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

INTERIM REPORT 2017

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 Directors

Mr. Wen Baoma
Mr. Yang Weiqiang

Independent Non-executive Directors

Mr. Yau Chi Ming
Dr. Dai Yiyi
Mr. Chen Zhigang
Mr. Lu Hong Te

COMPANY SECRETARY

Mr. Loo Hong Shing Vincent *FCCA, AHKSA*

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited
Dongguan Rural Commercial Bank
China Construction Bank Corporation

SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 2298

WEBSITE

www.cosmo-lady.com.hk

INVESTOR RELATIONS

Porda Havas International Finance Communications Group
Website: cosmo-lady@pordahavas.com

AUTHORIZED REPRESENTATIVES

Mr. Zheng Yaonan
Mr. Loo Hong Shing Vincent

REGISTERED OFFICE

Estera Trust (Cayman) Limited
P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman, KY1-1108
Cayman Islands

HEAD OFFICE

Shi Shi Xia Shan Tang Wei
Fengdeling Village
Fenggang Town Dongguan City
Guangdong Province
People's Republic of China

PLACE OF BUSINESS IN HONG KONG

Unit 3004, 30/F.,
West Tower, Shun Tak Centre
Nos. 168-200 Connaught Road Central
Hong Kong

SHARE REGISTRAR IN HONG KONG

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

LEGAL ADVISORS

Hong Kong
Cleary Gottlieb Steen & Hamilton
ReedSmith Richards Butler

PRC
Jingtian Gongcheng

Financial Highlights

		Six months ended 30 June		
		2017	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**	–	

Management Discussion and Analysis

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 and cash equivalents, 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 centres 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 centre 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.

Report on Review of Interim Financial Information

羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 13 to 39, which comprises the condensed consolidated balance sheet of Cosmo Lady (China) Holdings Company Limited (the "**Company**") and its subsidiaries (together, the "**Group**") as at 30 June 2017 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 August 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Six months ended 30 June	
		2017	2016
		Unaudited	Unaudited
	Note	**RMB'000**	RMB'000
Revenue	*5*	**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	*6*	**23,968**	24,216
Other gains – net	*6*	**1,557**	696
Operating profit	*7*	**197,343**	222,950
Finance income	*8*	**6,376**	12,180
Finance expenses	*8*	**(6,039)**	–
Finance income – net		**337**	12,180
Share of loss of an associate		**(515)**	–
Profit before income tax		**197,165**	235,130
Income tax expense	*9*	**(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	*10*	**RMB cents**	RMB cents
Basic and diluted		**7.40**	9.13

The notes on pages 18 to 39 form an integral part of this condensed consolidated interim financial information.

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	*12*	**557,498**	545,646
Land use rights	*12*	**88,351**	89,391
Intangible assets	*12*	**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	*14*	**37,942**	39,209
		786,047	760,100
Current assets			
Inventories		**1,156,801**	1,150,679
Trade receivables	*15*	**423,378**	451,230
Loan to a third party	*13*	**–**	105,000
Deposits, prepayments and other receivables		**575,301**	503,199
Term deposits	*16*	**370,021**	9,645
Cash and cash equivalents	*16*	**1,012,002**	799,533
		3,537,503	3,019,286
Total assets		**4,323,550**	3,779,386

	Note	As at 30 June 2017 Unaudited RMB'000	As at 31 December 2016 Audited RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*17*	**133,792**	117,320
Share premium	*17*	**1,651,164**	1,254,574
Other reserves	*18*	**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	*20*	**531,071**	554,254
Accruals and other payables		**283,124**	305,614
Current income tax liabilities		**39,275**	24,088
Borrowings	*21*	**8,920**	–
		862,390	883,956
Non-current liabilities			
Borrowings	*21*	**218,070**	200,000
Deferred income tax liabilities	*14*	**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

The notes on pages 18 to 39 form an integral part of this condensed consolidated interim financial information.

