integrating its online and offline omni-channel distribution network particularly in crowded locations and also neighborhood areas in third- and fourth-tier cities, (ii) offering diversified brands and value-for-money product categories while grasping high growth opportunities (especially on "Freeday", "Cosmo Esquire", Disney line products and also e-commerce channel), (iii) streamlining the operation and re-elevating the brand image of Acquired Brands, fast fashioning its retail and supply chain management with advanced information technology systems like the OMS and BW systems, and (iv) exalting its well-known corporate brand image via comprehensive marketing campaigns (such as mega fashion shows) and its spokespersons. The Group would also consider to expand its footprint overseas and collaborating with other reputable intimate wear brands.

Despite the uncertainties surrounding China in 2016, the Group has equipped to combat the up-coming challenges and prepared to further consolidate its leading position in the intimate wear market in China. In the longer term, the Group is optimistic on the prospects of the intimate wear industry in China backed by continuous urbanization, increase in consumers' awareness on quality and branded intimate wear and rising population as a result of the new two-child policy in China.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. ZHENG Yaonan (鄭耀南), aged 40, is the chairman of the Board ("**Chairman**"), executive Director and chief executive officer of the Company and is the chairman of the Company's Nomination Committee. He also holds positions as the executive directors and concurrently as the general manager in a number of the Company's subsidiaries. He is one of the founders of the Group. With approximately 17 years of experience in the intimate wear manufacturing and sales industry, Mr. Zheng has been the key driver of the business strategies and achievements to date of the Group. He is primarily responsible for the strategic planning, business development, corporate management and overall performance of the Group. Mr. Zheng has served the Group since September 2009.

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

Mr. Zheng has completed the China CEO Program and obtained an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院), Beijing, in December 2013. He is studying for an EMBA course at the School of Management of Xiamen University (廈門大學), Xiamen, Fujian Province and an EMBA course in Shanghai Advanced Institute of Finance (SAIF) of Shanghai Jiao Tong University (上海交通大學), Shanghai.

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

Mr. ZHANG Shengfeng (張盛鋒), aged 47, is the executive Director, deputy Chairman of the Board and vice president of the Company and is a member of the Company's Remuneration Committee. He also holds positions as the executive director and concurrently as the general manager in a number of the Company's subsidiaries. Mr. Zhang was a co-founder of the Group. Mr. Zhang is primarily responsible for the design, research and development and procurement of the Group. Mr. Zhang has served the Group since September 2009.

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

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

Mr. LIN Zonghong (林宗宏), aged 47, is the executive Director, deputy Chairman of the Board and vice president of the Company. He also holds positions as the executive director and concurrently as the general manager in a number of the Company's subsidiaries. Mr. Lin was a co-founder of the Group. Mr. Lin is primarily responsible for the production and logistics of the Group. Mr. Lin has served the Group since September 2009.

Mr. Lin is currently studying for an EMBA course at the School of Management of Xiamen University, Xiamen, Fujian Province, and has graduated from China Europe International Business School (中歐國際工商學院), Shanghai, upon finishing the study of the Advanced Management Program in June 2013.

Mr. CHENG Zuming (程祖明), aged 39, is the executive Director and vice president of the Company. He also holds positions as the executive director and concurrently as the general manager in a number of the Company's subsidiaries. Mr. Cheng was a co-founder of the Group. Mr. Cheng is primarily responsible for the marketing and customer relations of the Group. Mr. Cheng has served the Group since September 2009.

Mr. Cheng is currently studying for an EMBA course in Shanghai Advanced Institute of Finance (SAIF) of Shanghai Jiao Tong University, Shanghai and an EMBA course at the School of Management of Xiamen University, Xiamen, Fujian Province.

Ms. WU Xiaoli (吳小麗), aged 42, is the executive Director and vice president of the Company. Ms. Wu is responsible for the human resources and administration management of the Group. Ms. Wu has served the Group since September 2009.

Ms. Wu has graduated from the Executive Development Program for Backbones of Private Enterprises of Guangdong Province at the School of Business Administration of South China University of Technology (華南理工大學), Guangzhou, Guangdong Province and the Program for Elites of Leading Cantonese Enterprises at Cheung Kong Graduate School of Business, Guangdong Province.

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

NON-EXECUTIVE DIRECTOR

Mr. WEN Baoma (溫保馬), aged 54, is the non-executive Director of the Company since April 2014. Mr. Wen is primarily responsible for giving strategic advice and making recommendations on the operations and management of the Group. Mr. Wen has served the Group since October 2010.

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YAU Chi Ming (丘志明), aged 48, is the independent non-executive Director of the Company since June 2014 and is the chairman of the Audit Committee and a member of the Nomination Committee and the Risk Management Committee. Mr. Yau is responsible for supervising the activities and decisions of the Audit Committee, giving strategic advice and making recommendations on the operations and management of the Group.

Mr. Yau has over 20 years of experience in finance and accounting. He has been an independent non-executive director of Common Splendor International Health Industry Group Limited (同佳國際健康產業集團有限公司), a company engaged in the business of health management which is listed on the Stock Exchange (stock code: 0286) since February 2013, an independent non-executive director of TeleEye Holdings Limited (千里眼控股有限公司), a company engaged in the business of video surveillance systems which is listed on the Stock Exchange (stock code: 8051) since April 2015 and the company secretary of Consun Pharmaceutical Group Limited (康臣葯業集團有限公司), an integrated pharmaceutical company which is listed on the Stock Exchange (stock code: 1681) since March 2013. Prior to that, Mr. Yau worked at KPMG from August 1992 to November 1994 and from May 1995 to October 2012, during which he was promoted to partner in July 2007.

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

Dr. DAI Yiyi (戴亦一), aged 48, is the independent non-executive Director of the Company since June 2014 and is the chairman of the Remuneration Committee and a member of the Audit Committee and the Risk Management Committee. Dr. Dai is responsible for supervising the activities and decisions of the Remuneration Committee, giving strategic advice and making recommendations on the operations and management of the Group.

Dr. Dai has been a full-time professor and a Ph.D. supervisor of the School of Management of Xiamen University since 2004 and 2009, respectively. Dr. Dai was a senior visiting scholar at the Kellogg School of Management of Northwestern University, Illinois, the United States of America from 2007 to 2008 and the School of Management of McGill University, Montreal, Quebec, Canada in 2002.

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

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

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

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

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

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

Mr. CHEN Zhigang (陳志剛), aged 43, is the independent non-executive Director of the Company since June 2014 and is the chairman of the Risk Management Committee and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Chen is responsible for giving strategic advice and making recommendations on the operations and management of the Group.

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

Mr. Chen has been an independent non-executive director of SZ Reach Tech Co., Ltd. (深圳銳取信息技術股份有限公司) since November 2011, a company engaged in the business of multimedia recording products and related support service which is listed on the National Equities Exchange and Quotations (New Third Board) (stock code: 834901) and served as an independent non-executive director from September 2010 to October 2011 at Guangdong Chaohua Technology Co., Ltd. (廣東超華科技股份有限公司) (stock code: 002288), a company manufacturing and distributing electronic components which is listed on the Shenzhen Stock Exchange.

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

SENIOR MANAGEMENT

Mr. YU Chun Kau (余振球), aged 43, joined the Group in September 2013 and is the vice president, chief financial officer and joint company secretary of the Company. Mr. Yu is responsible for the overall financial management and reporting, internal control and compliance, corporate finance and legal and company secretarial matters of the Group.

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

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

Mr. Yu became a fellow member of the Institute of Chartered Accountants in England & Wales (FCA) in 2015. He joined the International Financial Management Association as a senior international finance manager (SIFM) in 2007. He became a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Hong Kong Institute of Chartered Secretaries (ACS) (香港特許秘書公會) and the Institute of Chartered Secretaries & Administrators (ACIS) in 2005. In 2002, Mr. Yu became a fellow member of the Association of Chartered Certified Accountants (ACCA) and he was registered as a Certified Public Accountant (Practising) with Hong Kong Institute of Certified Public Accountants.

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

Mr. XIAN Shunxiang (冼順祥), aged 51, joined the Group in October 2011 and is the vice president of the Company. Mr. Xian is responsible for the retail operations of the Group.

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

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

Mr. SHA Shuang (沙爽), aged 43, joined the Group in April 2012 and is the vice president and chief information officer of the Company and is responsible for the management of the information systems and strategy formulation of the Group.

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

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

Corporate Governance Report

CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

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

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with the code provisions set out in the CG Code, with the exception of code provision A.2.1.

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

BOARD OF DIRECTORS

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

BOARD COMPOSITION

The Board comprises nine Directors and it has a balance of skills and experience appropriate for the requirements of the Group's businesses. As at December 31, 2015, five of the Directors are executive Directors, namely, Mr. Zheng (Chairman), Mr. Zhang Shengfeng ("**Mr. Zhang**"), Mr. Lin Zonghong ("**Mr. Lin**"), Mr. Cheng Zuming ("**Mr. Cheng**") and Ms. Wu Xiaoli ("**Ms. Wu**"); one of the Directors is non-executive Director, namely, Mr. Wen Baoma; and three of the Directors are independent non-executive Directors, namely, Mr. Yau Chi Ming, Dr. Dai Yiyi and Mr. Chen Zhigang. The biographical details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" of this annual report. Ms. Wu is the wife of Mr. Zheng. Save as disclosed above, the Directors have no financial, business, family or other material/relevant relationships with each other.

In compliance with Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive Directors which represent at least one-third of the Board, and complied with the requirement that at least one of them has appropriate professional qualifications of accounting or related financial management expertise. Pursuant to Rule 3.13 of the Listing Rules, the Company has received written confirmation from each of the independent non-executive Directors of his independence from the Company. On this basis, the Company considers all independent non-executive Directors to be independent.

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

BOARD PRACTICES

The Board holds at least four meetings each year at approximately quarterly intervals to discuss the Group's business development, operations and financial performance. Notice of at least 14 days was given to all Directors for all regular Board meetings and a formal agenda was addressed to the Directors together with the notice. All Directors were provided with adequate information which enabled them to make informed decisions on the matters discussed and considered at the Board meetings. The Directors can obtain independent professional advice at the Company's expense when required. When Directors are unable to attend a Board or Board committee meeting, they have the opportunity beforehand to review the relevant papers and discuss any agenda items or provide comments to share with the Chairman of the Board, or the chairman of the Board committees, as appropriate. During the year ended December 31, 2015, five Board meetings and one annual general meeting (the "**2014 AGM**") were held. Details of the attendance of the Directors to the Board meetings and the 2014 AGM during the year ended December 31, 2015 are as follows:

Name of Director	Number of Board meetings attended	Attendance rate	Attendance in the 2014 AGM	Attendance rate
Executive Directors:				
Mr. Zheng Yaonan	5	100%	Yes	100%
Mr. Zhang Shengfeng	5	100%	Yes	100%
Mr. Lin Zonghong	5	100%	Yes	100%
Mr. Cheng Zuming	5	100%	Yes	100%
Ms. Wu Xiaoli	5	100%	Yes	100%
Non-executive Director:				
Mr. Wen Baoma	5	100%	Yes	100%
Independent Non-executive Directors:				
Mr. Yau Chi Ming	5	100%	Yes	100%
Dr. Dai Yiyi	5	100%	Yes	100%
Mr. Chen Zhigang	5	100%	Yes	100%

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Despite the requirements under code provision A.2.1 of the CG Code, both the roles of the Chairman of the Board and the chief executive officer of the Company vest in Mr. Zheng. The Board is of the view this arrangement provides the Company with strong and consistent leadership. Please refer to the paragraph headed "Corporate Governance Principles and Practices" on page 33 above for more details.

