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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2298)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

		Six months ended 30 June		
		Unaudited 2017	Unaudited 2016	Change
Revenue	*RMB'000*	**2,079,229**	2,211,369	–6.0%
Operating profit	*RMB'000*	**197,343**	222,950	–11.5%
Profit attributable to equity holders of the Company	*RMB'000*	**144,887**	174,019	–16.7%
Gross profit margin	*%*	**45.1%**	47.7%	
Operating profit margin	*%*	**9.5%**	10.1%	
Margin of profit attributable to equity holders of the Company	*%*	**7.0%**	7.9%	
Earnings per share – basic and diluted	*RMB cents*	**7.40**	9.13	
Interim dividend per share	*HK cents*	**2.58**	–	
	(RMB cents)	**(2.20)**	–	

INTERIM FINANCIAL INFORMATION

The board of directors (the "**Board**") of Cosmo Lady (China) Holdings Company Limited (the "**Company**") is pleased to announce the unaudited consolidated interim financial information of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2017, together with the comparative figures for the corresponding period of 2016 and selected explanatory notes. The interim financial information has been reviewed by the Company's audit committee and the Company's auditor, PricewaterhouseCoopers, in accordance with the Hong Kong standard on Review Engagement 2410 "Review of Interim Financial Information performed by the independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	**Six months ended 30 June** **2017** **Unaudited** ***RMB'000***	2016 Unaudited *RMB'000*
Revenue	*4*	**2,079,229**	2,211,369
Cost of sales		**(1,142,034)**	(1,157,341)
Gross profit		**937,195**	1,054,028
Selling and marketing expenses		**(644,757)**	(714,660)
General and administrative expenses		**(120,620)**	(141,330)
Other income	*5*	**23,968**	24,216
Other gains – net		**1,557**	696
Operating profit		**197,343**	222,950
Finance income		**6,376**	12,180
Finance expenses		**(6,039)**	–
Finance income – net		**337**	12,180
Share of loss of an associate		**(515)**	–
Profit before income tax	*6*	**197,165**	235,130
Income tax expense	*7*	**(52,278)**	(61,111)
Profit for the period		**144,887**	174,019
Other comprehensive income for the period			
(Item that may be reclassified subsequently to profit or loss)			
Exchange differences		**(8,608)**	761
Total comprehensive income for the period		**136,279**	174,780
Profit attributable to equity holders of the Company		**144,887**	174,019
Total comprehensive income attributable to equity holders of the Company		**136,279**	174,780
Earnings per share attributable to equity holders of the Company during the period	*8*	***RMB cents***	*RMB cents*
– Basic and diluted		**7.40**	9.13

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2017 Unaudited *RMB'000*	As at 31 December 2016 Audited *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**557,498**	545,646
Land use rights		**88,351**	89,391
Intangible assets		**44,032**	39,449
Investment in a joint venture		**1,990**	1,990
Investment in an associate		**3,485**	–
Available-for-sale financial assets		**19,169**	18,600
Deposits, prepayments and other receivables		**33,580**	25,815
Deferred income tax assets		**37,942**	39,209
		786,047	760,100
Current assets			
Inventories		**1,156,801**	1,150,679
Trade receivables	*10*	**423,378**	451,230
Loan to a third party	*11*	**–**	105,000
Deposits, prepayments and other receivables		**575,301**	503,199
Term deposits		**370,021**	9,645
Cash and cash equivalents		**1,012,002**	799,533
		3,537,503	3,019,286
Total assets		**4,323,550**	3,779,386
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*12*	**133,792**	117,320
Share premium	*12*	**1,651,164**	1,254,574
Other reserves		**250,729**	260,929
Retained earnings		**1,205,893**	1,061,006
Total equity		**3,241,578**	2,693,829
LIABILITIES			
Current liabilities			
Trade payables	*13*	**531,071**	554,254
Accruals and other payables		**283,124**	305,614
Current income tax liabilities		**39,275**	24,088
Borrowings	*14*	**8,920**	–
		862,390	883,956
Non-current liabilities			
Borrowings	*14*	**218,070**	200,000
Deferred income tax liabilities		**1,512**	1,601
		219,582	201,601
Total liabilities		**1,081,972**	1,085,557
Total equity and liabilities		**4,323,550**	3,779,386