ZHENG Yaonan
Director

ZHANG Shengfeng
Director

Condensed Consolidated Statement of Changes in Equity

	Note	Unaudited Attributable to equity holders of the Company				
		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity 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	*17*	16,472	511,978	–	–	528,450
Dividends relating to 2016 paid in June 2017		–	(115,388)	–	–	(115,388)
Equity-settled share-based compensation	*19*	–	–	(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	*19*	–	–	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

The notes on pages 18 to 39 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

		Six months ended 30 June	
		2017	2016
		Unaudited	Unaudited
	Note	**RMB'000**	RMB'000
Cash flows from operating activities			
Cash generated from operations	*22*	**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
Repayment of loan by a third party	*13*	**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**	–
Repayment of borrowings		**(3,010)**	–
Proceeds from shares issued	*17*	**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	*16*	**1,012,002**	743,105

The notes on pages 18 to 39 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

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 have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**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" and 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 results or financial position of the Group.

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

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

2 BASIS OF PREPARATION (Continued)

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing this Interim Financial Information. None of these is expected to have a significant effect on the Interim Financial Information of the Group, except the following set out below:

IFRS 9, 'Financial instruments'
The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, equity instruments currently classified as available-for-sale financial assets would appear to satisfy the conditions for classification as fair value through other comprehensive income and hence there will be no change to the accounting for these assets. There is no other financial assets held by the Group that measured at fair value.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

There is a change in hedge accounting rules that more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any such hedging instruments.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, and it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group does not intend to adopt IFRS 9 before its mandatory date.

2 BASIS OF PREPARATION (Continued)

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

IFRS 15, 'Revenue from contracts with customers'

IFRS 15 will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The new standard permits either a full retrospective or a modified retrospective approach for the adoption.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. In 2016, this is a clarification to IFRS 15 issued in relation to the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance. Management is currently assessing the effects of applying the new standard on the Group's financial statements and currently does not anticipate that the application of IFRS 15 in the future will have a material effect on the Group's consolidated financial statements. IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The Group does not intend to adopt the standard before its effective date.

IFRS 16, 'Leases'

IFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. While the accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB475,139,000 (Note 23(b)). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

There are no other IFRSs or interpretations that are not yet effective that would be expected to have a material impact on the Group.

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

2 BASIS OF PREPARATION (Continued)

(d) Investment in an associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the statement of profit or loss.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise 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 period.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2016.

There have been no changes in any risk management policies since 31 December 2016.

(b) 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 net 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 debt.

As at 30 June 2017 and 31 December 2016, the Group has a net cash position and the aggregate balances of bank deposits and cash and cash equivalents exceeded the balance of bank loans by approximately RMB1,155,033,000 (2016: RMB609,178,000).

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) 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).

As at 30 June 2017, except for the available-for-sale financial assets of RMB19,169,000 (as at 31 December 2016: RMB18,600,000) were measured at level 3 fair value, the Group's financial instruments recognised in the consolidated balance sheet are mainly receivables and financial liabilities carried at amortised cost. Movements of level 3 financial instruments for the period ended 30 June 2017 are as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
At 1 January	**18,600**	15,600
Addition	**569**	3,000
At 30 June	**19,169**	18,600

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 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).

5 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

6 OTHER INCOME AND OTHER GAINS – NET

	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
Franchise fee income	**406**	483
Service fee income *(Note (b))*	**–**	1,765
Others	**3,040**	7,502
	23,968	24,216
Other gains – net:		
Gain on disposal of a subsidiary *(Note 24 (c))*	**1,378**	–
Net foreign exchange gains	**475**	832
Loss on disposal of property, plant and equipment-net	**(296)**	(136)
	1,557	696

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.

7 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Employee benefit expenses (including directors' emoluments)	**256,201**	280,541
Operating lease rentals in respect of retail stores (including variable rentals of 241,599,000 (2016: RMB231,811,000) *(Note (a))*	**250,151**	273,765
Other operating rental expenses	**16,829**	21,414
Depreciation and amortisation *(Notes 12)*	**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

Note:

(a) Revenue in respect of the retail stores under variable rentals arrangement with minimum commitment amounted to RMB781,247,000 for the six months ended 30 June 2017 (2016: RMB730,037,000).

8 FINANCE INCOME AND EXPENSES

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Finance income		
Interest income on available-for-sale financial assets	**4,062**	5,777
Interest income on loan to a third party	**1,717**	4,896
Interest income on short-term bank deposits	**597**	1,507
	6,376	12,180
Finance expenses		
Interest expense on bank borrowings	**(6,039)**	–
	337	12,180

9 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 *(Note 14)*	**1,178**	(8,535)
Income tax expenses	**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.

