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## **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)**

### **INSIDE INFORMATION**

#### **SUBSCRIPTION OF NEW SHARES UNDER THE GENERAL MANDATE**

This announcement is made by the Company pursuant to Rules 13.28 and 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO.

#### **SUBSCRIPTION OF NEW SHARES**

On 26 April 2018 (after trading hours), the Company entered into the Subscription Agreement with Windcreek, Image Frame Investment, Vipshop and Quick Returns, being the Subscribers, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 121,443,213 Subscription Shares, at the Subscription Price of HK\$4.20 per Subscription Share on the terms and subject to the conditions set out in the Subscription Agreement.

The number of Subscription Shares represent (a) approximately 5.67% of the existing issued share capital of the Company of 2,140,952,000 Shares as at the date of this announcement; and (b) approximately 5.37% of the enlarged issued share capital of the Company of 2,262,395,213 Shares immediately following Completion, assuming that there will be no change in the issued share capital of the Company other than the issue of the Subscription Shares between the date of this announcement and the date of Completion.

The Subscription Price of HK\$4.20 per Subscription Share represents:

- (a) a discount of approximately 15.83% to the closing price of HK\$4.99 per Share as quoted on the Stock Exchange on 26 April 2018, being the date of the Subscription Agreement; and

- (b) a discount of approximately 15.01% to the average closing price of approximately HK\$4.942 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Subscription Agreement.

The Subscription Shares will be issued under the General Mandate and therefore the issue of the Subscription Shares will not be subject to the approval of the Shareholders. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

The gross proceeds and net proceeds to be raised from the Subscription will be approximately HK\$510,061,495 and HK\$509,000,000, respectively. The net issue price will be approximately HK\$4.19 per Subscription Share. The net proceeds from the Subscription are intended to be used by the Company for financing the reforms in sales and distribution channels of the Group, potential merger, acquisition and cooperation opportunities, and general working capitals.

**Shareholders and potential investors should note that Completion is subject to fulfilment and/or waiver of the conditions under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the Shares.**

## INTRODUCTION

On 26 April 2018 (after trading hours), the Company entered into the Subscription Agreement with Windcreek, Image Frame Investment, Vipshop and Quick Returns, being the Subscribers, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 121,443,213 Subscription Shares, at the Subscription Price of HK\$4.20 per Subscription Share on the terms and subject to the conditions set out in the Subscription Agreement.

## PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT

### Date

26 April 2018 (after trading hours)

### Parties

Issuer : the Company;

Subscribers : Windcreek;

Image Frame Investment;

Vipshop; and

Quick Returns.

Windcreek, incorporated in the British Virgin Islands, is an indirect wholly-owned subsidiary of JD.com, Inc. and is principally engaging in investment holding. JD.com, Inc. (together with its subsidiaries) is a leading technology-driven e-commerce company and retail infrastructure service provider in the PRC, and is listed on the Nasdaq Stock Market (NASDAQ: JD).

Image Frame Investment, incorporated in Hong Kong, is a wholly-owned subsidiary of Tencent Holdings Limited and is principally engaging in investment holding. Tencent Holdings Limited (together with its subsidiaries) is a leading provider of internet value-added services in the PRC, and is listed on the Stock Exchange (stock code: 700).

Vipshop, incorporated in Hong Kong, is a wholly-owned subsidiary of Vipshop Holdings Limited and is principally engaging in investment holding. Vipshop Holdings Limited (together with its subsidiaries) is a leading online discount retailer for brands in the PRC, and is listed on the New York Stock Exchange (NYSE: VIPS).

Quick Returns, incorporated in the British Virgin Islands, is a wholly-owned subsidiary of an effective controller of Rail Holdings (中瑞控股), principally engaging in investment holding. Rail Holdings (中瑞控股) (together with its subsidiaries) operates the establishment and investments in industries including consumer upgrade, new retailing, inner clothing, applied chemicals, new energies, and new magnetic materials.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, the Subscribers and its ultimate beneficial owners are Independent Third Parties.