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited				
	Attributable to equity holders of the Company				
	Share capital	**Share premium**	**Other reserves**	**Retained earnings**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2017	**117,320**	**1,254,574**	**260,929**	**1,061,006**	**2,693,829**
Comprehensive income					
Profit for the period	–	–	–	**144,887**	**144,887**
Other comprehensive income					
Exchange differences	–	–	**(8,608)**	–	**(8,608)**
Total comprehensive income for the period	–	–	**(8,608)**	**144,887**	**136,279**
Transactions with equity holders					
Proceeds from shares issued *(Note 12)*	**16,472**	**511,978**	–	–	**528,450**
Dividends relating to 2016 paid in June 2017	–	**(115,388)**	–	–	**(115,388)**
Equity-settled share-based compensation	–	–	**(1,592)**	–	**(1,592)**
Total transactions with equity holders	**16,472**	**396,590**	**(1,592)**	–	**411,470**
As at 30 June 2017	**133,792**	**1,651,164**	**250,729**	**1,205,893**	**3,241,578**
As at 1 January 2016	117,320	1,431,994	244,196	845,352	2,638,862
Comprehensive income					
Profit for the period	–	–	–	174,019	174,019
Other comprehensive income					
Exchange differences	–	–	761	–	761
Total comprehensive income for the period	–	–	761	174,019	174,780
Transactions with equity holders					
Dividends relating to 2015 paid in June 2016	–	(177,420)	–	–	(177,420)
Appropriation to statutory reserves	–	–	47,731	(47,731)	–
Equity-settled share-based compensation	–	–	2,423	–	2,423
Total transactions with equity holders	–	(177,420)	50,154	(47,731)	(174,997)
As at 30 June 2016	117,320	1,254,574	295,111	971,640	2,638,645

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash generated from operations	**133,133**	109,181
Income tax paid	**(38,465)**	(75,889)
Net cash generated from operating activities	**94,668**	33,292
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**198**	168
Interest received	**14,903**	12,137
Purchases of property, plant and equipment	**(49,271)**	(68,633)
Purchases of intangible assets	**(2,278)**	(3,881)
Term deposits with initial term of over three months	**(360,376)**	210
Loan to a third party	**105,000**	–
Capital contribution to an associate	**(4,000)**	–
Advance to a related party	**(3,200)**	–
Advance to a joint venture	**(9,055)**	–
Payments to a business combination	**–**	(5,000)
Net cash used in investing activities	**(308,079)**	(64,999)
Cash flows from financing activities		
Proceeds from borrowings	**30,000**	–
Repayments of borrowings	**(3,010)**	–
Proceeds from shares issued	**528,450**	–
Dividends paid	**(115,388)**	(177,420)
Interest paid for borrowings	**(6,039)**	–
Net cash generated from/(used in) financing activities	**434,013**	(177,420)
Net increase/(decrease) in cash and cash equivalents	**220,602**	(209,127)
Cash and cash equivalents at beginning of the period	**799,533**	950,639
Effect of foreign exchange rate changes	**(8,133)**	1,593
Cash and cash equivalents at end of the period	**1,012,002**	743,105

Notes:

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 28 January 2014 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company's registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands.

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

The interim condensed consolidated financial information for the six months ended 30 June 2017 ("**Interim Financial Information**") is presented in Renminbi ("**RMB**"), unless otherwise stated. The Interim Financial Information is unaudited but has been reviewed by the audit committee of the Company and approved for issue by the Company's board of directors on 21 August 2017.

2 BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with International Accounting Standard ("**IAS**") 34, "Interim financial reporting". The Interim Financial Information should be read in conjunction with the financial statements of the Group for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group for the year ended 31 December 2016.

The accounting policies used in the preparation of the Interim Financial Information are consistent with those adopted in the consolidated financial statements of the Group for the year ended 31 December 2016, except as mentioned below.

(a) Amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning 1 January 2017. The adoption of these amendments to standards does not have any significant impact to the operating results or financial position of the Group.