10 EARNINGS PER SHARE

Basic

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

	Six months ended 30 June	
	2017	2016
Profit for the period attributable to equity holders of 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 the 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).

11 INTERIM DIVIDENDS

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$55,378,000 (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 condensed consolidated interim financial information for the six months ended 30 June 2017, but will be reflected as an appropriation for the year ending 31 December 2017.

12 PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND INTANGIBLE ASSETS

	Property, plant and equipment RMB'000	Land use rights RMB'000	Intangible assets RMB'000
Six months ended 30 June 2017			
As at 1 January 2017	**545,646**	**89,391**	**39,449**
Additions	**51,005**	**–**	**7,402**
Disposals	**(494)**	**–**	**–**
Depreciation and amortisation	**(38,659)**	**(1,040)**	**(2,819)**
As at 30 June 2017	**557,498**	**88,351**	**44,032**
Six months ended 30 June 2016			
As at 1 January 2016	448,999	91,471	40,110
Additions	78,265	–	6,546
Disposals	(304)	–	–
Depreciation and amortisation	(38,139)	(1,040)	(4,035)
As at 30 June 2016	488,821	90,431	42,621

13 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.

14 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.

14 DEFERRED INCOME TAX (Continued)

Movements in 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	Unrealised profit RMB'000	Tax losses carried forward RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017	**15,933**	**773**	**832**	**–**	**15,057**	**6,614**	**39,209**
Credited/(charged) to the profit or loss *(Note 9)*	**(580)**	**(27)**	**(711)**	**444**	**(1,929)**	**1,536**	**(1,267)**
At 30 June 2017	**15,353**	**746**	**121**	**444**	**13,128**	**8,150**	**37,942**
At 1 January 2016	9,496	366	938	–	2,817	16,701	30,318
Credited/(charged) to the profit or loss *(Note 9)*	361	546	(736)	–	2,912	5,363	8,446
At 30 June 2016	9,857	912	202	–	5,729	22,064	38,764

As at 30 June 2017, majority of the Group's deferred income tax assets are expected to be recovered within 12 months.

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

	Intangible assets	
	2017 RMB'000	2016 RMB'000
At 1 January	**1,601**	1,778
Credited to the profit or loss *(Note 9)*	**(89)**	(89)
At 30 June	**1,512**	1,689

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

As at 30 June 2017, temporary differences relating to the undistributed profits of certain subsidiaries of the Group in the PRC amounted to RMB1,268,628,000 (31 December 2016: RMB1,130,998,000). Deferred tax liabilities of RMB126,863,000 (31 December 2016: RMB113,100,000) have not been recognised 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.

15 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

Notes:

(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.

(c) The aging 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

16 BANK BALANCES AND CASH

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Cash and cash equivalents	1,012,002	799,533
Term deposits with initial term of over three months *(Note (a))*	360,796	420
Restricted bank deposits *(Note (b))*	9,225	9,225
Total bank balances and cash	1,382,023	809,178
Denominated in:		
RMB	948,494	786,224
HK$	285,676	22,638
Other currencies	147,853	316
	1,382,023	809,178

Notes:

(a) As at 30 June 2017, the weighted average effective interest rate of the Group's term deposits with initial terms of over three months was 1.1% (2016: 0.8%) 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.

17 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)*	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: 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.

18 OTHER RESERVES

	Merger reserve RMB'000 (note (a))	Shares held for share award scheme RMB'000 (note (d))	Statutory reserve RMB'000 (note (b))	Capital reserve RMB'000 (note (c))	Contribution reserve RMB'000	Equity-settled share-based compensation reserve RMB'000 (Note 19)	Exchange reserve RMB'000	Total other reserves RMB'000
At 1 January 2017	(8,938)	(14,872)	64,056	192,790	18,429	6,540	2,924	260,929
Equity-settled share-based compensation								
– Value of employee services	–	–	–	–	–	(1,592)	–	(1,592)
Currency translation differences	–	–	–	–	–	–	(8,608)	(8,608)
At 30 June 2017	(8,938)	(14,872)	64,056	192,790	18,429	4,948	(5,684)	250,729
At 1 January 2016	(8,938)	–	37,749	192,790	9,119	12,477	999	244,196
Equity-settled share-based compensation								
– Value of employee services	–	–	–	–	–	2,423	–	2,423
– Transfer upon vested	–	–	–	–	9,119	(9,119)	–	–
Appropriation to statutory reserves	–	–	47,731	–	–	–	–	47,731
Currency translation differences	–	–	–	–	–	–	761	761
At 30 June 2016	(8,938)	–	85,480	192,790	18,238	5,781	1,760	295,111

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 Group reorganisation.

