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 2018

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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 *(Chief Operating Officer)*
Ms. Wu Xiaoli

Non-executive Directors

Mr. Wen Baoma
Mr. Yang Weiqiang
Mr. Hu Shengli

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Loo Hong Shing Vincent *FCCA, AHKSA*

BOARD COMMITTEES

Audit Committee

Mr. Yau Chi Ming *(Chairman)*
Dr. Dai Yiyi
Mr. Chen Zhigang
Dr. Lu Hong Te

Remuneration Committee

Dr. Dai Yiyi *(Chairman)*
Mr. Zhang Shengfeng
Mr. Chen Zhigang
Dr. Lu Hong Te

Nomination Committee

Mr. Zheng Yaonan *(Chairman)*
Mr. Yau Chi Ming
Mr. Chen Zhigang
Dr. Lu Hong Te

Risk Management Committee

Mr. Chen Zhigang *(Chairman)*
Mr. Yau Chi Ming
Dr. Dai Yiyi
Dr. Lu Hong Te

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

PLACE OF LISTING AND STOCK CODE

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

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Hong Kong

LEGAL ADVISORS

People's Republic of China
Jingtian Gongcheng

Hong Kong
ReedSmith Richards Butler
Cleary Gottlieb Steen & Hamilton

Financial Highlights

		Six months ended 30 June		
		Unaudited 2018	Unaudited 2017	Change
Revenue	*RMB'000*	**2,338,682**	2,079,229	12.5%
Operating profit	*RMB'000*	**233,201**	197,343	18.2%
Profit attributable to equity holders of the Company	*RMB'000*	**175,121**	144,887	20.9%
Gross profit margin	*%*	**43.7%**	45.1%	
Operating profit margin	*%*	**10.0%**	9.5%	
Margin of profit attributable to equity holders of the Company	*%*	**7.5%**	7.0%	
Earnings per share				
– Basic	*RMB cents*	**8.11**	7.40	
– Diluted	*RMB cents*	**8.07**	7.40	
Interim dividend per share	*HK cents*	**2.73**	2.58	
	(RMB cents)	**(2.40)**	(2.20)	

Management Discussion and Analysis

BUSINESS REVIEW

In the first half of 2018, the global economy continued to strengthen following the recovery in 2017. China's economy, mainly driven by increase in consumption expenditure, extended its steady growth and expanded by about 6.8%, with average per capita disposable income grew by around 6.6% in real terms in the first half of 2018.

However, the external uncertainties, including the trade conflicts between major economies and the normalization of global monetary policies, are putting downward pressure on global economic activities. Coupled with the highly fragmented market structure and the continuous structural adjustments in respect of sales channel diversification, product quality and mix of products, the intimate wear industry of China continues to face formidable internal and external challenges.

To address the above challenges, the Company and its subsidiaries (the "Group") has formulated various measures and initiatives in 2017 and first half of 2018, including but not limited to the following:

(a) Optimizing and further diversifying sales and distribution channels;

(b) Tightening expenses control and cutting costs;

(c) Establishing a new product management department and reforming supply chain management;

(d) Enhancing efforts on market research and development of new products and technological innovation; and

(e) Broadening the product range of the Group with other renowned players.

The above measures have gradually achieved encouraging effect, with the operations of the Group showed further improvement in the first half of 2018. The revenue of the Group for the six months ended 30 June 2018 grew by approximately 12.5% to approximately RMB2,338,682,000 (first half of 2017: RMB2,079,229,000) while the Group's profit also saw an increase of approximately 20.9% to approximately RMB175,121,000 (first half of 2017: RMB144,887,000), indicating the continuous revival of the Group's operation.

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.

The increase in the revenue of the Group for the period under review by approximately 12.5% was mainly due to the satisfactory performance of the sales to franchisees and e-commerce channel sales.

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			
	2018		2017	
	RMB'000	%	RMB'000	%
Sales to franchisees	1,261,661	54.0	1,037,369	49.9
Retail sales	774,354	33.1	803,451	38.6
E-commerce	302,667	12.9	238,409	11.5
Total revenue	2,338,682	100.0	2,079,229	100.0

The increase in sales to franchisees by approximately 21.6% was mainly attributable to the renovation of retail stores with upgraded image by franchisees as urged by the Group and the improvement in quality of products.

