

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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)**

**CONNECTED TRANSACTION  
DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY**

**DISPOSAL**

The Board announces that on 23 June 2017, the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor has agreed to dispose of, and the Purchaser has agreed to purchase, the Equity Interest, representing 95% of the registered capital of CLGIII, at a consideration of RMB10,809,100 (equivalent to approximately HK\$12,342,000) in cash.

CLGIII owns the land use right of the Land which is planned to be developed into an industrial complex. Following a business review by the Group after the recent share allotment to a strategic investor, the Group believes that there will be better and more development on its existing business in the future to expand its market share in the lingerie and apparel industries, and it therefore intends to focus on its existing business in view of bringing greater return to the Shareholders.

**IMPLICATIONS UNDER THE LISTING RULES**

As the Purchaser is owned as to 90% by Mr. Zheng, the chairman, the chief executive officer, an executive Director and a controlling shareholder of the Company, each of Mr. Zheng and the Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under the Listing Rules in respect of the Disposal are more than 0.1% but less than 5%, the Disposal is only subject to reporting and announcement requirements and is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## DISPOSAL

The Board announces that on 23 June 2017, the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor has agreed to dispose of, and the Purchaser has agreed to purchase, the Equity Interest, representing 95% of the registered capital of CLGIII.

## INFORMATION ON CLGIII

CLGIII is an investment holding company with limited liability established on 8 November 2016 in the PRC and is wholly owned by the Vendor. CLGIII owns the land use right of the Land located at Golden Phoenix Industrial Zone, Fenggang Town, Dongguan City, Guangdong Province, the PRC with a total site area of 34,959 square metres for industrial use. The Land is planned to be developed into an industrial complex.

The original acquisition cost of the Land by CLGIII through a public auction in March 2017 was RMB47,200,000 (equivalent to approximately HK\$53,893,000).

Set out below is the summary of the key financial information extracted from the unaudited financial statements of CLGIII for the period from 8 November 2016 to 31 December 2016 and the five months ended 31 May 2017:

	<b>For the period from 8 November 2016 to 31 December 2016</b>	<b>For the five months ended 31 May 2017</b>
	<i>Approximately RMB</i>	<i>Approximately RMB</i>
Loss before and after taxation (unaudited)	–	288,000 (equivalent to approximately HK\$329,000)

The unaudited book value of total assets and the unaudited book value of net assets of CLGIII as at 31 May 2017 were approximately RMB63,402,000 (equivalent to approximately HK\$72,392,000) and approximately RMB9,712,000 (equivalent to approximately HK\$11,089,000) respectively.

## **EQUITY TRANSFER AGREEMENT**

The major terms of the Equity Transfer Agreement are set out below:

### **Date**

23 June 2017 (after trading hours)

### **Parties**

**Vendor:** 廣東都市麗人實業有限公司(Cosmo Lady Guangdong Holdings Limited\*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement.

**Purchaser:** 廣東正基創新產業園發展有限公司(Guangdong Zhengji Innovative Industrial Park Development Co., Ltd.\*), a company established in the PRC with limited liability and is owned as to 90% by Mr. Zheng and 10% by an Independent Third Party as at the date of this announcement.

The Purchaser is principally engaged in investment holding. For more details about Mr. Zheng, the Purchaser and their relationship with the Company, please refer to the paragraph headed “Implications under the Listing Rules” in this announcement below.

### **Assets to be disposed of**

The Vendor has agreed to dispose of, and the Purchaser has agreed to purchase, the Equity Interest, representing 95% of the registered capital of CLGIII.

As at the date of this announcement, CLGIII owns the land use right of the Land. For more details, please refer to the paragraph headed “Information on CLGIII” in this announcement above.

### **Repayment of the amount due from CLGIII to the Group**

As at the date of this announcement, CLGIII is indebted to Cosmo Lady Guangdong Holdings Limited, a wholly-owned subsidiary of the Company, the Intra-Group Balance of approximately RMB52,800,000 (equivalent to approximately HK\$60,287,000). The Intra-Group Balance was advanced to CLGIII to finance the acquisition of the Land and other costs related to the Land. Under the Equity Transfer Agreement, the Purchaser has undertaken to the Vendor that it will repay the Intra-Group Balance in full for and on behalf of CLGIII within 15 days from the date of the Equity Transfer Agreement and in any event no later than the date of Completion.

## **Consideration**

The Group has appointed an independent professional valuer to perform a valuation on the book value of net assets of CLGIII. Taking into account the value of the land use rights of the Land and the Intra-Group Balance, using the asset-based approach, the appraised value of the total net assets of CLGIII as at 31 May 2017 was approximately RMB11,378,000 (equivalent to approximately HK\$12,991,000), which is higher than the unaudited book value of net assets of CLGIII as at 31 May 2017 of approximately RMB9,712,000 (equivalent to approximately HK\$11,089,000) by approximately RMB1,666,000 (equivalent to approximately HK\$1,902,000).

The Consideration is RMB10,809,100 (equivalent to approximately HK\$12,342,000). The Purchaser shall pay to the Vendor in full in cash within 15 days from the date of signing the Equity Transfer Agreement. The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to the above appraised value of the total net assets of CLGIII as at 31 May 2017.

The aggregate of the Consideration and the Intra-Group Balance to be received by the Group amounts to RMB63,609,100 (equivalent to approximately HK\$72,629,000) as at the date of this announcement.

## **Completion**

Completion shall take place upon the completion of registration of the Disposal with the competent industrial and commercial administration bureau of the PRC.