(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.

18 OTHER RESERVES (Continued)

Notes: (Continued)

(c) Capital reserve

Capital reserve represented the excess of the cash consideration over the paid-in capital arising from capital contributions to Cosmo Lady Guangdong Holdings Limited ("**Cosmo Lady Guangdong**") by investors.

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

(d) Shares held for share award scheme

The Share Award Scheme is managed by the Share Scheme Trustee established by the Group in 2016. According to the Share Award Scheme approved by the Board of Directors on 17 August 2016, the Board may from time to time determine the maximum number of ordinary shares of the Company which may be purchased by the Share Scheme Trustee in the open market on the Stock Exchange.

On 17 August 2016, the Share Scheme Trustee acquired and withheld 5,577,000 ordinary shares of the Company from the open market with funds provided by the Company by way of contributions, for an aggregate consideration of approximately HK$17,274,000 (equivalent to approximately RMB14,872,000), which had been deducted from shareholders' equity.

19 EQUITY-SETTLED SHARE-BASED COMPENSATION

Great Ray Investment Holdings Limited ("**Great Ray**"), a company incorporated in the BVI, which was set up by the shareholders of the Company for the benefits of the Group's employees, holds certain ordinary shares of the Company and operates a Pre-IPO Share Award Scheme (the "**Share Award Scheme**") in exchange for employee services to the Group.

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

	Six months ended 30 June	
	2017 Number of ordinary shares	2016 Number of ordinary shares
At 1 January	**6,900,000**	21,645,000
Vested	–	(11,655,000)
Forfeited	**(6,900,000)**	–
At 30 June	–	9,990,000

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 recognised 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 amortised over the different vesting periods of each grant with a credit recognised in equity as the equity-settled share-based compensation reserve.

19 EQUITY-SETTLED SHARE-BASED COMPENSATION (Continued)

For the six months ended 30 June 2017, expenses write off/arising from the share-based compensation have been (credit)/charged in the consolidated statement of comprehensive income as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
General and administrative expenses	**(1,063)**	1,691
Selling and marketing expenses	**(529)**	732
	(1,592)	2,423

20 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 *(Note 24(d))*	**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.

At 30 June 2017, the aging analysis of 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

21 BORROWINGS

	As at 30 June 2017 RMB'000	As at 31 December 2016 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
Repayment of borrowings	(3,010)
Proceeds from bank borrowings	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.

22 NOTE TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Profit before income tax	**197,165**	235,130
Add: Share of loss of an associate	**515**	–
Adjustments for:		
– Depreciation of property, plant and equipment *(Note 12)*	**38,659**	38,139
– Amortisation of land use rights *(Note 12)*	**1,040**	1,040
– Amortisation of intangible assets *(Note 12)*	**2,819**	4,035
– Provision for impairment of trade receivables	**916**	2,185
– Provision for impairment of other receivables	**630**	2,809
– Write-down of inventories	**4,160**	9,241
– Finance income *(Note 8)*	**(6,376)**	(12,180)
– Finance expenses *(Note 8)*	**6,039**	–
– Foreign exchange gains – net	**(475)**	(832)
– Equity-settled share-based compensation *(Note 19)*	**(1,592)**	2,423
– Gain on disposal of a subsidiary *(Note 6)*	**(1,378)**	–
– Loss on disposal of property, plant and equipment – net *(Note 6)*	**296**	136
	242,418	282,126
Changes in working capital:		
– Decrease/(increase) in trade receivables	**26,936**	(71,291)
– Increase in deposits, prepayments and other receivables	**(77,195)**	(22,752)
– Increase in inventories	**(10,282)**	(98,583)
– (Decrease)/increase in trade payables	**(23,183)**	11,156
– (Decrease)/increase in accruals and other payables	**(25,561)**	8,525
Cash generated from operations	**133,133**	109,181