### **Number of Subscription Shares**

Pursuant to the Subscription Agreement, subject to the fulfilment or waiver (where applicable) of the conditions referred to in the paragraph headed "Conditions of the Subscription" below, the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue an aggregate of 121,443,213 Subscription Shares at the Subscription Price in the following manner:

<b>Subscriber</b>	<b>Number of Subscription Shares</b>
Windcreek	56,050,714
Image Frame Investment	18,683,571
Vipshop	18,683,571
Quick Returns	28,025,357
<b>Total</b>	<b>121,443,213</b>

The number of Subscription Shares represent (a) approximately 5.67% of the existing issued share capital of the Company of 2,140,952,000 Shares as at the date of this announcement; and (b) approximately 5.37% of the enlarged issued share capital of the Company of 2,262,395,213 Shares immediately following Completion, assuming that there will be no change in the issued share capital of the Company other than the issue of the Subscription Shares between the date of this announcement and the date of Completion.

None of the Subscribers will become a substantial Shareholder (as defined under the Listing Rules) immediately after the Completion.

### **Subscription Price**

The Subscription Price of HK\$4.20 per Subscription Share represents:

- (a) a discount of approximately 15.83% to the closing price of HK\$4.99 per Share as quoted on the Stock Exchange on 26 April 2018, being the date of the Subscription Agreement; and
- (b) a discount of approximately 15.01% to the average closing price of approximately HK\$4.942 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Subscription Agreement.

The Subscription Price was determined after arm's length negotiation between the Company and the Subscribers with reference to the prevailing market price of the Shares and recent market conditions. The aggregate nominal value of the Subscription Shares will be US\$1,214,432.13.

The Directors consider that the terms of the Subscription Agreement (including the Subscription Price) are on normal commercial terms and are fair and reasonable and that the Subscription is in the interests of the Company and the Shareholders as a whole.

### **Ranking of the Subscription Shares**

The Subscription Shares, when issued and fully paid-up, will rank *pari passu* in all respects among themselves and with the Shares in issue at the date of allotment and issue of the Subscription Shares.

### **Conditions of the Subscription**

Completion is conditional upon the fulfilment or (in respect of conditions (vi) and/or (vii) below only) waiver of the following conditions:

- (i) the listing of the Shares of the Company has not been revoked, the Shares continue to be listed on the Stock Exchange (except for any trading halt or suspension pending the publication of any announcement in respect of the Subscription) prior to Completion, neither the Stock Exchange nor Securities and Futures Commission of Hong Kong has raised objection to the continued listing of the Shares on the Stock Exchange or requested the suspension of trading because the proposed transactions under the Subscription Agreement or any reasons in relation to the proposed transactions under the Subscription Agreement;

- (ii) the Listing Committee having granted approval for the listing of, and permission to deal in, the Subscription Shares (if such approval is subject to any conditions, the Subscribers having consented to such conditions in writing, provided that the Subscribers shall not unreasonably withhold or delay their consent);
- (iii) the Company complying with applicable Listing Rules for entering into and carrying out the transactions contemplated under the Subscription Agreement (including the issuance and allotment of the Subscription Shares);
- (iv) the approval by the Board of the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the issuance and allotment of the Subscription Shares, appointment of one person nominated by Windcreek as Board Observer upon Completion and appointment of one person nominated by Windcreek as a director of the Company within one year after Completion);
- (v) obtaining all necessary approvals from and making all necessary filings with any government, regulatory authority or any other person in connection with the entering into the Subscription Agreement and the transactions contemplated thereunder (if applicable);
- (vi) the representations and warranties of the Company under the Subscription Agreement being true, accurate and not misleading in all material respects as at the date of the Subscription Agreement and the date of Completion and the Company having fully performed its obligations under the Subscription Agreement prior to and on the date of Completion; and
- (vii) there being no change in the controlling shareholder(s) (as defined under the Listing Rules) of the Company.

If the above conditions are not fulfilled or (in respect of conditions (vi) to (vii) above only) waived on or before 30 June 2018 (or such other date as may be agreed in writing between the Company and the Subscribers), each of Windcreek, Image Frame Investment and Vipshop has the right to give notice to the Company and other Subscribers for the termination of the Subscription Agreement. Where such notice is given, the rights and obligations of the Company and the Subscribers in respect of the Subscription shall forthwith terminate and none of them can have any claim against any others save and except any liability for antecedent breaches by a party.

### **Completion of the Subscription**

The Completion is to take place on the 15<sup>th</sup> Business Day (or such other date as may be agreed between the Company and the Subscribers) immediately following the fulfilment or waiver (where applicable) of the conditions referred to in the paragraph headed “Conditions of the Subscription” above. For the avoidance of doubt, Completion by a Subscriber is not inter-conditional upon Completion by the other Subscribers.