CONTINUOUS PROFESSIONAL DEVELOPMENT

As part of the ongoing development of the Directors, they are encouraged to equip themselves with the latest developments of the Listing Rules and other applicable legal and regulatory requirements, industry knowledge and managerial skills in relation to the operation of the Group's business. During the year ended December 31, 2015, the Company arranged for the Directors, among other trainings, a seminar on the Listing Rules and the SFO regarding the statutory obligations on the disclosure of inside information in relation to a company listed on the Stock Exchange and its directors' knowledge of the same.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

In the forthcoming annual general meeting of the Company (the "**2015 AGM**"), Ms. Wu, Dr. Dai Yiyi and Mr. Chen Zhigang will retire as Directors in accordance with Article 108 of the Articles of Association and, being eligible, will offer themselves for re-election. Their biographical details will be set out in the circular to be dispatched to the Shareholders with the notice of annual general meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Relevant employees who are likely to possess unpublished inside information of the Group are also subject to compliance with the Model Code. Following specific enquiry, each of the Directors and the relevant employees has confirmed compliance with the required standard set out in the Model Code during the year ended December 31, 2015 and up to the date of this report.

COMMITTEES OF THE BOARD

Audit Committee

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

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

The work performed by the audit committee during the year ended December 31, 2015 included:

- to review the annual results announcement and the annual report for the year ended December 31, 2014, with a recommendation to the Board for approval
- to review the interim results announcement and the interim report for the six months ended June 30, 2015, with a recommendation to the Board for approval
- to review PricewaterhouseCoopers' reports for the audit committee and the management representation letters for the year ended December 31, 2014 and for the six months ended June 30, 2015, with a recommendation to the Board for the re-appointment of PricewaterhouseCoopers at the 2014 AGM
- to review and give approval of continuing connected transactions for the year ended December 31, 2014
- to review the effectiveness of the Group's corporate governance practices, risk management procedures and internal control system
- to obtain explanation from the PricewaterhouseCoopers as to the causes of changes from the previous accounting period and the effects of the application of new accounting policies

Subsequent to the end of 2015 and up to the date of this report, the audit committee performed:

- the review of the annual results announcement and the annual report for the year ended December 31, 2015, with a recommendation to the Board for approval
- the review of PricewaterhouseCoopers' report for the audit committee and the management representation letter for the year ended December 31, 2015, with a recommendation to the Board for the re-appointment of PricewaterhouseCoopers at the 2015 AGM
- the review and approval of continuing connected transactions for the year ended December 31, 2015

Three audit committee meetings were held during the year ended December 31, 2015. Attendance records of its members are set out as follows:

Name of Director	Number of meetings attended	Attendance rate
Mr. Yau Chi Ming *(Chairman)*	3	100%
Dr. Dai Yiyi	3	100%
Mr. Chen Zhigang	3	100%

Nomination Committee

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

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

The work performed by the nomination committee during the year ended December 31, 2015 included:

- to conduct an annual review of the structure, size and composition of the Board
- to review and approve the establishment of the risk management committee, its terms of reference and composition, with a recommendation to the Board for approval
- to review the Board diversity policy
- to review the policy for nomination of Directors

One nomination committee meeting was held during the year ended December 31, 2015. Attendance records of its members are set out as follows:

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

Remuneration Committee

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

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

Details of the amount of Directors' emoluments during the year ended December 31, 2015 are set out in note 11 to the consolidated financial statements in this annual report. The emolument policy of the Group has taken into account the relevant employees' merit, qualifications and competence, as well as market rates. The Directors' emoluments are determined with reference to the Company's operating results, individual performance and the prevailing market rates. The work performed by the remuneration committee during the year ended December 31, 2015 included:

- to discuss and review the performance of executive Directors
- to review and give recommendation of the remuneration packages of executive Directors and senior management to the Board for approval
- to review and give recommendation of non-executive Directors fees to the Board for approval

One remuneration committee meeting was held during the year ended December 31, 2015. Attendance records of its members are set out as follows:

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

Risk Management Committee

The risk management committee is newly set up on December 31, 2015 and currently comprises three members, all of whom are independent non-executive Directors, namely, Mr. Chen Zhigang, Mr. Yau Chi Ming and Dr. Dai Yiyi. The chairman of the risk management committee is Mr. Chen Zhigang.

The risk management committee is established to, without limitation, assist the Board to evaluate and determine the nature and extent of the risks the Board is willing to take in achieving the Group's strategic objectives, ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems, and assist the Board to oversee the design, implementation and monitoring of the risk management system carried out by the management on an ongoing basis.

Subsequent to the end of 2015 and up to the date of this report, the risk management committee held a meeting to discuss areas including but not limited to the key risks faced by the Group, risk management policy and practice, and relevant plans in 2016.

BOARD DIVERSITY POLICY

Under the board diversity policy, with the assistance of the nomination committee, the Company implements its Board member selection process by making reference to various diversity factors, including but not limited to difference in skills, experience and background, geographical and industry experience, ethnicity and gender. The nomination committee will also consider factors based on the Company's business model and specific needs from time to time in determining the optimum composition of the Board.

JOINT COMPANY SECRETARIES

Mr. Yu Chun Kau and Mr. Wu Xiaobing are the joint company secretaries of the Company. All the Directors have access to the advice and services of the joint company secretaries at any time in relation to their duties and operation of the Board. During the year ended December 31, 2015, both Mr. Yu Chun Kau and Mr. Wu Xiaobing undertook not less than 15 hours of professional training to update their skills and knowledge.

EXTERNAL AUDITOR

The Company engages PricewaterhouseCoopers as external auditor and has received a written confirmation from PricewaterhouseCoopers confirming that they are independent and that there are no relationships between PricewaterhouseCoopers and the Company that are likely to impair its independence. The roles and responsibilities of our external auditor are stated in the Independent Auditor's Report on pages 52 to 53. During the year ended December 31, 2015, PricewaterhouseCoopers provided the following services to the Group:

Service rendered	RMB
Audit services	
Annual audit and interim review	3,080,000
Non-audit services	
Taxation advisory service	330,000
Financial due diligence service	380,000
Total	3,790,000

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for safeguarding the Shareholders' interest and the Group's assets as well as for achieving the business objectives of the Group. A comprehensive internal control system is established and implemented by the Group during the year ended December 31, 2015 to manage, rather than eliminate, the risks to which the Group is exposed in relation to its business operation.

The Board confirms that it has reviewed the effectiveness of the internal control system of the Group for the year ended December 31, 2015 and that it considers that the system is reasonably effective and adequate. The review covered all material controls including financial, operational and compliance controls and the risk management function, as well as the adequacy of resources, qualifications and experience of the Group's accounting and financial reporting staff, and their training programs and budget.

During the year ended December 31, 2015, the audit committee has also reviewed the procedures and effectiveness of the internal control system of the Group and the procedures by which the employees may report on any possible misconduct in financial reporting, internal control or other aspects of the Company.

SHAREHOLDERS' RIGHTS

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

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

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

2. propose a person for election as a Director:

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

3. put forth enquiries to the Company:

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

INVESTOR AND SHAREHOLDER RELATIONS

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

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

CONSTITUTIONAL DOCUMENTS

During the year ended December 31, 2015 and up to the date of this report, the Company has not made any changes to its Articles of Association. An up-to-date version of the Articles of Association is available on both the websites of the Stock Exchange and the Company.

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

Directors' Report

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended December 31, 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is the largest branded intimate wear enterprise in the PRC in terms of total retail sales in 2015, according to Frost & Sullivan. It is principally engaged in the design, research, development and sale of its own branded intimate wear products (namely, bras, underpants, sleepwear and loungewear, thermal clothes and others, which include leggings and tights, vests, hosiery and accessories) in the PRC.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2015 are set out in the consolidated financial statements on pages 54 to 109.

The Board has recommended to pay to the Shareholders a final dividend of HK$11.00 cents per ordinary share for the year ended December 31, 2015. The proposed final dividend payment is subject to approval by the Shareholders at the 2015 AGM to be held on Wednesday, May 25, 2016. If approved by Shareholders, the final dividend is expected to be paid on or about Tuesday, June 14, 2016 to the Shareholders whose names appear on the register of members of the Company on Thursday, June 2, 2016.

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

The register of members of the Company will be closed, for the purpose of determining Shareholders' entitlement to attend and vote at the 2015 AGM, from Monday, May 23, 2016 to Wednesday, May 25, 2016 (both days inclusive), during which period no transfer of shares will be registered. In order to attend and vote at the 2015 AGM, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration, not later than 4:30 p.m. on Friday, May 20, 2016. The 2015 AGM of the Company will be held on Wednesday, May 25, 2016.

CLOSURE OF REGISTER OF MEMBERS FOR ENTITLEMENT TO FINAL DIVIDEND

The register of members of the Company will be closed, for the purpose of determining Shareholders' entitlement to the proposed final dividend, from Tuesday, May 31, 2016 to Thursday, June 2, 2016 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration, not later than 4:30 p.m. on Monday, May 30, 2016.

BUSINESS REVIEW

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the "Statement from Chairman and CEO" and "Management Discussion and Analysis" sections, respectively on pages 5 to 7 and on pages 8 to 26 of this annual report.

A description of the possible risks and uncertainties that the Company may be facing can be found in the "Statement from Chairman and CEO" on pages 5 to 7 of this annual report. Additionally, the financial risk management objectives and policies of the Company can be found in note 3 to the consolidated financial statements.

The future development of the Group's business is discussed throughout this annual report including in the "Statement from Chairman and CEO", and the paragraph headed "Outlook and Strategy" in the "Management Discussion and Analysis" sections, respectively on pages 5 to 7 and on pages 25 to 26 of this annual report.

In addition, discussions on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in respective paragraphs in the "Management Discussion and Analysis" section on pages 23 to 25.

These discussions form part of this Directors' Report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five years ended December 31, 2015 are set out in the section headed "Five-year Financial Summary" on pages 110 to 112 of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 26 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2015, the reserves of the Company available for distribution to Shareholders amounted to approximately RMB1,352,253,000 (2014: RMB1,418,165,000).

DONATIONS

Charitable donations made by the Group during the year ended December 31, 2015 amounted to RMB1,712,000 (2014: RMB2,182,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2015.

SHARE OPTION SCHEME

The Company adopts 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. As at December 31, 2015, no option had been granted or agreed to be granted under the Share Option Scheme. 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 the Shareholders 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 and 2015 annual 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 and 2015 annual report.

(c) Maximum entitlement of each Eligible Person

Unless approved by the Shareholders 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.