23 COMMITMENTS

(a) Capital commitments

As at 30 June 2017 the Group had the following capital commitments not provided for:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Contracted but not provided for:		
Property, plant and equipment	82,660	107,894
Intangible assets	3,293	2,313
	85,953	110,207

(b) Operating lease commitments

As at 30 June 2017 the future aggregate minimum lease payments in respect of buildings under non-cancellable operating leases are as follows:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
No later than 1 year	198,919	235,187
Later than 1 year and no later than 5 years	274,419	358,945
Later than 5 years	1,801	18,539
	475,139	612,671

24 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 operating decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business for the six months ended 30 June 2017, and balances arising from related party transactions as at reporting date.

(a) Name and relationship with related parties

Name	Relationship with the Group
Mr. ZHANG Shengfeng	Director
Mr. LIN Zonghong	Director
Shantou City Shengqiang Knitting Industrial Co., Ltd. (汕頭市盛強針織實業有限公司, "**Shantou Shengqiang**")	Controlled by a brother of Mr. ZHANG Shengfeng's spouse
Shantou City Maosheng Knitting Underwear Co., Ltd. (汕頭市茂盛針織內衣有限公司, "**Shantou Maosheng**")	Controlled by a brother of Mr. LIN Zonghong
Guangdong Zhengji Innovative Industrial Park Development Co., Ltd. (廣東正基創新產業園發展有限公司, "**Guangdong Zhengji**")	Controlled by Mr. ZHENG Yaonan
Cosmo Lady Guangdong Intelligent Industry Investment Co., Ltd. ("**CLGIII**") (廣東都市麗人智慧產業投資有限公司)	Controlled by Mr. ZHENG Yaonan
Guangdong Dongdu Holdings Limited (廣東東都實業有限公司)	Joint venture

(b) Transactions with related parties – Purchases of goods

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Continuing transactions:		
Shantou Shengqiang	**11,429**	5,600
Shantou Maosheng	**5,188**	8,078
	16,617	13,678

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) Disposal of equity interest in a subsidiary

On 23 June 2017, the Group disposed of 95% equity interest in a wholly-owned subsidiary, which was engaged in property investment to Guangdong Zhengji, for a non-cash consideration of RMB10,809,100. A gain on disposal of the equity interest was RMB1,378,000 (Note 6).

24 RELATED-PARTY TRANSACTIONS (Continued)

(d) Balances with related parties

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Other receivables		
Guangdong Dongdu Holdings Limited	17,911	8,856
CLGIII	3,200	–
	21,111	8,856

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Trade payables		
Shantou Shengqiang	5,724	1,903
Shantou Maosheng	1,093	46
	6,817	1,949

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

(e) Key management compensation

The remuneration of directors of the Company and other members of key management of the Group for the six months ended 30 June 2017 is as follows:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Wages, salaries and bonuses	4,747	4,101
Social insurance and housing fund	272	194
Equity-settled share-based compensation	22	758
	5,041	5,053

Other Information

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the interests and short positions of the Directors and the chief executive officers of the Company or any of their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("**the Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules were as follows:

(i) Interest and short positions in the Company

Name of Directors	Nature of interest	Number of shares held[1]	Approximate percentage of shareholding interest[1]
Mr. Zheng Yaonan[2][3]	Interests held jointly with another person; interest of controlled company	1,177,257,678 (L)	54.85% (L)
Mr. Zhang Shengfeng[2]	Interests held jointly with another person; interest of controlled company	1,177,257,678 (L)	54.85% (L)
Mr. Lin Zonghong[2]	Interests held jointly with another person; interest of controlled company	1,177,257,678 (L)	54.85% (L)
Mr. Cheng Zuming[2]	Interests held jointly with another person; interest of controlled company	1,177,257,678 (L)	54.85% (L)
Ms. Wu Xiaoli[2][3]	Interest of spouse	1,177,257,678 (L)	54.85% (L)
Mr. Wen Baoma	Personal Interests	5,000,000 (L)	0.23% (L)

Notes:

(1) The letter "L" denotes the person's long position in the shares. The calculation is based on the number of ordinary shares that each person is interested in (whether directly/indirectly interested or deemed to be interested) as a percentage of the total number of issued ordinary shares (that is, 2,146,457,000 shares) of the Company as at 30 June 2017.