Immediately after Completion, the Vendor will continue to hold 5% of the equity interests in CLGIII, CLGIII will cease to be a subsidiary of the Company and the financial results of CLGIII will no longer be consolidated into the Group's financial statements.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Group is principally engaged in the designing, researching, developing and selling of intimate wear products in the PRC.

As the Land is located close to the headquarters of the Group, the Group originally intended to develop the Land into an industrial complex mainly for leasing of premises to the suppliers of the Group so as to shorten the distance to the suppliers, enhance communications with them, improve the efficiency of supply chain department and reduce the transportation costs and travelling expenses of the Group in the future. Following a business review by the Group after the recent share allotment to a strategic investor, the Group believes that there will be better and more development on its existing business in the future to expand its market share in the lingerie and apparel industries, and it therefore intends to focus on its existing

business in view of bringing greater return to the Shareholders. The Directors consider that the Disposal represents an opportunity for the Group to realise its investment in CLGIII so as to enable the Group to re-allocate more financial resources on further development of its existing business. As it is currently expected that the Land will be developed into an industrial complex mainly for leasing of premises to the suppliers of the Group, it is believed that retaining a minority interest of 5% in CLGIII would be an incentive for the suppliers of the Group to lease the offices, which would in turn benefit the Group by improving the efficiency of supply chain department and reducing its transportation and travelling expenses of the Group in the future.

The Company understands that Mr. Zheng and the Purchaser have their own team to develop the Land in the future, and hence Mr. Zheng will continue to focus on the future development of the Group.

It is expected that the Group will record a gain of approximately RMB1,583,000 (equivalent to approximately HK\$1,807,000) from the Disposal, which is calculated with reference to the difference between the Consideration and the unaudited book value of net assets of CLGIII attributable to the Equity Interest as at 31 May 2017. The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to final audit to be performed by the Company's auditors. The Group intends to use the proceeds of the Disposal for general working capital and/or future development of the Group and/or funding any potential acquisitions and investments if opportunities arise.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement are fair and reasonable and on normal commercial terms and the Disposal is in the interests of the Company and the Shareholders as a whole.

Each of Mr. Zheng and Ms. Wu Xiaoli, an executive Director and the spouse of Mr. Zheng, is considered to have a material interest in the Disposal by virtue of Mr. Zheng's interests in the Purchaser. Accordingly, each of Mr. Zheng and Ms. Wu Xiaoli has abstained from voting on the resolution to approve the transaction contemplated under the Equity Transfer Agreement.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Mr. Zheng, the chairman, the chief executive officer, an executive Director and a controlling shareholder of the Company, is interested in 1,177,257,678 Shares, representing approximately 54.85% of the total issued share capital of the Company. As the Purchaser is owned as to 90% by Mr. Zheng, each of Mr. Zheng and the Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company.

As the applicable percentage ratios under the Listing Rules in respect of the Disposal are more than 0.1% but less than 5%, the Disposal is only subject to reporting and announcement requirements and is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## DEFINITIONS

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

“Board”	the board of Directors
“CLGIII”	廣東都市麗人智能產業投資有限公司(Cosmo Lady Guangdong Intelligent Industry Investment Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Company”	Cosmo Lady (China) Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 2298)
“Completion”	completion of the Disposal pursuant to the terms and conditions of the Equity Transfer Agreement
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Consideration”	the consideration of the Disposal, being RMB10,809,100 (equivalent to approximately HK\$12,342,000)
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Equity Interest by the Vendor pursuant to the terms and conditions of the Equity Transfer Agreement
“Equity Interest”	95% of the equity interest in CLGIII

“Equity Transfer Agreement”	the equity transfer agreement dated 23 June 2017 entered into between the Vendor and the Purchaser in relation to the Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	third party who is not connected with the Company and its connected persons (as defined under the Listing Rules)
“Intra-Group Balance”	such amount as advanced by Cosmo Lady Guangdong Holdings Limited, a wholly-owned subsidiary of the Company, to CLGIII which is non-interest bearing and security free, and as at the date of this announcement, the Intra-Group Balance amounts to RMB52,800,000 (equivalent to approximately HK\$60,287,000)
“Land”	a parcel of land located at Golden Phoenix Industrial Zone, Fenggang Town, Dongguan City, Guangdong Province, the PRC (中國廣東省東莞市鳳崗鎮金鳳凰工業區), comprising a total site area of 34,959 square meters
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zheng”	Mr. Zheng Yaonan, the chairman, the chief executive officer, an executive Director and a controlling shareholder of the Company
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	廣東正基創新產業園發展有限公司(Guangdong Zhengji Innovative Industrial Park Development Co., Ltd.*), a company established in the PRC with limited liability and is owned as to 90% by Mr. Zheng and 10% by an Independent Third Party as at the date of this announcement

“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of United States
“Vendor”	廣東都市麗人實業有限公司(Cosmo Lady Guangdong Holdings Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“%”	per cent.

*Unless otherwise specified in this announcement, amounts denominated in RMB have been converted, for the purpose of illustration only, into HK\$ based on the approximate exchange rate of RMB1.00 to HK\$1.1418. No representation is made that any amount in HK\$ could have been or could be converted at the above rate or at any other rates.*

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

Hong Kong, 23 June 2017

*As at the date of this announcement, the Board comprises Mr. Zheng Yaonan, Mr. Zhang Shengfeng, Mr. Lin Zonghong, Mr. Cheng Zuming and Ms. Wu Xiaoli as executive Directors; Mr. Wen Baoma as non-executive Director; and Mr. Yau Chi Ming, Dr. Dai Yiyi and Mr. Chen Zhigang as independent non-executive Directors.*

\* *The English names of the companies are inserted for identification purpose only and they are not official English names of the relevant companies,*