Apart from the Share Option Scheme which the Directors are entitled to participate in, at no time during the 2015 financial year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares or debentures of the Company or any other body corporate.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at December 31, 2015 are set out in note 36 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2015, the percentage of the Group's turnover attributable to the Group's largest customers and the five largest customers in aggregate were 1.3% and 4.6% (2014: 1.4% and 5.0% respectively) respectively.

During the year ended December 31, 2015, the percentage of the Group's purchases attributable to the Group's largest suppliers and the five largest suppliers in aggregate were 3.2% and 13.3% (2014: 3.4% and 13.3% respectively) respectively.

During the year ended December 31, 2015, none of the Directors or any of their associates or any Shareholders which to the best knowledge of the Directors, who own more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers or suppliers.

RETIREMENT BENEFIT SCHEMES

The Group participated in various retirement benefit schemes in accordance with relevant rules and regulations in the PRC and Hong Kong. Particulars of the retirement benefit schemes are set out in note 2.18 to the consolidated financial statements.

DIRECTORS

The Directors during the 2015 financial year and up to the date of this annual report are:

Executive Directors

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

Non-executive Director

Mr. WEN Baoma

Independent Non-executive Directors

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

In the forthcoming annual general meeting of the Company, Ms. Wu Xiaoli, Dr. Dai Yiyi and Mr. Chen Zhigang will retire as Directors in accordance with Article 108 of the Articles of Association and, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2015.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for the contracts described under the paragraph headed "Connected Transactions and Continuing Connected Transactions" below and note 35 "Related party transactions" to the consolidated financial statements, no contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of 2015 or at any time during 2015.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transaction

Save for the continuing connected transactions as disclosed below, during the year ended December 31, 2015, the Group has not carried out any connected transactions that are not exempt from annual reporting requirement in Chapter 14A of the Listing Rules.

Continuing connected transactions

The Group has entered into the following continuing connected transactions:

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

Agreement date	Name of counterparty	Term of agreement	2015 Annual cap (RMB'000)	Amount for the year (RMB'000)
June 9, 2014	Shantou Shengqiang (as supplier); and the Group (as purchaser)	June 26, 2014 to June 25, 2017	30,000	24,532

Mr. Cai Shaoqiang (a brother of one of the executive Directors, Mr. Zhang's spouse), together with his wife, in aggregate, own the entire equity interest in Shantou Shengqiang and hence Shantou Shengqiang is an associate (as defined under Chapter 14A of the Listing Rules) of Mr. Zhang and a connected person of the Group. Details of the terms of the framework purchase agreement with Shantou Shengqiang and the transactions contemplated thereunder were set out in the prospectus of the Company dated June 16, 2014 (the "**Prospectus**").

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

Agreement date	Name of counterparty	Term of agreement	2015 Annual cap (RMB'000)	Amount for the year (RMB'000)
June 9, 2014	Shantou Maosheng (as supplier); and the Group (as purchaser)	June 26, 2014 to June 25, 2017	25,000	21,543

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

Annual review of the continuing connected transactions

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

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

b. on normal commercial terms or better; and

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

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

RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken by the Group in its normal course of business are set out in note 35 to the consolidated financial statements. Those related party transactions which constituted connected transactions/continuing connected transactions under the Listing Rules, which are set out in the paragraph headed "Connected Transactions and Continuing Connected Transactions" on pages 45 to 46, have complied with Chapter 14A of the Listing Rules.

DEED OF NON-COMPETITION

Pursuant to a deed of non-competition dated June 9, 2014 (the "**Deed of Non-competition**") entered into among Mr. Zheng, Mr. Zhang, Mr. Lin, 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**") (collectively known as the "**Controlling Shareholders**") and the Company, the Controlling Shareholders have given certain non-competition undertakings in favor of the Company. Please refer to the Prospectus of the Company for details of the terms of the Deed of Non-competition. The independent non-executive Directors have reviewed matters relating to the compliance with the Deed of Non-competition in 2015. The Controlling Shareholders have provided the Company with an annual confirmation of compliance with the provisions of the Deed of Non-competition.

During 2015, the Controlling Shareholders provided the Company with all information necessary for the enforcement of the Company's rights under the Deed of Non-competition, all information reasonably requested by the Company from time to time relating to the Excluded Businesses (as defined in the Deed of Non-competition) and such other business opportunities or activities related to any business of the Group as the Company reasonably believed was available to the Controlling Shareholders or that the Controlling Shareholders may be planning to participate in, as well as access to appropriate staff members of the Controlling Shareholders to discuss and obtain such information, in order to enable the Company to consider whether to exercise any of its rights under the Deed of Non-competition.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at December 31, 2015, none of the Directors is interested in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

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

As at December 31, 2015, the Directors and the chief executive officers of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 to the Listing Rules:

(i) Interest and short positions in the Company

Name of Director	Nature of interest	Number of shares held[1]	Approximate percentage of shareholding interest
Mr. ZHENG Yaonan	Interests held jointly with another person; interest of controlled company	1,175,928,505(L)[2][3]	61.68%(L)
Ms. WU Xiaoli	Interest of spouse	1,175,928,505(L)[2][3]	61.68%(L)
Mr. ZHANG Shengfeng	Interests held jointly with another person; interest of controlled company	1,175,928,505(L)[2]	61.68%(L)
Mr. LIN Zonghong	Interests held jointly with another person; interest of controlled company	1,175,928,505(L)[2]	61.68%(L)
Mr. CHENG Zuming	Interests held jointly with another person; interest of controlled company	1,175,928,505(L)[2]	61.68%(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 61.68% of the total issued share capital in the Company. As such, each of them was deemed to be interested in such 61.68% interest in the total issued share capital of the Company.

(3) Ms. Wu 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	64.59%
Mr. ZHANG Shengfeng	Harmonious Composition Investment Holdings Limited	Interest of controlled company	177,125	18.58%
Mr. LIN Zonghong	Harmonious Composition Investment Holdings Limited	Interest of controlled company	128,743	13.50%
Mr. CHENG Zuming	Harmonious Composition Investment Holdings Limited	Interest of controlled company	31,707	3.33%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at December 31, 2015, the interests and short position of substantial shareholders (other than the Directors and chief executive officers) in the shares and the underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Nature of interest	Number of shares held[1]	Approximate percentage of shareholding interest
Great Brilliant Investment Holdings Limited	Interests held jointly with another person; interest of controlled company	1,175,928,505(L)[2]	61.68%(L)
Forever Flourish International Holdings Limited	Interests held jointly with another person; interest of controlled company	1,175,928,505(L)[2]	61.68%(L)
Ms. CAI Shaoru[3]	Interest of spouse	1,175,928,505(L)	61.68%(L)
Forever Shine Holdings Limited	Interests held jointly with another person; interest of controlled company	1,175,928,505(L)[2]	61.68%(L)
Ms. CAI Jingqin[4]	Interest of spouse	1,175,928,505(L)	61.68%(L)
Mountain Dragon Investment Limited	Interests held jointly with another person; interest of controlled company	1,175,928,505(L)[2]	61.68%(L)

Name	Nature of interest	Number of shares held[1]	Approximate percentage of shareholding interest
Harmonious Composition Investment Holdings Limited	Interests held jointly with another person; beneficial interest	1,175,928,505(L)[2]	61.68%(L)
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)
The Capital Group Companies, Inc.[6]	Interest of controlled company	96,648,000(L)	5.07%(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 61.68% of the total issued share capital in the Company. As such, each of them was deemed to be interested in such 61.68% 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 XVIII (HK) Limited 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.

(6) The Capital Group Companies, Inc. held 96,648,000 shares, representing 5.07% of the total issued share capital of the Company through its wholly owned subsidiary Capital Research and Management Company ("**CRMC**"). As such, The Capital Group Companies, Inc. was deemed to be interested in the same number of shares in which CRMC was interested.

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

As at December 31, 2015, the persons or corporations (not being a Director or chief executive of the Company) who had an interest or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Nature of interest	Number of shares held	Approximate percentage of shareholding interest
The Capital Group Companies, Inc.	Interest of controlled corporation	96,648,000	5.07%

Save as disclosed above, as at December 31, 2015, the Directors were not aware of any other person or corporation having an interest or short positions in Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, during the year ended December 31, 2015 and up to the date of this report, there has been sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" section on pages 33 to 40 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended December 31, 2015 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution for the re-appointment of PricewaterhouseCoopers as the independent auditor of the Company will be proposed at the forthcoming annual general meeting.

PROFESSIONAL TAX ADVICE RECOMMENDED

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

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to Shareholders by reason of their holdings of the Company's securities.

BOARD OF DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

The Board is responsible for the preparation of accounts for each financial period, which gives a true and fair view of the state of affairs of the Group and of the results and cashflows for that period. In preparing these accounts for the year ended December 31, 2015, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable, and has prepared the accounts on a going concern basis. The Directors were not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern. The Board is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Group.

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

Hong Kong, March 29, 2016

pwc 羅兵咸永道

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

We have audited the consolidated financial statements of Cosmo Lady (China) Holdings Company Limited (the "Company") and its subsidiaries set out on pages 54 to 109, which comprise the consolidated balance sheet as at December 31, 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at December 31, 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 29, 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Year ended December 31, 2015 RMB'000	2014 RMB'000
Revenue	6	4,953,415	4,007,636
Cost of sales	9	(2,838,621)	(2,440,117)
Gross profit		2,114,794	1,567,519
Selling and marketing expenses	9	(1,306,751)	(890,308)
General and administrative expenses	9	(197,495)	(185,792)
Other income	7	76,735	79,098
Other gains – net	8	1,520	4,539
Operating profit		688,803	575,056
Finance income	12	21,766	12,400
Profit before income tax		710,569	587,456
Income tax expense	13	(170,561)	(162,229)
Profit for the year		540,008	425,227
Other comprehensive income/(loss) for the year			
(Items that may be reclassified subsequently to profit or loss)			
Exchange differences		5,478	(4,479)
Total comprehensive income for the year		545,486	420,748
Profit attributable to equity holders of the Company		540,008	425,227
Total comprehensive income attributable to equity holders of the Company		545,486	420,748
Earnings per share		RMB cents	RMB cents
Basic and diluted	14	28.33	24.86

The notes on pages 58 to 109 are integral parts of these consolidated financial statements.

Consolidated Balance Sheet

		As at December 31,	
	Note	2015 RMB'000	2014 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	16	448,999	271,339
Land use rights	17	91,471	93,551
Intangible assets	18	40,110	25,407
Investment in a joint venture		1,990	—
Available-for-sale financial assets	19	15,600	—
Loan to a third party	20	105,000	—
Deposits, prepayments and other receivables	21	32,780	30,275
Deferred income tax assets	22	30,318	23,610
		766,268	444,182
Current assets			
Inventories	23	800,377	638,606
Trade receivables	24	517,705	280,805
Deposits, prepayments and other receivables	21	438,343	324,716
Bank balances and cash	25	960,074	1,080,562
		2,716,499	2,324,689
Total assets		3,482,767	2,768,871
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital	26	117,320	117,320
Share premium	26	1,431,994	1,431,994
Other reserves	27	244,196	231,699
Retained earnings		845,352	456,519
Total equity		2,638,862	2,237,532
Liabilities			
Current liabilities			
Trade payables	29	495,411	269,958
Accruals and other payables	30	283,556	209,752
Current income tax liabilities		63,160	51,629
		842,127	531,339
Non-current liabilities			
Deferred income tax liabilities	22	1,778	—
Total liabilities		843,905	531,339
Total equity and liabilities		3,482,767	2,768,871

The notes on pages 58 to 109 are integral parts of these consolidated financial statements.