IFRS 7	Statement of Cash Flows
IFRS 12	Income Taxes
IFRS 12	Disclosure of Interest in Other Entities

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

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

IFRS 9, 'Financial instruments', effective for financial years commencing on or after 1 January 2018.

IFRS 15, 'Revenue from contracts with customers', effective for financial years commencing on or after 1 January 2018.

IFRS 16, 'Leases', effective for financial years commencing on or after 1 January 2019.

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

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

(d) Investment in an associate is accounted for using equity method of accounting.

3 SEGMENT INFORMATION

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

The Group is principally engaged in the designing, marketing and selling of intimate wear products. All of its revenue are derived in the PRC for the six months ended 30 June 2017 and 30 June 2016.

None of the revenue derived from any single external customer amounted to more than 10% of the Group's revenue for the six months ended 30 June 2017 (2016: None).

4 REVENUE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Sales to franchisees	**1,037,369**	1,200,014
Retail sales	**803,451**	846,418
E-commerce	**238,409**	164,937
	2,079,229	2,211,369

5 OTHER INCOME

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Other income:		
Government grants *(Note (a))*	**19,790**	13,312
Software usage fee income	**732**	1,154
Franchisee fee income	**406**	483
Service fee income *(Note (b))*	**–**	1,765
Others	**3,040**	7,502
	23,968	24,216

Notes:

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

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

6 PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Operating lease rentals in respect of retail stores	**250,151**	273,765
Other operating rental expenses	**16,829**	21,414
Employee benefit expenses (including directors' emoluments)	**256,201**	280,541
Depreciation and amortization	**42,518**	43,214
Marketing and promotion expenses	**39,162**	66,289
E-commerce platforms commission expenses	**32,584**	23,123
Write-down of inventories	**4,160**	9,241
Provision for impairment of trade receivables	**916**	2,185
Provision for impairment of other receivables	**630**	2,809

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Current income tax		
– Hong Kong profits tax *(Note (a))*	**–**	–
– PRC corporate income tax *(Note (b))*	**51,100**	69,646
	51,100	69,646
Deferred income tax	**1,178**	(8,535)
	52,278	61,111

Notes:

(a) Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% for the period (2016: 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 six months ended 30 June 2017 (2016: 25%) on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

(c) Overseas income tax

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

8 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 period.

	Six months ended 30 June	
	2017	2016
Profit for the period attributable to equity holders of the Company *(RMB'000)*	**144,887**	174,019
Weighted average number of ordinary shares for purposes of basic earnings per share *(thousands of shares)*	**1,959,223**	1,906,457
Basic earnings per share *(RMB cents per share)*	**7.40**	9.13

Note: The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for six months ended 30 June 2017 has been adjusted for the effects of the issuance of new shares on 17 May 2017.

Diluted

Diluted earnings per share is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the period (2016: Nil).

9 INTERIM DIVIDEND

The Board has recommended the payment of an interim dividend of HK2.58 cents (equivalent to approximately RMB2.20 cents) per ordinary share of the Company, totalling approximately HK$55,379,000 (equivalent to approximately RMB47,246,000) for the six months ended 30 June 2017 (2016: Nil). The dividend is not reflected as a dividend payable in the consolidated financial statements for the six months ended 30 June 2017, but will be reflected as an appropriation for the year ending 31 December 2017.

10 TRADE RECEIVABLES

	As at 30 June 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Due from third parties	**426,360**	454,323
Less: provision for impairment	**(2,982)**	(3,093)
Trade receivables – net	**423,378**	451,230

(a) As at 30 June 2017 and 31 December 2016, 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 and 180 to 360 days from the invoice date for seasonal products and first order of products for new retail stores, respectively. In addition, the Group also gives an additional credit period of 180 to 360 days to certain franchise customers. The ageing analysis of trade receivables based on invoice date, as at 30 June 2017 and 31 December 2016 is as follows:

	As at 30 June 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Trade receivables, gross		
– Within 30 days	**201,848**	234,559
– Over 30 days and within 60 days	**36,398**	54,784
– Over 60 days and within 90 days	**18,910**	37,223
– Over 90 days and within 180 days	**73,550**	46,224
– Over 180 days and within 360 days	**72,568**	75,670
– Over 360 days	**23,086**	5,863
	426,360	454,323

11 LOAN TO A THIRD PARTY

Loan to a third party of RMB105,000,000 was repaid in March 2017. It represented 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 in year 2015.