## **Restrictions on disposal of Subscription Shares**

The Subscribers unconditionally and irrevocably undertake to the Company that it shall not (and, if applicable, shall procure its nominee(s) not to), at any time dispose of or permit any disposal of the Subscription Shares if such disposal is in breach of any applicable laws (including the Listing Rules).

## **Board Observer**

Subject to compliance with applicable laws, regulations (including but not limited to the Listing Rules) and the articles of association of the Company, Windcreek shall have a right to nominate one person to the Board as an observer (the “**Observer**”). If Windcreek or its connected persons no longer hold any Shares, then Windcreek shall procure the Board Observer resign immediately.

Windcreek acknowledges that the Observer shall not be entitled to voting rights in any Board meeting and shall be subject to the same non-disclosure, insider trading restrictions and conflicts of interest policies and procedures as and to the extent the same apply to the members of the Board from time to time (including entering into a non-disclosure undertaking letter or other similar document which is required to be entered into by a member of the Board), provided that the Company agrees to implement and apply such restrictions, policies and procedures in a manner that minimizes to the extent possible any impact on the Observer’s rights set forth in the Subscription Agreement, including without limitation the right to receive Board materials and to participate in meetings of the Board as provided herein. Windcreek will instruct the Observer that he or she will be responsible for complying with such restrictions, policies and procedures.

## **Nominee Director**

Subject to compliance with applicable laws, regulations (including but not limited to the Listing Rules) and the articles of association of the Company, Windcreek shall have a right to nominate one person to the Board and the Company shall procure such nominee be appointed as a non-executive director of the Company (“**Nominee Director**”) on or before the first anniversary of the date of Completion. If and only if, due to the disposal of the Subscription Shares by Windcreek or its connected persons, Windcreek or its connected persons in aggregate hold less than 2% of the total issued share capital of the Company, then Windcreek shall procure the Nominee Director resign immediately. For the avoidance of doubt, if, due to reasons other than the disposal of the Subscription Shares by Windcreek or its connected persons, the aggregate shareholding held by Windcreek or its connected persons reduces to less than 2% of the total issued share capital of the Company, such as the issuance of new Shares by the Company, the Nominee Director will not resign.

## **General Mandate to allot and issue the Subscription Shares**

The Subscription Shares will be allotted and issued under the General Mandate granted by the Shareholders to the Directors at the 2017 AGM. Accordingly, the issue of the Subscription Shares will not be subject to the approval of the Shareholders. The General Mandate entitles the Directors to allot, issue and deal with Shares not exceeding 20% of the issued capital of the Company as at the date of the 2017 AGM. The Company is allowed to issue up to 429,291,400 Shares under the General Mandate. Up to the date of this announcement, no Shares have been allotted and issued under the General Mandate.

## **Application for listing**

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

## **REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS**

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

The gross proceeds and net proceeds to be raised from the Subscription will be approximately HK\$510,061,495 and HK\$509,000,000, respectively. The net issue price will be approximately HK\$4.19 per Subscription Share. The net proceeds from the Subscription are intended to be used by the Company for financing the reforms in sales and distribution channels of the Group, potential merger, acquisition and cooperation opportunities, and general working capital. As at the date of this announcement, save as already disclosed by the Company, the Group has not entered into any agreement in relation to any potential new merger, acquisition and cooperation projects.

The Directors consider that the Subscription represents a valuable opportunity for the Company to raise additional funds for the above-mentioned purposes and strengthen the capital base and the financial position of the Group. In addition, introducing the Subscribers as important strategic Shareholders can help the Group to develop its business on internet platforms and promote its brand equity.