ZHENG Yaonan
Director

ZHANG Shengfeng
Director

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company				
	Share capital RMB'000 *(Note 26)*	Share premium RMB'000 *(Note 26)*	Other reserves RMB'000 *(Note 27)*	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 year	—	—	—	540,008	540,008
Other comprehensive income					
Exchange differences	—	—	5,478	—	5,478
Total comprehensive income for the year	—	—	5,478	540,008	545,486
Transaction with equity holders					
Equity-settled share-based compensation	—	—	7,019	—	7,019
Dividends	—	—	—	(151,175)	(151,175)
Total transaction with equity holders	—	—	7,019	(151,175)	(144,156)
As at December 31, 2015	117,320	1,431,994	244,196	845,352	2,638,862
As at January 1, 2014	—	—	656,265	31,292	687,557
Comprehensive income					
Profit for the year	—	—	—	425,227	425,227
Other comprehensive loss					
Exchange differences	—	—	(4,479)	—	(4,479)
Total comprehensive (loss)/ income for the year	—	—	(4,479)	425,227	420,748
Transaction with equity holders					
Issuance of ordinary shares for Reorganization	6	429,994	—	—	430,000
Effect of the Reorganization	—	—	(428,938)	—	(428,938)
Capitalization of share premium	92,301	(92,301)	—	—	—
Issuance of ordinary shares upon initial public offering ("IPO")	25,013	1,136,655	—	—	1,161,668
Shares issuance costs	—	(42,354)	—	—	(42,354)
Equity-settled share-based compensation	—	—	8,851	—	8,851
Total transaction with equity holders	117,320	1,431,994	(420,087)	—	1,129,227
As at December 31, 2014	117,320	1,431,994	231,699	456,519	2,237,532

The notes on pages 58 to 109 are integral parts of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended December 31, 2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Cash generated from operations	*31(a)*	568,442	75,457
Income tax paid		(165,738)	(129,568)
Net cash generated from/(used in) operating activities		402,704	(54,111)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment	*31(b)*	4,681	1,213
Interest received		18,711	12,400
Purchases of property, plant and equipment		(192,945)	(114,279)
Purchases of land use rights		–	(18,586)
Purchases of intangible assets		(12,166)	(10,038)
Purchases of available-for-sale financial assets		(15,600)	–
Capital contribution to a joint venture		(1,990)	–
Term deposits with initial term of over three months		149,790	(150,000)
Loan to a third party		(105,000)	–
Acquisition of a business	*32*	(74,800)	–
Net cash used in investing activities		(229,319)	(279,290)
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 ordinary shares upon IPO		–	1,161,668
Shares issuance costs		–	(34,680)
Dividends paid		(151,175)	(163,538)
Net cash (used in)/generated from financing activities		(151,175)	964,512
Net increase in cash and cash equivalents		22,210	631,111
Cash and cash equivalents at beginning of the year	*25*	921,337	290,027
Effect of foreign exchange rate changes		7,092	199
Cash and cash equivalents at end of the year	*25*	950,639	921,337

The notes on pages 58 to 109 are integral parts of these consolidated financial statements.

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

Cosmo Lady (China) Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on January 28, 2014 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company's registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY-1108, Cayman Islands.

The Company is an investment holding company. Its subsidiaries (the Company and its subsidiaries are thereinafter regarded to as the "Group") are principally engaged in the designing, marketing and selling of intimate wear products (the "Business") in the People's Republic of China (the "PRC"). The Company's ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on June 26, 2014.

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and have been approved for issue by the Company's board of directors (the "Board") on March 29, 2016.

1.2 Group Reorganization

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

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

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

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

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

1.2 Group Reorganization (Continued)

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

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

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

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

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

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

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

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

1.2 Group Reorganization (Continued)

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

(a) Effect of adopting amendments to standards

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning January 1, 2015. The adoption of these amendments to standards does not have any significant impact to the results or financial position of the Group.

IAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions
IFRSs (Amendment)	Annual Improvements 2010–2012 cycle and 2011–2013 cycle

(b) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning January 1, 2015 and have not been early adopted by the Group:

IFRSs (Amendment)	Annual Improvements 2012 – 2014[1]
IFRS 9	Financial Instruments[2]
IFRS 10,12 and IAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception[1]
IFRS 10 and IAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
IFRS 11 (Amendment)	Acquisitions of Interests in Joint Operations[1]
IFRS 14	Regulatory Deferral Accounts[1]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 16	Lease[3]
IAS 1 (Amendment)	Disclosure initiative[1]
IAS 16 and 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
IAS 27 (Amendment)	Equity Method in Separate Financial Statements[1]

1 Effective for annual periods beginning on or after January 1, 2016
2 Effective for annual periods beginning on or after January 1, 2018
3 Effective for annual periods beginning on or after January 1, 2019

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

2.2 Subsidiaries

2.2.1 Consolidation

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

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies

(a) Business combinations

Except for the Reorganization, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 *Consolidation* (Continued)

(a) *Business combinations* (Continued)

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

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

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

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

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.2 Separate financial statements

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

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

2.3 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investment in a joint venture include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors of the Company that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment

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

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

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

Buildings	20 years
Leasehold improvements	Shorter of remaining lease terms of 2-3 years or useful life
Machinery and equipment	5-10 years
Furniture, fittings and equipment	3-5 years
Vehicles	5 years

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

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

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

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

2.7 Land use rights

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

2.8 Intangible assets

(a) Acquired trademark

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (Continued)

(b) Computer software

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

(c) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.9 Impairment of non-financial assets

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

2.10 Financial assets

Classification

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

(a) Loan and receivables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

Classification (Continued)

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

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

Recognition and measurement

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

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

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

Interest on available-for-sale financial assets is recognized in the profit or loss as part of finance income. Dividends on available-for-sale equity instruments are recognized in the profit or loss as part of "other income" when the Group's right to receive payments is established.

Offsetting financial instruments

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

Impairment of financial assets

(a) *Assets carried at amortized cost*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

Impairment of financial assets (Continued)

(a) Assets carried at amortized cost (Continued)

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

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

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

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognized in the profit or loss on equity instruments are not reversed through the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Inventories

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

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

2.12 Trade and other receivables

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

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

2.13 Cash and cash equivalents

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

2.14 Restricted bank deposits

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

2.15 Share capital

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

2.16 Trade and other payables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

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

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the joint venture's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries and a joint venture to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Employee benefits

(a) *Pension obligations*

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

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

(b) *Termination benefits*

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

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

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

(d) *Bonus entitlements*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Share-based payments

(a) Equity-settled share-based payment transactions

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

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

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

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

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

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

When the equity instruments transferred to employees of the Group upon vested, the related amount in "equity-settled share-based compensation" reserve is transferred to "contribution reserve" within equity.

(b) Share-based payment transactions among group entities

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

2.20 Provisions

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Provisions (Continued)

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

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

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

2.21 Operating leases – as leasee

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

2.22 Revenue recognition

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

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

(a) Sales of goods – sales to franchisees

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

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

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

(c) Franchise fee and software usage fee income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Revenue recognition (Continued)

(d) Other services income

Other services income is recognized when the services are rendered.

(e) Interest income

Interest income is recognized using the effective interest method.

2.23 Government grants

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

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

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

2.24 Dividend distribution

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

2.25 Comparatives

Comparatives have been reclassified to conform with the presentation adopted in the current year.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities of a group entity are denominated in a currency that is not the entity's functional currency. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimise these exposures through natural hedges, wherever possible.

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 recognized assets and liabilities in the consolidated balance sheet as at December 31, 2015 are denominated in the respective group companies' functional currencies.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets (other than loan to a third party, bank balances and cash, details of which have been disclosed in Notes 20 and 25), the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no interest-bearing liabilities as at the year-end date.

(c) Price risk

Except for the investments held by the Group and classified on the consolidated balance sheet as available-for-sale financial assets of RMB15,600,000 (2014: Nil), the Group is not exposed to any equity securities price risk.

(d) Credit risk

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

For wholesale to customers, the Group has policies in place to ensure credit terms are only granted to franchise customers with good credit histories and credit evaluations were conducted on them periodically, taking into account their financial position, past experience and other factors. For other customers without credit terms granted, deposits and advances are received in most cases before delivery is made. The Group in general does not require collaterals from trade debtors. Provisions are made for past due balances when management considers the loss from non-performance by the customers is likely. Sales to retail customers are settled in cash or using credit cards issued by major banks.

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

In respect of loan to a third party, which is secured by a charge over parcel of land and the related building in Shanghai, management does not expect any loss arising from non-performance by this third party.

The Group also has policies in place to ensure that bank balances, term deposits and restricted bank deposits with banks are mainly placed with either state-owned or reputable financial institutions in the PRC and Hong Kong. There has been no recent history of default in relation to these financial institutions. As at December 31, 2015, the bank balances, term deposits and restricted bank deposits with banks as detailed in Note 25 are held in the following banks in the PRC and Hong Kong:

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Top-four major state-owned banks in the PRC/Hong Kong	168,291	537,108
Other listed state-owned banks in the PRC/Hong Kong	448,803	–
Other regional banks in the PRC	342,255	542,619
	959,349	1,079,727

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Credit risk (Continued)

Management does not expect any loss arising from non-performance by these counterparties.

(e) Liquidity risk

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

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

As at December 31, 2015 and 2014, all of the Group's financial liabilities are either due for settlement contractually within 12 months or on demand, and the contractual undiscounted cash outflow of the Group's financial liabilities approximates their carrying amounts included in the consolidated balance sheet.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt calculated as total borrowings less cash and cash equivalents, term deposits and restricted bank deposits. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debts. As at December 31, 2015, the Group has no external borrowings.

3.3 Fair value estimation

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

As at December 31, 2015, except for the available-for-sale financial assets of RMB15,600,000 (2014: Nil) were measured at level 3 fair value, the Group's financial instruments recognized in the consolidated balance sheet are mainly receivables and financial liabilities carried at amortized cost. Movements of level 3 financial instruments for the year ended December 31, 2015 are as follows:

	Year ended December 31,	
	2015 RMB'000	2014 RMB'000
At January 1	–	–
Additions	15,600	–
At December 31	15,600	–

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

The fair value of the Group's available-for-sale financial assets was developed through the application of the income approach technique, the discounted cash flow method. The income approach is the conversion of expected periodic benefits of ownership into an indication of value.

The discounted cash flow method under the income approach has been applied in the determination of the fair value of the Group's available-for-sale financial assets. The discounted cash flow considered the future business plan, specific business and financial risks.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Net realizable value of inventories

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Income tax

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

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

5 SEGMENT INFORMATION

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

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

None of the revenue derived from any single external customer amounted to more than 10% of the Group's revenue (2014: None).