12 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
As at 1 January 2017	**1,906,457,000**	**117,320**	**1,254,574**	**1,371,894**
Proceeds from shares issued *(Note (a))*	**240,000,000**	**16,472**	**511,978**	**528,450**
Dividends	**–**	**–**	**(115,388)**	**(115,388)**
As at 30 June 2017	**2,146,457,000**	**133,792**	**1,651,164**	**1,784,956**
As at 1 January 2016	1,906,457,000	117,320	1,431,994	1,549,314
Dividends	–	–	(177,420)	(177,420)
As at 30 June 2016	1,906,457,000	117,320	1,254,574	1,371,894

Note:

(a) Pursuant to an agreement dated 5 May 2017 entered into between the Company and Fosun Ruizhe Grace Investments Limited, the Company allotted and issued 240,000,000 shares at the price of HK$2.5 per share on 17 May 2017.

13 TRADE PAYABLES

	As at 30 June 2017 ***RMB'000***	As at 31 December 2016 *RMB'000*
Due to third parties	**524,254**	552,305
Due to related parties	**6,817**	1,949
	531,071	554,254

As at 30 June 2017 and 31 December 2016, trade payables of the Group are denominated in RMB, non-interest bearing, and the carrying amounts approximate their fair values.

As at 30 June 2017, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date was as follows:

	As at 30 June 2017 ***RMB'000***	As at 31 December 2016 *RMB'000*
Trade payables		
– Within 30 days	**86,660**	42,492
– Over 30 days and within 60 days	**137,296**	113,089
– Over 60 days and within 90 days	**117,722**	159,195
– Over 90 days and within 180 days	**155,108**	187,537
– Over 180 days and within 360 days	**21,691**	41,169
– Over 360 days	**12,594**	10,772
	531,071	554,254

14 BORROWINGS

	As at 30 June 2017	As at 31 December 2016
	RMB'000	*RMB'000*
Non-current	**218,070**	200,000
Current	**8,920**	–
	226,990	200,000

Movements in borrowings is analysed as follows:

	RMB'000
Opening amount as at 1 January 2017	**200,000**
Repayments of borrowings	**(3,010)**
Proceeds from bank overdraft	**30,000**
Closing amount as at 30 June 2017	**226,990**

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

The fair values of the non-current borrowings approximate their carrying amounts, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the weighted average borrowing rate of 5.23% (2016: 4.75%) and are within level 2 of the fair value hierarchy.

BUSINESS REVIEW

As stated in the 2016 annual report, mainland China has started the structural adjustments of its intimate wear industry, in respect of sales channel diversification, product quality and mix of products. Such adjustments, together with weak domestic retail sentiment and intense market competition, brought more challenges to the industry in the first half of 2017.

With a view to improving the operating results of the Group, the Group has formulated various measures and initiatives to revitalize the Group's business, including but not limited to the following:

(a) Closure of loss-making retail stores (mainly those located in department stores and street);

(b) Stepping up effort in the development of e-commerce channels;

(c) Developing Indonesia market with a business partner;

(d) Implementation of further initiatives to tighten cost controls by negotiating for lower retail store rentals, reducing expenditure on less-effective marketing and promotion activities and reducing unnecessary expenses;

(e) Enhancing efforts on market research and development of new products, such as new seamless and soft wire bras, upright cotton mold cups, tai chi stone cups, sleepwear products using cationic antiseptic fabric, for getting orders from franchisees and launching to the market in the second half of this year to improve competitiveness;

(f) Establishment of a new product management department for strengthening the coordination and communication between sales department and supply chain department, improving the efficiency of research and development, design and logistics, and making rapid responses to market changes;

(g) Carrying out reforms in supply chain management by enhancing procurement flexibility to optimise inventory control; and procurement of some raw materials for use by OEM suppliers for enhancing quality of final products and enjoying benefits from bulk purchases; and

(h) Entering into a cooperation agreement with Kimuratan Corporation, a Japan listed company, for distributing its infant and children apparels in the mainland China, with a view to broaden the product range of the Group.