## **EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS**

The Company has conducted the following fund raising activity in the twelve months immediately preceding the date of this announcement:

<b>Dates of announcements</b>	<b>Event</b>	<b>Net proceeds</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
5 May 2017 and 17 May 2017	Issue of 240,000,000 Shares under general mandate in the aggregate nominal value of US\$2,400,000	Approximately HK\$599,000,000	The Company intended to use the proceeds for financing the reforms in sales and distribution channels of the Group, potential merger, acquisition and cooperation opportunities, and general working capital	The Company is still seeking investment opportunities and has not yet used any of the proceeds

## EFFECT OF THE SUBSCRIPTION OF NEW SHARES ON THE SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company as at the date of this announcement and immediately after Completion assuming there being no other change in the shareholding structure and share capital of the Company immediately after the date of this announcement and up to Completion:

Shareholders	As at the date of this announcement		Immediately after Completion	
	<i>Number of Shares</i>	<i>Approximate percentage (%) (Note 4)</i>	<i>Number of Shares</i>	<i>Approximate percentage (%) (Note 4)</i>
<b>Non-public Shareholders:</b>				
Harmonious Composition Investment Holdings Limited and parties acting in concert with it (Note 1)	1,181,400,678	55.18	1,181,400,678	52.22
Fosun Ruizhe Grace Investments Limited	240,000,000	11.21	240,000,000	10.61
Mr. Wen Baoma (Note 2)	5,000,000	0.23	5,000,000	0.22
Dr. Lu Hong Te (Note 3)	210,000	0.01	210,000	0.01
<b>Public Shareholders:</b>				
The Subscribers:				
Windcreek	nil	–	56,050,714	2.48
Image Frame Investment	nil	–	18,683,571	0.83
Vipshop	nil	–	18,683,571	0.83
Quick Returns	nil	–	28,025,357	1.24
Other public Shareholders:	714,341,322	33.37	714,341,322	31.57
<b>Total</b>	<b>2,140,952,000</b>	<b>100</b>	<b>2,262,395,213</b>	<b>100</b>

Notes:

- 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 55.18% of the total issued share capital of the Company as at the date of this announcement and are, together, expected to control (and each of them will be deemed to be interested in) approximately 52.22% of the total issued share capital of the Company immediately after Completion. Ms. Wu Xiaoli (the spouse of Mr. Zheng), Ms. Cai Shaoru (the spouse of Mr. Zhang) and Ms. Cai Jingqin (the spouse of Mr. Lin) are deemed to be interested in the same number of Shares in which Mr. Zheng, Mr. Zhang and Mr. Lin are interested, respectively.
- Mr. Wen Baoma is a non-executive Director of the Company.
- Dr. Lu Hong Te is an independent non-executive Director of the Company.
- The percentages are subject to rounding difference, if any.



**Shareholders and potential investors should note that Completion is subject to fulfilment and/or waiver of the conditions under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the Shares.**

## **DEFINITIONS**

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

“2017 AGM”	the annual general meeting of the Company held on 19 May 2017 at which, among other things, a resolution for the grant of the General Mandate to the Directors was duly passed by the Shareholders
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday, or other public holidays in Hong Kong, or a day on which a tropical cyclone warning signal numbered 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which licensed banks in Hong Kong are open for business
“Company”	Cosmo Lady (China) Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 2298)
“Completion”	completion of the Subscription pursuant to the terms and conditions of the Subscription Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the 2017 AGM to issue, allot and deal with up to 429,291,400 new Shares, representing 20% of the number of Shares in issue as at the date of passing of the relevant resolution
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Image Frame Investment”	Image Frame Investment (HK) Limited 意象架構投資(香港)有限公司, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Tencent Holdings Limited
“Independent Third Party(ies)”	third party(ies) who is (are) not connected with the Company and its connected persons (as defined under the Listing Rules)
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nominee Director”	has the meaning set out in the paragraph headed “Nominee Director”
“Observer”	has the meaning set out in the paragraph headed “Board Observer”
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Quick Returns”	Quick Returns Global Limited, a company incorporated in the British Virgin Islands is a wholly-owned subsidiary of an effective controller of Rail Holdings (中瑞控股)
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	collectively, Windcreek, Image Frame Investment, Vipshop and Quick Returns
“Subscription”	the subscription of the Subscription Shares by the Subscribers pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 26 April 2018 and entered into between the Company and the Subscribers

“Subscription Price”	the subscription price of HK\$4.20 per Subscription Share
“Subscription Share(s)”	a total of 121,443,213 new Shares to be allotted and issued by the Company to the Subscribers pursuant to the terms and conditions of the Subscription Agreement
“US\$”	United States dollars, the lawful currency of United States of America
“Vipshop”	Vipshop International Holdings Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Vipshop Holdings Limited
“Windcreek”	Windcreek Limited, a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of JD.com, Inc.
“%”	per cent.

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

Hong Kong, 26 April 2018

*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 Dr. Lu Hong Te as independent non-executive directors.*