6 REVENUE

	Year ended December 31,	
	2015 RMB'000	2014 RMB'000
Sales to franchisees	3,155,892	2,689,850
Retail sales	1,622,952	1,244,013
E-commerce	174,571	73,773
	4,953,415	4,007,636

7 OTHER INCOME

	Year ended December 31, 2015 RMB'000	2014 RMB'000
Franchise fee income	2,440	3,334
Software usage fee income	4,283	4,230
Government grants *(a)*	50,909	41,101
Service fee income *(b)*	7,149	23,497
Others	11,954	6,936
	76,735	79,098

Notes:

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

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

8 OTHER GAINS – NET

	Year ended December 31, 2015 RMB'000	2014 RMB'000
Loss on disposal of property, plant and equipment – net	(94)	(139)
Net foreign exchange gains	1,614	4,678
	1,520	4,539

9 EXPENSES BY NATURE

	Year ended December 31, 2015 RMB'000	2014 RMB'000
Costs of inventories recognized in cost of sales	2,758,818	2,358,988
Employee benefit expenses (including directors' emoluments) *(Note 10)*	476,242	265,747
Operating lease rentals in respect of land and buildings	444,633	140,673
Concessionaire fee in respect of outlets under cooperative arrangements	117,943	389,601
Marketing and promotion expenses	108,740	63,207
Depreciation and amortization *(Notes 16, 17 and 18)*	70,358	38,296
Government charges and levies	44,952	31,186
Logistic warehousing and delivery expenses	37,908	12,932
Consumables recognized in expenses	35,945	18,775
Utilities expenses	34,289	13,210
E-commerce platforms commission expenses	34,283	16,836
Travelling expenses	27,714	14,033
Write-down of inventories *(Note 23)*	20,699	36,695
Consulting service expenses	10,950	12,607
Auditor's remuneration	3,080	2,750
Listing expenses	—	22,676
Write-back of impairment of trade receivables *(Note 24)*	(146)	(1,055)
Miscellaneous	116,459	79,060
Total cost of sales, selling and marketing expenses and general and administrative expenses	4,342,867	3,516,217

10 EMPLOYEE BENEFIT EXPENSES

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

	Year ended December 31, 2015 RMB'000	2014 RMB'000
Wages, salaries and bonuses	424,932	229,450
Pension costs – defined contribution plans	32,070	20,703
Welfare and allowance	12,221	6,743
Equity-settled share-based compensation *(Note 28)*	7,019	8,851
	476,242	265,747

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

(a) Benefits and interests of directors

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

	Fees RMB'000	Wages, salaries and bonuses RMB'000	Employer's contributions to retirement schemes RMB'000	Total RMB'000
Year ended December 31, 2015				
Executive Directors				
Mr. ZHENG Yaonan[1][2]	–	936	40	976
Mr. ZHANG Shengfeng[2]	–	608	40	648
Mr. LIN Zonghong[2]	–	608	40	648
Mr. CHENG Zuming[2]	–	608	38	646
Ms. WU Xiaoli[2]	–	501	40	541
Non-executive Director				
Mr. WEN Baoma[3]	–	50	–	50
Independent Non-executive Directors				
Dr. DAI Yiyi[4]	150	–	–	150
Mr. CHEN Zhigang[4]	120	–	–	120
Mr. YAU Chi Ming[5]	168	–	–	168
	438	3,311	198	3,947
Year ended December 31, 2014				
Executive Directors				
Mr. ZHENG Yaonan[1][2]	–	632	42	674
Mr. ZHANG Shengfeng[2]	–	483	42	525
Mr. LIN Zonghong[2]	–	483	42	525
Mr. CHENG Zuming[2]	–	483	40	523
Ms. WU Xiaoli[2]	–	391	42	433
Non-executive Director				
Mr. WEN Baoma[3]	–	50	–	50
Independent Non-executive Directors				
Dr. DAI Yiyi[4]	150	–	–	150
Mr. CHEN Zhigang[4]	120	–	–	120
Mr. YAU Chi Ming[5]	89	–	–	89
	359	2,522	208	3,089

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

(a) Benefits and interests of directors (Continued)

Notes:

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

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

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

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

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

No directors or chief executive of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as a compensation for loss of office as director.

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking (2014: Nil).

No payment was made to directors as compensation for the early termination of the appointment during the year (2014: Nil).

No payment was made to the former employer of directors for making available the services of them as a director of the Company (2014: Nil).

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year (2014: Nil).

Except for disclosed in Note 35, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2014: Nil).

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 1 directors (2014: 1), whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 4 (2014: 4) during the year are as follows:

	Year ended December 31,	
	2015 RMB'000	2014 RMB'000
Wages, salaries and bonuses	4,001	3,286
Pension costs – defined contribution plans	191	196
Equity-settled share-based compensation	2,303	3,064
	6,495	6,546

The emoluments fell within the following bands:

	Year ended December 31,	
	2015	2014
	Number of individual	
Emolument bands:		
HK$500,001 to HK$1,000,000	1	1
HK$1,000,001 to HK$1,500,000	1	2
HK$1,500,001 to HK$2,000,000	1	—
HK$4,000,001 to HK$4,500,000	1	—
HK$4,500,001 to HK$5,000,000	—	1

During the year, no director or none of the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office (2014: Nil).

(c) Senior management remuneration by band

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

	Year ended December 31,	
	2015	2014
	Number of individual	
Emolument bands:		
HK$500,001 to HK$1,000,000	—	1
HK$1,000,001 to HK$1,500,000	1	2
HK$1,500,001 to HK$2,000,000	1	—
HK$4,000,001 to HK$4,500,000	1	—
HK$4,500,001 to HK$5,000,000	—	1

12 FINANCE INCOME

	Year ended December 31, 2015 RMB'000	2014 RMB'000
Interest income on available-for-sale financial assets	8,170	7,249
Interest income on loan to a third party *(Note 20)*	7,861	—
Interest income on short-term bank deposits	5,735	5,151
	21,766	12,400

13 INCOME TAX EXPENSE

	Year ended December 31, 2015 RMB'000	2014 RMB'000
Current income tax		
– Hong Kong profits tax *(note (a))*	—	—
– PRC corporate income tax	177,269	170,244
	177,269	170,244
Deferred income tax *(Note 22)*	(6,708)	(8,015)
Income tax expense	170,561	162,229

(a) Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% for the year ended December 31, 2015 (2014: 16.5%).

(b) PRC corporate income tax

The Group's subsidiaries in the PRC are subject to PRC corporate income tax at the rate of 25% for the year ended December 31, 2015 (2014: 25%), based on the existing legislation, interpretations and practices in respect thereof.

13 INCOME TAX EXPENSE (Continued)

(c) Overseas income tax

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

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

	Year ended December 31,	
	2015 RMB'000	2014 RMB'000
Profit before income tax	710,569	587,456
Tax calculated at statutory tax rates applicable to each group entity	164,065	146,864
Tax losses for which no deferred income tax asset was recognised	1,182	—
Income not subject to taxation	(301)	—
Expenses not deductible for tax purposes	5,615	15,365
Income tax expense	170,561	162,229

Note: The weighted average applicable tax rate for the year is 24.0% (2014: 27.6%). The fluctuation in the weighted average applicable tax rate arose mainly because of the change in the relative profitability of the companies within the Group.

14 EARNINGS PER SHARE

Basic

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

	Year ended December 31,	
	2015	2014
Profit attributable to equity holders of the Company *(RMB'000)*	540,008	425,227
Weighted average number of ordinary shares for the purposes of basic earnings per share *(thousands of shares)*	1,906,457	1,710,467
Basic earnings per share *(RMB cents per share)*	28.33	24.86

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

Diluted

Diluted earnings per share is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the year (2014:Nil).

15 DIVIDENDS

At a meeting held on March 29, 2016, the directors recommended a final dividend of HK$11.0 cents (equivalent to approximately RMB9.31 cents) per ordinary share of the Company, totalling approximately HK$209,710,000 (equivalent to approximately RMB177,420,000) for the year ended December 31, 2015. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements for the year ended December 31, 2015, but will be reflected as an appropriation for the year ending December 31, 2016.

At a meeting held on March 9, 2015, the directors recommended a final dividend of HK$10.0 cents (equivalent to approximately RMB7.93 cents) per ordinary share of the Company, totalling approximately RMB151,182,000 for the year ended December 31, 2014, which was paid during the year and has been reflected as an appropriation for the year ended December 31, 2015.

16 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Furniture, fittings and equipment RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At January 1, 2014							
Cost	154,594	22,786	25,510	36,402	3,307	2,018	244,617
Accumulated depreciation	(15,717)	(10,563)	(6,526)	(11,275)	(1,813)	–	(45,894)
Net book amount	138,877	12,223	18,984	25,127	1,494	2,018	198,723
Year ended December 31, 2014							
Opening net book amount	138,877	12,223	18,984	25,127	1,494	2,018	198,723
Additions	2,266	21,473	115	14,582	390	65,324	104,150
Transfer	953	–	–	–	–	(953)	–
Disposals	–	–	–	(1,352)	–	–	(1,352)
Depreciation *(Note 9)*	(7,332)	(10,413)	(3,143)	(7,984)	(1,310)	–	(30,182)
Closing net book amount	134,764	23,283	15,956	30,373	574	66,389	271,339
At December 31, 2014							
Cost	157,813	44,259	25,625	49,632	3,697	66,389	347,415
Accumulated depreciation	(23,049)	(20,976)	(9,669)	(19,259)	(3,123)	–	(76,076)
Net book amount	134,764	23,283	15,956	30,373	574	66,389	271,339
Year ended December 31, 2015							
Opening net book amount	134,764	23,283	15,956	30,373	574	66,389	271,339
Additions	279	41,535	16,632	45,026	978	132,674	237,124
Transfer	147,506	–	5,846	–	–	(153,352)	–
Business combination *(Note 32)*	–	3,312	1,479	1,022	52	–	5,865
Disposals	–	–	(62)	(4,713)	–	–	(4,775)
Depreciation *(Note 9)*	(10,911)	(30,527)	(4,700)	(13,956)	(460)	–	(60,554)
Closing net book amount	271,638	37,603	35,151	57,752	1,144	45,711	448,999
At December 31, 2015							
Cost	305,598	89,106	49,520	90,967	4,727	45,711	585,629
Accumulated depreciation	(33,960)	(51,503)	(14,369)	(33,215)	(3,583)	–	(136,630)
Net book amount	271,638	37,603	35,151	57,752	1,144	45,711	448,999

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	Year ended December 31,	
	2015 RMB'000	2014 RMB'000
Cost of sales	1,414	1,336
Selling and marketing expenses	6,706	18,127
General and administrative expenses	52,434	10,719
	60,554	30,182

17 LAND USE RIGHTS

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

	Year ended December 31,	
	2015 RMB'000	2014 RMB'000
At January 1	93,551	72,289
Additions	—	23,086
Amortization charge *(Note 9)*	(2,080)	(1,824)
At December 31	91,471	93,551

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

	Year ended December 31,	
	2015 RMB'000	2014 RMB'000
Selling and marketing expenses	866	650
General and administrative expenses	1,214	1,174
	2,080	1,824

18 INTANGIBLE ASSETS

	Goodwill RMB'000	Acquired trademark RMB'000	Computer software RMB'000	Total RMB'000
At January 1, 2014				
Cost	–	3,090	30,804	33,894
Accumulated amortization	–	(557)	(5,220)	(5,777)
Net book amount	–	2,533	25,584	28,117
Year ended December 31, 2014				
Opening net book amount	–	2,533	25,584	28,117
Additions	–	–	3,580	3,580
Amortization charge *(Note 9)*	–	(309)	(5,981)	(6,290)
Closing net book amount	–	2,224	23,183	25,407
At December 31, 2014				
Cost	–	3,090	34,384	37,474
Accumulated amortization	–	(866)	(11,201)	(12,067)
Net book amount	–	2,224	23,183	25,407
Year ended December 31, 2015				
Opening net book amount	–	2,224	23,183	25,407
Additions	–	–	12,440	12,440
Business combination *(Note 32)*	2,887	7,100	–	9,987
Amortization charge *(Note 9)*	–	(724)	(7,000)	(7,724)
Closing net book amount	2,887	8,600	28,623	40,110
At December 31, 2015				
Cost	2,887	10,190	46,824	59,901
Accumulated amortization	–	(1,590)	(18,201)	(19,791)
Net book amount	2,887	8,600	28,623	40,110

18 INTANGIBLE ASSETS (Continued)

Amortization of intangible assets has been charged to the consolidated statement of profit or loss and other comprehensive income within selling and marketing expenses and general and administrative expenses of RMB4,816,000 (2014: RMB4,754,000) and RMB2,908,000 (2014: RMB1,536,000), respectively.