The Company has gradually seen the effect of the aforesaid measures. In respect of the bras and underpants businesses, sales recovered from the whole-year decline in 2016 to growth in the first half of 2017. As for the businesses of sleepwear, loungewear and thermal clothes, adjustment was still under way, with gradual improvement expected for the future. Hence, the Group's profit of approximately RMB144,887,000 in the first half of 2017, though lower than approximately RMB174,019,000 in the first half of 2016 due to the closure of many retail stores and clearance of aged inventories, represents a significant improvement when compared with approximately RMB67,942,000 in the second half of 2016, showing that the operation of the Group began to revive.

In addition to sustaining the above measures, the Group will introduce other measures in the second half of the year, including but not limited to greater efforts to open larger new retail stores in appropriate locations and renovate the existing retail stores, working with business partners to develop the markets of Thailand, Vietnam and other Southeast Asia developing countries, and opening discount retail stores in the third and fourth-tier areas in mainland China to secure the opportunities of such markets and clear aged inventories.

FINANCIAL REVIEW

Revenue

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

Apart from the general macroeconomic reasons mentioned in the above business review section, the decline in the total revenue for the six months ended 30 June 2017 by approximately 6.0% to approximately RMB2,079,229,000 was mainly attributable to the closure of loss-making retail stores in the second half of 2016 and the first half of 2017, and the weak sales performance of sleepwear and loungewear business, which is elaborated in the section "Revenue by type of product" below.

Revenue by sales channel

The products of the Group were sold to consumers through an extensive network of retail stores in more than 330 prefecture-level cities across China and via online sales platforms. The breakdown of the total revenue by sales channel is as follows:

	Six months ended 30 June			
	2017		2016	
	RMB'000	***%***	*RMB'000*	*%*
Sales to franchisees	**1,037,369**	**49.9**	1,200,014	54.3
Retail sales	**803,451**	**38.6**	846,418	38.3
E-commerce	**238,409**	**11.5**	164,937	7.4
Total revenue	**2,079,229**	**100.0**	2,211,369	100.0

As mentioned above, the sales to franchisees and retail sales decreased as a result of the closure of loss-making retail stores. Management has stepped up effort in the development of e-commerce channel so that the sales through e-commerce channel continued its high growth momentum in the first half of 2017.

Revenue by type of product

The Group's revenue is generated from five major lines of intimate wear products: bras, underpants, sleepwear and loungewear, thermal clothes and others. The breakdown of the total revenue by type of product is as follows:

	Six months ended 30 June			
	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
Bras	**1,144,001**	**55.0**	1,113,802	50.4
Underpants	**378,830**	**18.2**	339,513	15.3
Sleepwear and loungewear	**251,478**	**12.1**	351,491	15.9
Thermal clothes	**97,396**	**4.7**	128,760	5.8
Others[(1)]	**207,524**	**10.0**	277,803	12.6
Total revenue	**2,079,229**	**100.0**	2,211,369	100.0

Note:

(1) Includes leggings and tights, vests, hosiery and accessories.

Apart from closure of retail stores:

(a) The drop in sales of sleepwear and loungewear was mainly due to the fierce competition in the market and the temporary overstocking of this type of products held by our franchisees; and

(b) The decrease in sales of thermal clothes during the period was mainly attributable to the hotter than normal weather in January and February of 2017 and the preference of consumers for down jackets over thermal clothes.

Gross profit margin

During the period under review, the gross profit margin of the Group decreased to around 45.1% (first half of 2016: 47.7%). This was primarily due to the increase in purchase prices for packaging raw materials and the step up of promotion efforts for clearing the aged inventories brought down from previous years.

Selling and marketing expenses

Selling and marketing expenses primarily consist of employee benefit expenses, operating lease rentals in respect of retail stores, marketing and promotion expenses, e-commerce platforms commission expenses, depreciation and amortization and others.

