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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)

VOLUNTARY ANNOUNCEMENT ON STRATEGIC INVESTMENTS

STRATEGIC INVESTMENTS

The Board is pleased to announce that, on 17 August 2018, Guangdong Cosmo Lady has entered into (i) four Framework Share Transfer Agreements in which the Group proposed to acquire a 19.99% equity interest in four existing intimate apparel and raw material suppliers of the Group; and (ii) seven JV Cooperation Agreements in relation to the business cooperation between Guangdong Cosmo Lady and seven existing suppliers of the Group through joint venture companies held as to either 19.99% or 51% by Guangdong Cosmo Lady, as the case may be, with the remaining portion held by the respective suppliers.

LISTING RULES IMPLICATIONS

The entering into of the Agreements do not constitute notifiable transactions of the Company under Chapter 14 of the Listing Rules as all applicable percentage ratios under Rule 14.07 of the Listing Rules are less than 5% for each of the Agreements or when aggregated. The entering into the JV Cooperation Agreement with the deemed connected person is fully exempt under Rule 14A.76(1) of the Listing Rules as all applicable percentage ratios under Rule 14.07 of the Listing Rules are less than 0.1%. This announcement is being made by the Company on a voluntary basis.

The transactions contemplated under the Agreements are each subject to satisfaction of certain conditions under the respective Agreement. As the transactions may or may not proceed to completion, Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

This is a voluntary announcement made by the Company for the purpose of keeping the Shareholders and potential investors of the Company informed of the latest business development of the Group.

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Framework Share Transfer Agreements

Guangdong Cosmo Lady entered into four framework share transfer agreements with separate sellers on 17 August 2018 for the proposed purchase of 19.99% equity interest in four separate existing intimate apparel and raw material suppliers of the Group. Save for the amount of consideration for the equity interest in each target company, each of the Framework Share Transfer Agreements has terms substantially the same as each other.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, each of the sellers in the Framework Share Transfer Agreements are not connected or otherwise associated with one another and such sellers and its respective ultimate beneficial owners are independent third parties independent of the Company and its connected persons.

The consideration payable by Guangdong Cosmo Lady under each of the Framework Share Transfer Agreements range from approximately RMB 1 million to approximately RMB 30 million, with an aggregate consideration payable under all the Framework Share Transfer Agreements of approximately RMB 49 million, to be satisfied in cash funded by the internal resources of the Group. The consideration amounts were based on the net asset values of the relevant target companies, and may be adjusted based on the results of the financial and legal due diligence which are expected to be carried out and completed shortly.

Completion of the transactions is subject to the satisfactory completion of financial and legal due diligence of the target companies by Guangdong Cosmo Lady and other customary conditions precedent (such as the target companies having received necessary shareholders' approval and all other relevant approvals for the share transfer) set out in the Framework Share Transfer Agreements. Upon satisfactory completion of the due diligence exercise, the parties will enter into a formal agreement in respect of the relevant transaction. Completion of the transactions shall take place no more than six months from the date of the Framework Share Transfer Agreements (subject to extension if delayed by reason of the time in obtaining governmental approvals, where applicable).

For the avoidance of doubt, each of the Framework Share Transfer Agreements is independent of each other. The completion of share transfer pursuant to one Framework Share Transfer Agreement is not dependent on any other Framework Share Transfer Agreement.

JV Cooperation Agreements

Guangdong Cosmo Lady entered into seven JV Cooperation Agreements with seven existing intimate apparel and raw materials suppliers of the Group on 17 August 2018 in relation to the business cooperation through joint venture companies held as to either 19.99% or 51% by Guangdong Cosmo Lady (Guangdong), as the case may be, with the remaining portion held by the relevant suppliers. Save for the amount of capital commitments towards each joint venture company, each of the JV Cooperation Agreements has terms substantially the same as each other.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, each of the counterparties in the JV Cooperation Agreements are not connected or otherwise associated with one another and, save for one party which is a deemed connected person of the Company under Rule 14A.21(1)(b) of the Listing Rules, all other parties and its respective ultimate beneficial owners are independent third parties independent of the Company and its connected persons.