(2) Mr. Zheng Yaonan, Mr. Zhang Shengfeng, Mr. Lin Zonghong, Mr. Cheng Zuming, Great Brilliant Investment Holdings Limited, Forever Flourish International Holdings Limited, Forever Shine Holdings Limited, Mountain Dragon Investment Limited and Harmonious Composition Investment Holdings Limited, acting in concert, together controlled (and each of them was deemed to be interested in) approximately 54.85% of the total issued share capital in the Company.

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

(ii) Interest in associated corporations of the Company

Name of Directors	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%

Save as disclosed above, as at 30 June 2017, none of the Directors or the chief executive officers of the Company or any of their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2017, the following shareholders (other than the Directors and chief executive officers) were interested, directly or indirectly, in 5% or more of the number of issued shares and the underlying shares of the Company and those interests were required to be recorded in the register required to be kept under Section 336 of the SFO:

Name	Nature of interest	Number of shares held[1]	Approximate percentage of shareholding interest[1]
Great Brilliant Investment Holdings Limited[2]	Interests held jointly with another person; interest of controlled company	1,177,257,678 (L)	54.85% (L)
Forever Flourish International Holdings Limited[2]	Interests held jointly with another person; interest of controlled company	1,177,257,678 (L)	54.85% (L)
Forever Shine Holdings Limited[2]	Interests held jointly with another person; interest of controlled company	1,177,257,678 (L)	54.85% (L)

Name	Nature of interest	Number of shares held[1]	Approximate percentage of shareholding interest[1]
Harmonious Composition Investment Holdings Limited[2]	Interests held jointly with another person; beneficial interest	1,177,257,678 (L)	54.85% (L)
Mountain Dragon Investment Limited[2]	Interests held jointly with another person; interest of controlled company	1,177,257,678 (L)	54.85% (L)
Ms. Cai Jingqin[3]	Interest of spouse	1,177,257,678 (L)	54.85% (L)
Ms. Cai Shaoru[4]	Interest of spouse	1,177,257,678 (L)	54.85% (L)
Fosun International Holdings Limited[5]	Interest of controlled company	240,000,000 (L)	11.18% (L)
Fosun International Limited[5]	Interest of controlled company	240,000,000 (L)	11.18% (L)
Fosun Ruizhe Grace Investments Limited[5]	Beneficial interest	240,000,000 (L)	11.18% (L)
Guo Guangchang[5]	Interest of controlled company	240,000,000 (L)	11.18% (L)
Prime Capital Management Company Limited	Beneficial owner	184,083,558 (L)	8.58% (L)
Morgan Stanley[6]	Interest of controlled company; interests held jointly with another person	158,741,395 (L) 158,756,395 (S)	7.40% (L) 7.40% (S)
Capital Today Investment XVIII (HK) Limited[7]	Beneficial owner	133,156,000 (L)	6.20% (L)
Capital Today Investment XVIII Limited[7]	Interest of controlled company	133,156,000 (L)	6.20% (L)
Capital Today China Growth Fund, LP[7]	Interest of controlled company	133,156,000 (L)	6.20% (L)
Capital Today China Growth GenPar, LTD[7]	Interest of controlled company	133,156,000 (L)	6.20% (L)
Capital Today Partners Limited[7]	Interest of controlled company	133,156,000 (L)	6.20% (L)
Ms. Xu Xin[7]	Interest of controlled company	133,156,000 (L)	6.20% (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. The calculation is based on the number of ordinary shares that each person is interested in (whether directly/indirectly interested or deemed to be interested) as a percentage of the total number of issued ordinary shares (that is, 2,146,457,000 shares) of the Company as at 30 June 2017.

(2) Mr. Zheng Yaonan, Mr. Zhang Shengfeng, Mr. Lin Zonghong, Mr. Cheng Zuming, Great Brilliant Investment Holdings Limited, Forever Flourish International Holdings Limited, Forever Shine Holdings Limited, Mountain Dragon Investment Limited and Harmonious Composition Investment Holdings Limited, acting in concert, together controlled (and each of them was deemed to be interested in) approximately 54.85% of the total issued share capital in the Company.