The decline of selling and marketing expenses by about 9.8% for the six months ended 30 June 2017 to approximately RMB644,757,000 (first half of 2016: RMB714,660,000) was primarily attributable to (i) the decrease of operating lease rentals and employee benefit expenses in respect of self-managed retail stores as a result of closure of loss-making retail stores in the second half of 2016 and the first half of 2017; and (ii) the adoption of more stringent measures to control various expenses.

General and administrative expenses

General and administrative expenses primarily consist of employee benefit expenses, other operating rental expenses, depreciation and amortization and others.

The drop of general and administrative expenses by about 14.7% for the six months ended 30 June 2017 to approximately RMB120,620,000 (first half of 2016: RMB141,330,000) was mainly attributable to (i) the reduction in number of administrative staff of the Group; and (ii) the adoption of more stringent measures to control various expenses.

Other income

Other income consists of government grants, software usage fee income, franchise fee income, service fee income and others. The total amount remained fairly stable during the period under review.

Finance income – net

Net finance income represents interest income derived from available-for-sale financial assets, loan to a third party and short-term bank deposits, less financial expenses on bank borrowings.

The financial income of approximately RMB6,376,000 (first half of 2016: RMB12,180,000) decreased mainly as a result of the decline in the interest on the loan to a third party which has been fully settled in March 2017.

The finance expense of approximately RMB6,039,000 (first half of 2016: nil) was mainly arising from the bank borrowings obtained in the second half of 2016 and the first half of 2017.

Income tax expense

Income tax expense primarily represents income tax payable by the Group under relevant income tax rules and regulations of the PRC. The effective tax rate of the Group for the six months ended 30 June 2017 was approximately 26.5% (first half of 2016: 26.0%) which remained fairly stable. As at 30 June 2017, the Group had fulfilled all its tax obligations and did not have any unresolved tax disputes.

WORKING CAPITAL MANAGEMENT

	Six months ended 30 June 2017	Year ended 31 December 2016
Average inventory turnover days	**181.8**	141.8
Average trade receivables turnover days	**37.9**	39.2
Average trade payables turnover days	**85.5**	76.3

The inventory balance of approximately RMB1,156,801,000 (31 December 2016: RMB1,150,679,000) remained fairly stable. The effort for clearing aged inventories and reducing inventory balance has been offset by the inventories for new products purchased in the first half of 2017. The increase in the average inventory turnover days from 141.8 days for the year ended 31 December 2016 to 181.8 days for the six months ended 30 June 2017 was primarily due to the lower inventory balance of approximately RMB800,377,000 as at 31 December 2015, which was used in the calculation of the average inventory turnover days for the year ended 31 December 2016.

Management expects that after taking the measures mentioned in the business review section, the inventory level at the end of 2017 will likely be lower than that at the end of 2016.

Average trade receivables turnover days of about 37.9 days remained fairly stable (31 December 2016: 39.2 days).

Average trade payables turnover days increased from about 76.3 days for the year ended 31 December 2016 to about 85.5 days for the six months ended 30 June 2017 because of increased bargaining power against the OEM suppliers.

ISSUANCE OF NEW SHARES TO A STRATEGIC INVESTOR

On 17 May 2017, the Company issued 240,000,000 new shares at a price of HK$2.50 per share to a wholly-owned subsidiary of Fosun International Limited ("**Fosun**") raising a gross proceed of HK$600,000,000. As at 30 June 2017, the above proceed was deposited in certain licensed banks in Hong Kong.

The Company and Fosun have entered into a strategic cooperation agreement pursuant to which the parties agreed to utilize their respective resources, expertise and experience to explore various possible in-depth cooperations with a view to further promote the brands and development of the Group in the intimate wear industry in China.

For details of the above transaction, please refer to the announcements dated 5 May 2017 and 17 May 2017.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a solid balance sheet. As at 30 June 2017, the Group's term deposits and cash and cash equivalents amounted to approximately RMB1,382,023,000 (31 December 2016: RMB809,178,000) and bank borrowings amounted to approximately RMB226,990,000 (31 December 2016: RMB200,000,000). As at 30 June 2017, the current ratio was about 4.1 times (31 December 2016: 3.4 times). The increase in term deposits and cash equivalents and cash and improvement in current ratio were mainly due to the issuance of new shares as mentioned above.