Impairment review on goodwill of the Group has been conducted by management as at December 31, 2015 according to IAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on financial budgets approved by management for the purposes of impairment review covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate of not more than 3%. The growth rates used do not exceed the industry growth forecast for the market in which the Group operates. The discount rate used of 19% is pre-tax and reflects market assessments of the time value and the specific risks relating to the industry. The budgeted gross profit margin was determined by management based on past performance and its expectation for market development. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Unlisted equity investments	15,600	—

During the year ended December 31, 2015, the Group acquired equity interests in five entities engaged in the manufacturing of apparel and intimate wear products in the PRC.

20 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 during the year, details of which are disclosed in Note 32.

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 thereon situated in Shanghai owned by Shanghai Ordifen.

21 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Prepayments for purchases of property, plant and equipment and intangible assets	15,267	20,114
Value added tax recoverable	92,464	96,371
Prepayments and deposits	38,691	23,153
Prepaid rental expenses	256,755	170,756
Prepayments for purchase of goods	10,243	26,661
Others	57,703	17,936
	471,123	354,991
Less: non-current portion	(32,780)	(30,275)
Current portion	438,343	324,716

As at December 31, 2015, the carrying amounts of the Group's deposits, prepayments and other receivables, except for the prepayments which are not financial assets, approximate their fair values.

As at December 31, 2015, the carrying amounts of the Group's deposits and other receivables are denominated in RMB.

As at December 31, 2015, the Group's deposits and other receivables are fully performing under normal business terms.

22 DEFERRED INCOME TAX

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

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

	Write-down of inventories RMB'000	Provision for trade receivables RMB'000	Provision for sales return RMB'000	Unrealized profit RMB'000	Tax losses carried forward RMB'000	Others RMB'000	Total RMB'000
At January 1, 2014	6,854	666	990	2,122	3,531	1,432	15,595
Credited/(charged) to the profit or loss *(Note 13)*	2,320	(263)	(192)	3,519	(638)	3,269	8,015
At December 31, 2014	9,174	403	798	5,641	2,893	4,701	23,610
Credited/(charged) to the profit or loss *(Note 13)*	322	(37)	140	(5,641)	(76)	12,000	6,708
At December 31, 2015	9,496	366	938	–	2,817	16,701	30,318

As at December 31, 2015, majority of the Group's deferred income tax assets are expected to be recovered within 12 months.

22 DEFERRED INCOME TAX (Continued)

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

	Intangible assets	
	2015 RMB'000	2014 RMB'000
At January 1	—	—
Business combination *(Note 32)*	1,778	—
At December 31	1,778	—

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

As at December 31, 2015, temporary differences relating to the undistributed profits of certain subsidiaries of the Group in the PRC amounted to RMB852,989,000 (2014: RMB401,827,000). Deferred tax liabilities of RMB85,299,000 (2014: RMB40,183,000) have not been recognized in respect of the withholding tax that would be payable on the distribution of these retained profits, as the Company controls the dividend policy of these subsidiaries in the PRC and the directors have determined that these profits are not likely to be distributed in the foreseeable future.

23 INVENTORIES

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Raw materials	16,706	4,246
Work in progress	28,850	4,773
Finished goods	792,805	666,282
	838,361	675,301
Less: provision for impairment losses	(37,984)	(36,695)
	800,377	638,606

Inventories are valued at the lower of cost and estimated net realizable value. Provision is made for obsolete and slow-moving items. The inventory write-down recognized in the consolidated statement of profit or loss and other comprehensive income amounted to approximately RMB20,699,000 for the year ended December 31, 2015 (2014: RMB36,695,000).

24 TRADE RECEIVABLES

	Year ended December 31,	
	2015 RMB'000	2014 RMB'000
Due from third parties	519,170	282,416
Less: provision for impairment	(1,465)	(1,611)
Trade receivables – net	517,705	280,805

(a) As at December 31, 2015, the carrying amounts of the trade receivables of the Group approximate their fair values and are all denominated in RMB.

(b) The Group's trade receivables are primarily derived from sales to certain franchise customers with an appropriate credit history. The Group generally grants franchise customers with a credit period of 60 to 90 days from the invoice date for seasonal products. The Group also gives franchise customers a credit period of 180 to 360 days for their first order of products for new outlets. The ageing analysis of trade receivables based on invoice date, as at December 31, 2015 is as follows:

	Year ended December 31,	
	2015 RMB'000	2014 RMB'000
Trade receivables, gross		
– Within 30 days	324,271	153,555
– Over 30 days and within 60 days	76,202	89,133
– Over 60 days and within 90 days	46,968	21,432
– Over 90 days and within 180 days	41,165	12,851
– Over 180 days and within 360 days	21,475	2,740
– Over 360 days	9,089	2,705
	519,170	282,416

24 TRADE RECEIVABLES (Continued)

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

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Fully performing under credit terms	456,692	242,701
Past due but not impaired	61,013	38,104
Non-performing and impaired	1,465	1,611
	519,170	282,416
Less: provision for impairment	(1,465)	(1,611)
Trade receivables – net	517,705	280,805

As at December 31, 2015, trade receivables of RMB1,465,000 of the Group are impaired and have been fully provided for (2014: RMB1,611,000). The individually impaired receivables mainly relate to certain franchise customers who are in unexpectedly difficult economic situations.

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

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

	As at December 31,	
	2015 RMB'000	2014 RMB'000
– Within 30 days	27,797	31,212
– Over 30 days and within 60 days	14,184	4,886
– Over 60 days and within 90 days	9,082	914
– Over 90 days and within 180 days	3,870	290
– Over 180 days and within 360 days	856	337
– Over 360 days	5,224	465
	61,013	38,104

24 TRADE RECEIVABLES (Continued)

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

	Year ended December 31,	
	2015 RMB'000	2014 RMB'000
At January 1	1,611	2,666
Provision for impairment	404	878
Write-back of impairment due to collection	(550)	(1,933)
At December 31	1,465	1,611

25 BANK BALANCES AND CASH

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Cash and cash equivalents	950,639	921,337
Term deposits with initial term of over three months *(a)*	210	150,000
Restricted bank deposits *(b)*	9,225	9,225
Total bank balances and cash	960,074	1,080,562
Denominated in:		
RMB	906,922	754,843
HK$	52,284	324,595
Other currencies	868	1,124
	960,074	1,080,562

(a) As at December 31, 2015, the weighted average effective interest rate of the Group's term deposits with initial term of over three months was 3.45% (2014: 2.81%) per annum.

(b) Restricted bank deposits were pledged to banks as collateral for construction of certain property, plant and equipment.

(c) The conversion of the RMB denominated balances maintained in the PRC into foreign currencies and remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

26 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
As at date of incorporation *(note (a))*	10,000	1	–	1
Issuance of ordinary shares *(note (b))*	90,000	5	429,994	429,999
Capitalization of share premium *(note (c))*	1,499,900,000	92,301	(92,301)	–
Issuance of ordinary shares upon IPO *(note (d))*	406,457,000	25,013	1,136,655	1,161,668
Share issuance cost *(note (e))*	–	–	(42,354)	(42,354)
As at December 31, 2014 and 2015	1,906,457,000	117,320	1,431,994	1,549,314

Notes:

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

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

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

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

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

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

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

27 OTHER RESERVES

	Merger reserve RMB'000 note (a)	Statutory reserve RMB'000 note (b)	Capital reserve RMB'000 note (c)	Contribution reserve RMB'000	Equity-settled share-based compensation RMB'000	Exchange reserve RMB'000	Total other reserves RMB'000
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							
– Value of employee services	–	–	–	–	8,851	–	8,851
Exchange differences	–	–	–	–	–	(4,479)	(4,479)
At December 31, 2014	(8,938)	37,749	192,790	–	14,577	(4,479)	231,699
Equity-settled share-based compensation							
– Value of employee services	–	–	–	–	7,019	–	7,019
– Transfer upon vested	–	–	–	9,119	(9,119)	–	–
Exchange differences	–	–	–	–	–	5,478	5,478
At December 31, 2015	(8,938)	37,749	192,790	9,119	12,477	999	244,196

Notes:

(a) **Merger reserve**

Merger reserve represented the difference of the aggregate consideration paid by the Group for the acquisition of subsidiaries pursuant to the Reorganization as disclosed in Note 1.2 and the aggregate capital of the subsidiaries acquired, after elimination of investments in subsidiaries.

(b) **Statutory reserve**

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

(c) **Capital reserve**

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

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

28 EQUITY-SETTLED SHARE-BASED COMPENSATION

Shenzhen Boshi and Tianjin Daming, entities which were set up for the benefits of the Group's employees and hold an aggregate 2.5% equity interest in Cosmo Lady Guangdong, 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.

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

	Year ended December 31,	
	2015	2014
At January 1	33,450,000	33,150,000
Granted	—	2,700,000
Vested	(11,655,000)	—
Forfeited	(150,000)	(2,400,000)
At December 31	21,645,000	33,450,000

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

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

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

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. The fair values of grant under Share Award Scheme on January 1, 2014 was RMB2.98 per share.

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

	Year ended December 31,	
	2015 RMB'000	2014 RMB'000
General and administrative expenses	4,938	6,196
Selling and marketing expenses	2,081	2,655
	7,019	8,851

29 TRADE PAYABLES

	As at December 31, 2015 RMB'000	2014 RMB'000
Due to third parties	489,652	266,470
Due to related parties *(Note 35(c))*	5,759	3,488
	495,411	269,958

As at December 31, 2015, trade payables of the Group are non-interest bearing, and their fair values approximate their carrying amounts due to their short maturities.