Under the JV Cooperation Agreements, Guangdong Cosmo Lady and the existing suppliers will cooperate through joint venture companies established for the manufacturing, processing, sale of underwear, hosiery and other clothing articles. The joint venture companies will be responsible for formulating the development of its products.

The capital commitment payable by Guangdong Cosmo Lady under each of the JV Cooperation Agreements range from approximately RMB 1 million to approximately RMB 5 million, with an aggregate consideration payable under all the JV Cooperation Agreements of approximately RMB13.8 million. All of the capital commitments to the joint venture companies are expected to be satisfied in cash funded by the internal resources of the Group. Pursuant to the terms of the JV Cooperation Agreements, capital contribution should be made within 30 days of the agreements.

Profits shall be distributed in accordance with all applicable laws and regulations in proportion to the parties' respective shareholding in the joint venture company. To ensure proper financial control of the funds, the financial controller of the joint venture company will be appointed by Guangdong Cosmo Lady pursuant to the terms of the JV Cooperation Agreements.

For the avoidance of doubt, each of the JV Cooperation Agreements is independent of each other. The performance of one JV Cooperation Agreement is not dependent on any other JV Cooperation Agreement.

GENERAL INFORMATION AND REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS

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

The suppliers related to the above transactions have been long-term suppliers of the Group, with advanced manufacturing equipment and adequate production capacity. With over two decades of experience, these companies own a number of patented technologies in product design and development of new materials, thus possessing the ability to manage and control the entire process from product design to manufacturing and quality control.

The Board believes that the entering into of the Agreements would, on the one hand, help the Group to integrate the capabilities of suppliers on the development of new products and materials, which can shorten the development and manufacturing cycle of new materials and products and improve the Group's quick response capability; and on the other hand, help the Group to enhance its ability to manage and control the quality of suppliers, raise its self-sufficiency of premium products, and secure an adequate amount of quality production capacity.

The Directors are of the view that the terms of the Agreements are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The transactions contemplated under the Agreements are each subject to satisfaction of certain conditions under the respective Agreement. As the transactions may or may not proceed to completion, Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

LISTING RULES IMPLICATIONS

The entering into of the Agreements do not constitute notifiable transactions of the Company under Chapter 14 of the Listing Rules as all applicable percentage ratios under Rule 14.07 of the Listing Rules are less than 5% for each of the Agreements or when aggregated. The entering into the JV Cooperation Agreement with the deemed connected person is fully exempt under Rule 14A.76(1) of the Listing Rules as all applicable percentage ratios under Rule 14.07 of the Listing Rules are less than 0.1%. The Company will re-comply with all applicable disclosure, reporting and/or independent Shareholders' approval requirements should it be required to do so pursuant to the Listing Rules after any adjustments outlined above. This announcement is being made by the Company on a voluntary basis.

DEFINITIONS

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

“Agreements”	the JV Cooperation Agreements and Framework Share Transfer Agreements collectively
“Board”	the board of Directors
“Company”	Cosmo Lady (China) Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability and its shares listed on the Main Board of the Stock Exchange (stock code: 2298)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Framework Share Transfer Agreement(s)”	the four framework agreements entered into by Guangdong Cosmo Lady dated 17 August 2018 as further described in the section headed “Framework Share Transfer Agreements” of this announcement
“Guangdong Cosmo Lady”	Cosmo Lady (Guang Dong) Technology Company Limited* (廣東都市麗人科技有限公司), a company incorporated in the PRC with limited liability and wholly-owned by the Company
“Directors”	the directors of the Company

“Group”	the Company and its subsidiaries
“independent third parties”	has the meaning ascribed to it under the Listing Rules
“JV Cooperation Agreement(s)”	the seven joint venture cooperation agreements entered into by Guangdong Cosmo Lady dated 17 August 2018 as further described in the section headed “JV Cooperation Agreements” of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administration Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

** Denotes as English translation of a Chinese name and is provided for identification purpose only.*

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

Hong Kong, 17 August 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 of the Company; Mr. Wen Baoma, Mr. Yang Weiqiang and Mr. Hu Shengli as non-executive directors of the Company; and Mr. Yau Chi Ming, Dr. Dai Yiyi, Mr. Chen Zhigang and Dr. Lu Hong Te as independent non-executive directors of the Company.