As at 30 June 2017, the Group's gross gearing ratio, which was calculated on the basis of the amount of bank borrowings as a percentage of the total shareholders' equity, was approximately 7.0% (31 December 2016: 7.4%). The net gearing ratio, which was calculated on the basis of the amount of bank borrowings less term deposits and cash and cash equivalents as a percentage of the total shareholders' equity, was approximately negative 35.6% (31 December 2016: negative 22.6%) as the Group was at a net cash position.

FOREIGN CURRENCY RISK

Most of the Group's income, expenses and purchases of raw materials are denominated in Renminbi. The Group has never had any significant difficulties in obtaining sufficient foreign currencies for repatriation of profits declared by the subsidiaries in mainland China to the overseas holding companies.

APPOINTMENT OF PROFESSIONAL CONSULTANT

Management has engaged Rowland Berger Strategy Consultants (Shanghai) Limited ("**Rowland Berger**"), a global leading consulting firm, to assist the Group to prepare and implement its 5-year development plan for the future. Rowland Berger will make recommendations to management on strategies for income and development in the next 5 years, strategies and layout for brand building, development and layout for distribution channels and reforms on supply chain management and products of the Group.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company's ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 26 June 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 six months ended 30 June 2017, utilized approximately RMB318,342,000 (equivalent to approximately HK$361,253,000) to expand and maintain its retail network of its self-managed retail stores, approximately RMB158,739,000 (equivalent to approximately HK$180,137,000) and RMB114,538,000 (equivalent to approximately HK$129,977,000) to construct and operate the logistics centers in Tianjin and Dongguan respectively and approximately RMB25,603,000 (equivalent to approximately HK$29,054,000) to upgrade information technology infrastructure. As at 30 June 2017, net proceeds not yet utilized were deposited with certain licensed banks in Hong Kong and China.

CAPITAL EXPENDITURE

During the period, capital expenditure of approximately RMB58,976,000 (first half of 2016: RMB84,811,000) was used mainly for the construction of the logistics centers in Tianjin. The amount of capital expenditure declined as the construction work for the first stage of the Tianjin logistics centre had been completed in the first quarter of 2017.

DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

Pursuant to an agreement dated 23 June 2017 entered into between a wholly-owned subsidiary of the Company and Guangdong Zhengji Innovative Industrial Park Development Company Limited ("**Guangdong Zhengji**"), a company owned as to 90% by Mr. Zheng Yaonan, the chairman, chief executive officer, an executive Director and a controlling shareholder of the Company, the Group disposed 95% of the equity interest of Cosmo Lady Guangdong Intelligent Industry Investment Company Limited, which owns the land use right of a parcel of land located in the PRC, to Guangdong Zhengji at the appraised value of RMB10,809,100, and the Group has recorded a gain of approximately RMB1,583,000. For details of the transaction, please refer to the announcement dated 23 June 2017.

PLEDGE OF ASSETS

At 30 June 2017, no property, plant and equipment, and land use rights were pledged as security for banking facilities available to the Group.

CONTINGENT LIABILITIES

At 30 June 2017, the Group did not have any significant contingent liabilities.

DISTRIBUTION NETWORK ACROSS CHINA

As the leader of the China's intimate wear industry, the Group has an extensive distribution network across China. Nevertheless, in response to the structural adjustments in the mainland China intimate wear industry and the challenges faced by the Group as described in the business review section, a lot of loss-making retail stores have been closed and hence the total net number of retail stores has declined by 236 during the period under review. In addition, upon the disposal of the low-end "Freeday" retail operation, which represented only about 1% of the Group's sales in 2016, the number of retail stores declined by 108. As at 30 June 2017, the Group's distribution network comprised 7,307 retail stores, out of which 1,295 were self-managed retail stores and 6,012 were franchised retail stores.