As at December 31, 2015, trade payables are denominated in RMB. The ageing analysis of trade payables based on invoice date, as at December 31, 2015 is as follows:

	As at December 31, 2015 RMB'000	2014 RMB'000
Trade payables		
– Within 30 days	69,468	21,588
– Over 30 days and within 60 days	125,427	94,225
– Over 60 days and within 90 days	154,705	68,690
– Over 90 days and within 180 days	94,683	62,839
– Over 180 days and within 360 days	30,864	22,048
– Over 360 days	20,264	568
	495,411	269,958

30 ACCRUALS AND OTHER PAYABLES

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Payables for purchases of property, plant and equipment and intangible assets	45,448	5,841
Receipts in advance from customers	37,311	43,588
Salaries and welfare payables	52,626	35,816
Accrued taxes other than income tax	7,643	12,029
Deposits from franchisees	65,176	57,473
Provision for sales return	3,753	3,193
Accrued listing expenses	—	17,160
Payable in respect of business combination *(Note 32)*	5,000	—
Other accrued expenses and payables	66,599	34,652
	283,556	209,752

As at December 31, 2015, accruals and other payables of the Group are non-interest bearing, and their fair values, except for the provision for sales return and receipts in advance from customers which are not financial liabilities, approximate their carrying amounts due to their short maturities.

As at December 31, 2015, accruals and other payables of the Group are denominated in RMB.

31 NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Year ended December 31, 2015 RMB'000	Year ended December 31, 2014 RMB'000
Profit before income tax	710,569	587,456
Adjustments for:		
– Depreciation of property, plant and equipment *(Note 16)*	60,554	30,182
– Amortization of land use rights *(Note 17)*	2,080	1,824
– Amortization of intangible assets *(Note 18)*	7,724	6,290
– Provision for impairment of trade receivables *(Note 24)*	404	878
– Write-down of inventories *(Note 23)*	20,699	36,695
– Finance income *(Note 12)*	(21,766)	(12,400)
– Net foreign exchange gains	(1,614)	(4,678)
– Equity-settled share-based compensation *(Note 28)*	7,019	8,851
– Loss on disposal of property, plant and equipment – net *(Note 8)*	94	139
	785,763	655,237
Changes in working capital:		
– Increase in trade receivables	(217,180)	(111,074)
– Decrease in restricted bank deposits *(Note 25)*	—	7,000
– Increase in deposits, prepayments and other receivables	(106,856)	(237,591)
– Increase in inventories	(92,792)	(270,945)
– Increase in trade payables	219,525	50,658
– Decrease in accruals and other payables	(20,018)	(17,828)
Cash generated from operations	568,442	75,457

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

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended December 31, 2015 RMB'000	Year ended December 31, 2014 RMB'000
Net book amount of property, plant and equipment disposed *(Note 16)*	4,775	1,352
Loss on disposal of property, plant and equipment – net *(Note 8)*	(94)	(139)
Proceeds from disposal of property, plant and equipment	4,681	1,213

32 BUSINESS COMBINATION

On March 1, 2015, Tianjin Ordifen Fashion Company Limited ("Tianjin Ordifen"), 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 20.

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.

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

	As at December 31, 2015 RMB'000
Purchase consideration	
– Cash paid	74,800
– Payable	5,000
Total purchase consideration	79,800

	As at June 1, 2015 RMB'000
Recognized amounts of identifiable assets acquired and liabilities assumed	
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

32 BUSINESS COMBINATION (Continued)

Acquisition-related costs were not significant and have been charged to general and administrative expenses. The revenue contributed by acquired business to the Group for the period since the completion was RMB179,942,000 and the results contributed by acquired business were insignificant to the Group. The Group's revenue and results for the period would not be materially different if the Acquisition had occurred on January 1, 2015.

33 BALANCE SHEET AND RESERVES OF THE COMPANY

Balance sheet of the Company

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Assets		
Non-current assets		
Interests in subsidiaries *(note (a))*	1,300,993	444,577
Current assets		
Other receivables	44	324
Amounts due from a subsidiary *(note (b))*	142,819	1,106,730
Bank balances and cash	51,467	9,288
	194,330	1,116,342
Total assets	1,495,323	1,560,919
Equity		
Capital and reserves		
Share capital *(Note 26)*	117,320	117,320
Share premium *(Note 26)*	1,431,994	1,431,994
Other reserves	101,574	7,559
Accumulated losses	(159,719)	(6,811)
Total equity	1,491,169	1,550,062
Liabilities		
Current liabilities		
Accruals and other payables	4,154	10,857
Total liabilities	4,154	10,857
Total equity and liabilities	1,495,323	1,560,919

ZHENG Yaonan
Director

ZHANG Shengfeng
Director

33 BALANCE SHEET AND RESERVES OF THE COMPANY (Continued)

Accumulated losses of the Company

	RMB'000
At January 28, 2014	–
Loss for the period	(6,811)
At December 31, 2014	(6,811)
Loss for the year	(1,733)
Dividend	(151,175)
At December 31, 2015	(159,719)

Other reserves of the Company

	Contribution reserve RMB'000	Equity-settled share-based compensation RMB'000	Exchange reserve RMB'000	Total other reserves RMB'000
At January 28, 2014	–	5,726	–	5,726
Equity-settled share-based compensation				
– Value of employee services	–	8,851	–	8,851
Exchange differences	–	–	(7,018)	(7,018)
At December 31, 2014	–	14,577	(7,018)	7,559
Equity-settled share-based compensation				
– Value of employee services	–	7,019	–	7,019
– Transfer upon vested	9,119	(9,119)	–	–
Exchange differences	–	–	86,996	86,996
At December 31, 2015	9,119	12,477	79,978	101,574

33 BALANCE SHEET AND RESERVES OF THE COMPANY (Continued)

Notes:

(a) Interests in subsidiaries

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Capital contribution relating to share-based payment	21,596	14,577
Loans to subsidiaries	1,279,397	430,000
	1,300,993	444,577

The capital contribution relates to shares granted to employees of subsidiaries under Share Award Scheme. Refer to Note 28 for further details on the Share Award Scheme.

Loans to subsidiaries are unsecured and non-interest bearing. These loans have no fixed terms of repayment and are regarded as equity contributions to subsidiaries.

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

34 COMMITMENTS

(a) Capital commitments

As at December 31, 2015 the Group had the following capital commitments not provided for:

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Authorized but not contracted:		
Property, plant and equipment	274,954	374,812
Contracted but not provided for:		
Property, plant and equipment	59,260	66,091
Intangible assets	11,881	13,178
	71,141	79,269

34 COMMITMENTS (Continued)

(b) Operating lease commitments

As at December 31, 2015, the future aggregate minimum lease payments in respect of buildings under non-cancellable operating leases were as follows:

	As at December 31,	
	2015 RMB'000	2014 RMB'000
No later than 1 year	250,622	69,262
Later than 1 year and no later than 5 years	441,382	83,768
Later than 5 years	23,269	569
	715,273	153,599

35 RELATED PARTY TRANSACTIONS

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

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the year, and balances arising from related party transactions as at December 31, 2015.

(a) Name and relationship with related parties

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

35 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties – Purchases of goods:

	Year ended December 31,	
	2015 RMB'000	2014 RMB'000
Continuing transactions:		
Shantou Shengqiang	24,532	21,536
Shantou Maosheng	21,543	22,131
	46,075	43,667

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

(c) Balances with related parties – Payables

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Trade balance *(Note 29)*:		
Shantou Shengqiang	5,594	1,838
Shantou Maosheng	165	1,650
	5,759	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 is as follows:

	Year ended December 31,	
	2015 RMB'000	2014 RMB'000
Wages, salaries and bonuses	7,669	6,439
Pension costs – defined contribution plans	384	425
Equity-settled share-based compensation	2,251	3,262
	10,304	10,126

36 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES AND JOINT VENTURE OF THE GROUP

(a) Particulars of the principal subsidiaries of the Group as at December 31, 2015 are set out below:

Company name	Place of incorporation	Paid-in capital/ registered capital	Interests held by the Group	Principal activities/ place of operation
Directly held:				
Cosmo Lady (International) Holdings Company Limited (都市麗人(國際)控股有限公司)	BVI	1 share of US$1	100%	Investment holding/Hong Kong
Indirectly held:				
Cosmo Lady Guangdong Holdings Limited (廣東都市麗人實業有限公司)	PRC	RMB420,000,000	100%	Sale of intimate wear/PRC
Beijing Ziseyangguang Sale Co., Ltd. (北京紫色陽光銷售有限公司)	PRC	RMB1,000,000	100%	Sale of intimate wear/PRC
Cosmo Lady Fashion (Shenzhen) Co., Ltd. (深圳市都市麗人服裝有限公司)	PRC	RMB2,000,000	100%	Sale of intimate wear/PRC
Cosmo Lady Fashion (Wuhan) Co., Ltd. (武漢市都市麗人銷售有限公司)	PRC	RMB1,000,000	100%	Sale of intimate wear/PRC
Cosmo Lady Fashion (Guangzhou) Co., Ltd. (廣州市都市麗人服裝有限公司)	PRC	RMB2,000,000	100%	Sale of intimate wear/PRC
Fanxue Fashion (Changsha) Co., Ltd. (長沙市凡雪服裝貿易有限公司)	PRC	RMB1,000,000	100%	Sale of intimate wear/PRC
Nanjing Caoyise Fashion Co., Ltd. (南京草一色服裝銷售有限公司)	PRC	RMB1,000,000	100%	Sale of intimate wear/PRC
Tianjin Dushifengshang Fashion Co., Ltd. (天津都市風尚服裝銷售有限公司)	PRC	RMB30,000,000	100%	Sale of intimate wear/PRC
Fanxue Fashion (Chongqing) Co., Ltd. (重慶市凡雪服裝有限公司)	PRC	RMB20,000,000	100%	Sale of intimate wear/PRC
Fanxue Fashion (Shanghai) Co., Ltd. (上海市凡雪服裝有限公司)	PRC	RMB3,000,000	100%	Sale of intimate wear/PRC
Fanxue Fashion (Huizhou) Co., Ltd. (惠州市凡雪服裝有限公司)	PRC	RMB1,000,000	100%	Sale of intimate wear/PRC
Cosmo Lady (Tianjin) E-commerce Co., Ltd. (天津都市麗人電子商務有限公司)	PRC	RMB10,000,000	100%	Sale of intimate wear/PRC
Freeday (Tianjin) Fashion Co., Ltd. (天津自在時光服裝銷售有限公司)	PRC	RMB15,000,000	100%	Sale of intimate wear/PRC
Ordifen (Tianjin) Fashion Co., Ltd. (天津歐迪芬服裝銷售有限公司)	PRC	RMB100,000,000	100%	Sale of intimate wear/PRC
Cosmo Lady (Guang Dong) Technology Co., Ltd. (廣東都市麗人科技有限公司)	PRC	RMB15,000,000	100%	Sale of intimate wear/PRC
北京都市絲語銷售有限公司	PRC	RMB1,000,000	100%	Sale of intimate wear/PRC
都市麗人(深圳)科技有限公司	PRC	RMB10,000,000	100%	Sale of intimate wear/PRC
廣東艾蒂薇科技發展有限公司	PRC	RMB10,000,000	100%	Sale of intimate wear/PRC
Cosmo Lady (International) Company Limited (都市麗人(國際)集團有限公司)	Hong Kong	10,000 shares of HK$1	100%	Investment holding/Hong Kong
Cosmo Lady (Hong Kong) Holdings Company Limited (都市麗人(香港)控股有限公司)	Hong Kong	10,000 shares of HK$1	100%	Investment holding/Hong Kong
Freeday (Hong Kong) Holdings Company Limited (自由時光(香港)控股有限公司)	Hong Kong	1 share of HK$1	100%	Investment holding/Hong Kong
Ordifen (Hong Kong) Holdings Company Limited (歐迪芬(香港)控股有限公司)	Hong Kong	1 share of HK$1	100%	Investment holding/Hong Kong
Cosmo Lady (Hong Kong) Industrial Company Limited (都市麗人(香港)工業有限公司)	Hong Kong	1 share of HK$1	100%	Investment holding/Hong Kong