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

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

(5) Pursuant to the subscription agreement entered into between the Company and Fosun Ruizhe Grace Investments Limited on 5 May 2017, Fosun Ruizhe Grace Investments Limited, an indirect wholly-owned subsidiary of Fosun International Limited subscribed and paid for 240,000,000 shares at the subscription price of HK$2.50 per share, which was completed on 17 May 2017. Each of Mr. Guo Guangchang, Fosun International Holdings Limited and Fosun International Limited were deemed to be interested in the 240,000,000 shares of the Company held by Fosun Ruizhe Grace Investments Limited because Fosun Ruizhe Grace Investments Limited is an indirect wholly-owned subsidiary of Fosun International Limited. Fosun International Limited is indirectly owned as to 71.76% by Fosun International Holdings Limited, which is owned as to 64.45% by Mr. Guo Guangchang.

(6) Morgan Stanley was deemed to have a long position in 158,741,395 shares and a short position in 158,756,395 shares in total by virtue of its control over the following corporations:

  (a) Morgan Stanley & Co. International plc (Morgan Stanley's indirect subsidiary) had a long position in 141,255,634 shares and a short position in 158,713,395 shares.

  (b) Morgan Stanley & Co. LLC (Morgan Stanley's indirect subsidiary) had a long position in 17,071,881 shares.

  (c) Morgan Stanley Capital Services LLC (Morgan Stanley's indirect subsidiary) had a long position in 413,880 shares and a short position in 43,000 shares.

  In addition, the long position in 9,788,000 shares and short position in 57,619,867 shares involved cash settled derivatives (off exchange).

(7) Capital Today Investment XVIII (HK) Limited, a Hong Kong registered company, held 133,156,000 shares, representing approximately 6.20% 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 British Virgin Islands. Capital Today China Growth Fund, LP, an exempted limited partnership registered in the Cayman Islands, holds approximately 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, approximately 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 approximately 6.20% of the total issued share capital of the Company.

Save as disclosed above, as at 30 June 2017, the Directors of the Company were not aware of any person (other than the Directors and chief executive officers) who had, directly or indirectly, interest or short positions in shares and underlying shares of the Company and those interests or short positions were required to be recorded in the register kept under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") on 9 June 2014 to provide incentives and/or rewards to any director or employee of the Group who in the sole discretion of the Board has contributed or will contribute to the Group for their contribution to, and continuing efforts to promote the interests of the Group.

Under the Share Option Scheme, no options were granted or agreed to be granted, exercised, cancelled or lapsed during the six months ended 30 June 2017, nor was there any option outstanding at the beginning or at the end of the period.

SHARE AWARD SCHEME

The Company adopted a share award scheme (the "**Share Award Scheme**") on 17 August 2016. The purposes and objectives of the Share Award Scheme are to recognize and motivate the contribution of the employees of the Group and help the Group in retaining its existing members of management. The Share Award Scheme shall be valid and effective for a period of 10 years commencing on 17 August 2016.

As at 30 June 2017, a total of 5,577,000 shares have been purchased from the open market and no shares have been granted to the selected participant of the Group under the Share Award Scheme. For details, please refer to the Company's announcement dated 17 August 2016.

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, 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 that:

(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 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 period 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 meeting 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.

INFORMATION REGARDING DIRECTORS

Mr. Yau Chi Ming, the independent non-executive Director of the Company, resigned as an independent non-executive director, the chairman of the audit committee, a member of the nomination committee and the remuneration committee of Common Splendor International Health Industry Group Limited, a company listed on the Stock Exchange, with effect from 1 July 2017.

Mr. Wen Baoma, the non-executive Director of the Company, resigned as the board of director of Wisdom Alliance Limited and Yuanmeng Household Products Co., Ltd. with effect from 28 December 2016 and 12 June 2017 respectively.

Mr. Yang Weiqiang has been appointed as a non-executive director of the Company and Mr. Lu Hong Te has been appointed as an independent non-executive director of the Company, a member of each of the audit committee, the remuneration committee, the nomination committee and the risk management committee of the Board, in each case, with effect from 17 August 2017.

Save as disclosed above, there was no change in the information regarding the Directors of the Company subsequent to the date of publication of the Annual Report 2016 of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.