HUMAN RESOURCES AND MANAGEMENT

The Group had approximately 7,000 full-time employees as at 30 June 2017 (31 December 2016: 7,800). The Group's remuneration package is determined with reference to the experience and qualifications of the individual employees and general market conditions. Bonus is linked to the Group's operating result as well as individual performance. The Group also ensures that all employees are provided with adequate training according to their needs. Staff attendances of over 4,600 were recorded in approximately 270 staff training sessions held by the Group for the first half of 2017.

ENVIRONMENTAL MANAGEMENT

Being a socially and environmentally responsible enterprise, the Group is dedicated to achieve environmental sustainability through its daily operations and is in compliance with regulations including the newly revised "Environmental Protection Law of the People's Republic of China" and regulations set by the Environmental Protection Bureau of Local Government. The Group has also attained ISO14001 Environment Management Systems. A corporate social responsibility report for the Group has been issued in accordance with the Environmental, Social and Governance reporting guide of the Stock Exchange and included in the 2016 annual report. A similar report will be included in the 2017 annual report which will be issued in next year.

OUTLOOK AND STRATEGY

Looking ahead to the second half of 2017, the Group will adopt or continue to adopt the measures and initiatives mentioned in the business review section to revitalize the Group's business. The Group will also proactively seek suitable merger, acquisition, share subscription and/or cooperation opportunities, amid industry adjustments, with a view to further develop the Group's existing business and new businesses with synergy effect. As such, the Board is cautiously optimistic that the operating result of the Group will continue to improve in the second half of 2017.

INTERIM DIVIDEND

The Board of the Company has recommended the payment of interim dividend of HK2.58 cents per share (equivalent to approximately RMB2.20 cents per share, using the exchange rate quoted by the People's Bank of China on 18 August 2017) for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil). The interim dividend would be payable to shareholders whose names appear on the register of members of the Company on Thursday, 7 September 2017. Dividend warrants are expected to be despatched on Monday, 18 September 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 5 September 2017 to Thursday, 7 September 2017, both days inclusive. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queens's Road East, Wanchai, Hong Kong, no later than 4:30p.m. on Monday, 4 September 2017 for registration.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company has complied with all the code provisions set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Listing Rules throughout the period of six months ended 30 June 2017, except the following:

(a) according to Code Provision A.2.1 of the Code, 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 operations 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 are 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 four independent non-executive directors on the Board offering advice in 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; and

(b) according to Code Provision A.6.7 of the Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balance understanding of the views of shareholders. Owing to other business engagements, Dr. Dai Yiyi and Mr. Chen Zhigang, both being independent non-executive Directors, were not available to attend the annual general meeting of the Company held on 19 May 2017. However, Mr. Zheng Yaonan, the chairman of the Board and the chief executive officer of the Company, Mr. Lin Zonghong and Ms. Wu Xiaoli, both being executive Directors, Mr. Wen Baoma, a non-executive Director, and Mr. Yau Chi Ming being an independent non-executive Director, were present at the annual general meeting to ensure an effective communication with the shareholders at that meeting.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct regarding securities transactions by the Directors. Specific enquiry was made with all the Directors and all confirmed that they have complied with the requirements set out in the Model Code throughout the six months ended 30 June 2017.

AUDIT COMMITTEE

The audit committee comprises four independent non-executive Directors of the Company, namely Mr. Yau Chi Ming, Dr. Dai Yiyi, Mr. Chen Zhigang and Mr. Lu Hong Te. Mr. Yau Chi Ming, who possesses appropriate professional qualifications as required by the Listing Rules, is the chairman of the audit committee.

The committee holds regular meetings to review the Group's financial information, financial reporting system, internal control procedures and risk management system, including a review of the interim financial information for the six months ended 30 June 2017.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2017

This interim results announcement is published on the websites of the Stock Exchange at http://www.hkexnews.hk and the Company at http://www.cosmo-lady.com.hk. The interim report will be dispatched to the shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 21 August 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 and Mr. Yang Weiqiang as non-executive directors; and Mr. Yau Chi Ming, Dr. Dai Yiyi, Mr. Chen Zhigang and Mr. Lu Hong Te as independent non-executive directors.