36 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES AND JOINT VENTURE OF THE GROUP (Continued)

(b) Particulars of the joint venture of the Group as at December 31, 2015 is set out below:

Company name	Place of incorporation	Paid-in capital	Interests held by the Group	Principal activities/ place of operation
Guangdong Dongdu Holdings Limited (廣東東都實業有限公司)	PRC	RMB10,000,000	19.9%	Real estate development/PRC

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

37 SUBSEQUENT EVENTS

There were no material subsequent events during the period from December 31, 2015 to the approval date of these consolidated financial statements by the Board on March 29, 2016.

Five-year Financial Summary

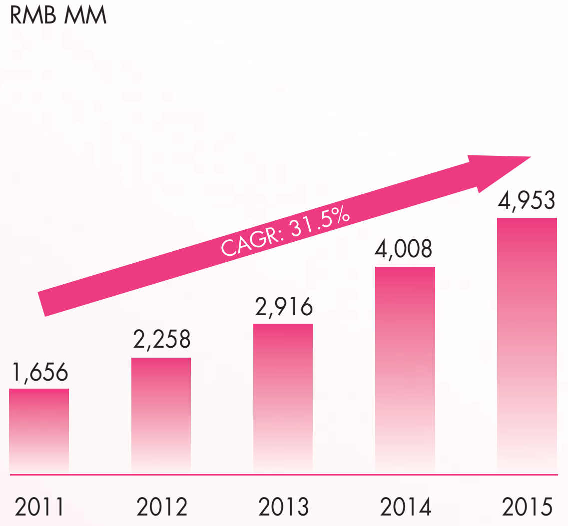
A summary of the results and the assets and liabilities of the Group for the last five financial years is set out as follows:

	Year ended December 31,				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Revenue	4,953,415	4,007,636	2,916,266	2,257,626	1,655,803
Gross profit	2,114,794	1,567,519	1,068,857	616,675	400,196
Gross profit margin	42.7%	39.1%	36.7%	27.3%	24.2%
Operating profit	688,803	575,056	371,466	255,842	222,665
Operating profit margin	13.9%	14.3%	12.7%	11.3%	13.4%
Profit attributable to equity holders of the Company	540,008	425,227	275,508	192,742	168,609
Net profit margin	10.9%	10.6%	9.4%	8.5%	10.2%

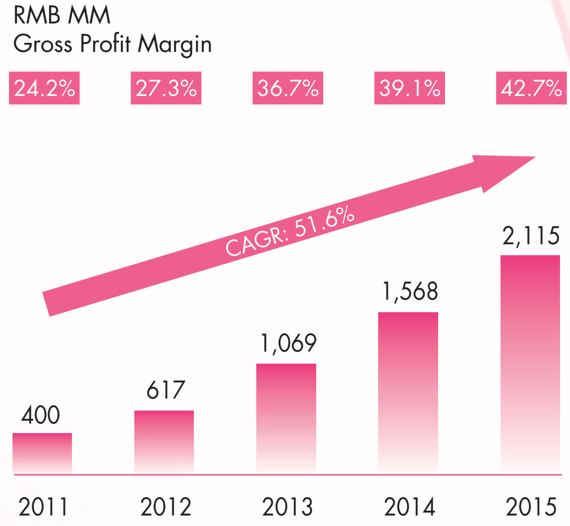
	As of December 31,				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Bank balances and cash	960,074	1,080,562	306,252	209,870	162,106
Borrowings	—	—	—	27,000	27,457
Non-current assets	766,268	444,182	334,673	290,688	186,356
Current assets	2,716,499	2,324,689	972,423	799,880	685,932
Non-current liabilities	1,778	—	—	—	22,722
Current liabilities	842,127	531,339	619,539	484,245	286,133
Net current assets	1,874,372	1,793,350	352,884	315,635	399,799
Total assets	3,482,767	2,768,871	1,307,096	1,090,568	872,288
Total liabilities	843,905	531,339	619,539	484,245	308,855
Total equity	2,638,862	2,237,532	687,557	606,323	563,433

	2015	2014	2013	2012	2011
Effective tax rate	24.0%	27.6%	26.5%	26.8%	25.8%
Marketing and promotion expenses ratio (as a percentage of revenue)	2.2%	1.6%	2.1%	2.6%	0.6%
Employee benefit expenses ratio (as a percentage of revenue)	9.6%	6.6%	7.9%	6.2%	5.3%
Return on average total equity	22.2%	29.1%	42.6%	33.0%	52.7%
Return on average total assets	17.3%	20.9%	23.0%	19.6%	30.6%
Gearing ratio	Net cash	Net cash	Net cash	Net cash	Net cash
Current ratio (times)	3.2	4.4	1.6	1.7	2.4
Quick ratio (times)	2.3	3.2	0.9	1.0	1.7
Average inventory turnover period (days)	92.5	78.0	72.3	59.0	44.4
Average trade receivables turnover period (days)	29.4	20.6	22.0	20.0	8.8
Average trade payables turnover period (days)	49.2	36.6	45.1	42.6	25.2

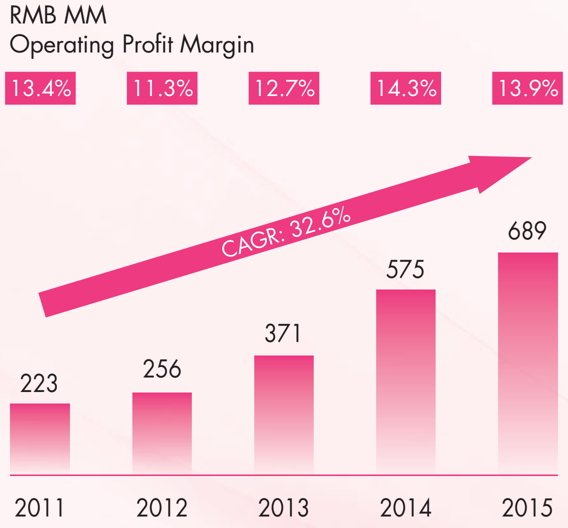
Revenue



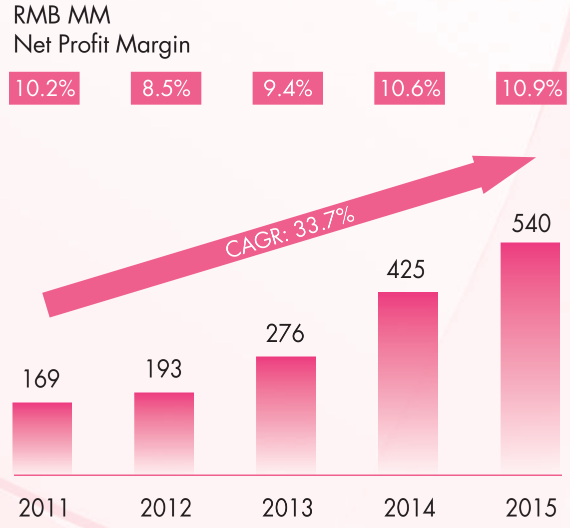
Gross Profit



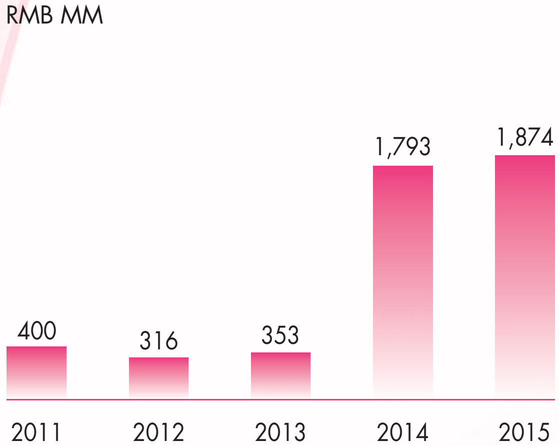
Operating Profit



Profit Attributable to Equity Holders of the Company

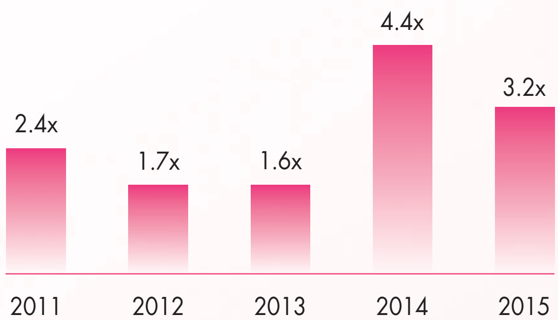


Net Working Capital



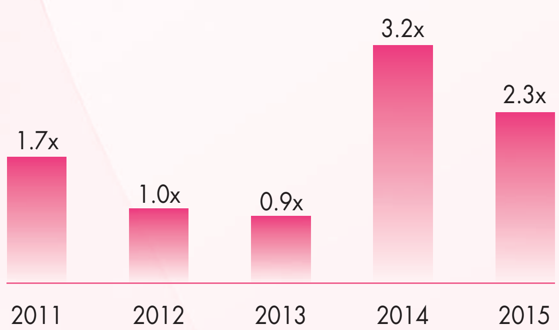
Net Working Capital = Current Assets - Current Liabilities

Current Ratio



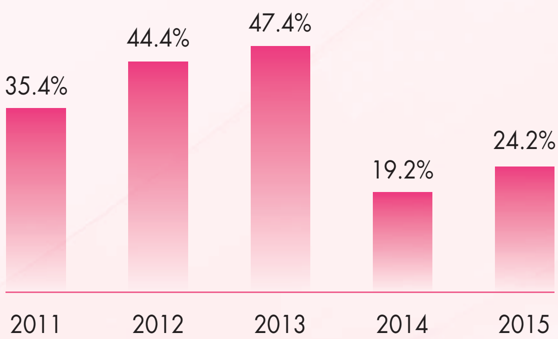
Current Ratio = Current Assets / Current Liabilities

Quick Ratio



Quick Ratio = (Current Assets - Inventories) / Current Liabilities

Liabilities / Assets Ratio



Liabilities / Assets Ratio = Total Liabilities / Total Assets