The retail sales declined by around 3.6% mainly because the Group adjusted sales and distribution channels proactively in 2017 by closing loss-making retail stores and hence the average number of self-managed stores in the first half of this year was lower than that of the same period of 2017.

E-commerce sales increased by about 27.0% mainly because the Group continued to invest resources in the development of e-commerce channels.

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			
	2018		2017	
	RMB'000	**%**	RMB'000	%
Bras	**1,284,842**	**54.9**	1,144,001	55.0
Underpants	**407,865**	**17.4**	378,830	18.2
Sleepwear and loungewear	**302,276**	**12.9**	251,478	12.1
Thermal clothes	**108,529**	**4.7**	97,396	4.7
Others *(Note (a))*	**235,170**	**10.1**	207,524	10.0
Total revenue	**2,338,682**	**100.0**	2,079,229	100.0

Note:

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

During the period under review, the revenue for all types of product have increased. The growth in revenue for sleepwear and loungewear products by approximately 20.2% was mainly due to the step up of promotion activities and improvement of product design and variety.

Gross profit margin

During the period under review, the gross profit margin of the Group dropped to around 43.7% (first half of 2017: 45.1%). This was primarily due to the keen competition in the e-commerce channel and the Group's step up of promotion efforts to sell aged inventories.

Selling and marketing expenses

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

The rise of selling and marketing expenses by about 7.9% for the six months ended 30 June 2018 to approximately RMB695,404,000 (first half of 2017: RMB644,757,000) was primarily driven by (a) the increase in employee benefit expenses for the salespersons of self-managed retail stores; and (b) the increase in advertising and promotion activities.

General and administrative expenses

General and administrative expenses primarily consist of employee benefit expenses, consulting service expenses, travelling expenses, depreciation and amortization and others.

The rise of general and administrative expenses by about 10.6% for the six months ended 30 June 2018 to approximately RMB133,365,000 (first half of 2017: RMB120,620,000) was mainly attributable to (a) the increase in number of senior management staff of the Group; and (b) the engagement of a professional consultant for making recommendations on the supply chain management and product merchandising of the Group.

Other income

Other income consists of government grants, logistic warehousing and delivery income, software usage fee income, franchise fee income and others. During the period, other income increased by approximately 47.3% to approximately RMB35,315,000 (first half of 2017: RMB23,968,000), mainly due to the increase in logistic warehousing and delivery income and government grants awarded for meeting the requirements set by local government.

Finance income – net

Net finance income represents interest income on short-term bank deposits and financial assets at fair value through other comprehensive income, less financial expenses on bank borrowings.

The finance income of approximately RMB11,995,000 (first half of 2017: RMB6,376,000) increased mainly as a result of the increase in short-term bank deposits during the period.

The finance expense of approximately RMB5,517,000 (first half of 2017: RMB6,039,000) decreased in line with the decline in bank borrowings.

Income tax expense

Income tax expense primarily represents income tax payable by the Group under relevant income tax rules and regulations of the People's Republic of China ("PRC"). The effective tax rate of the Group for the six months ended 30 June 2018 was approximately 26.6% (first half of 2017: 26.5%) which remained fairly stable. As at 30 June 2018, the Group had fulfilled all its tax obligations and did not have any unresolved tax disputes.

WORKING CAPITAL MANAGEMENT

	Six months ended 30 June 2018	Year ended 31 December 2017
Average inventory turnover days	150.9 days	160.2 days
Average trade receivables turnover days	47.4 days	40.4 days
Average trade payables turnover days	83.3 days	80.5 days

The mild decline in inventory balance to approximately RMB1,096,485,000 (31 December 2017: RMB1,111,959,000), and the decrease in the average inventory turnover days to 150.9 days (31 December 2017: 160.2 days) were mainly attributable to various reforms taken by management in 2017 and the first half of 2018, the effect of which was partly offset by the new products purchased in the first half of 2018. Management expects that the inventory level at the end of 2018 and average inventory turnover days for the year ended 31 December 2018 will likely further improve.

The increase in average trade receivables turnover days to about 47.4 days (31 December 2017: 40.4 days) was mainly due to the increase in proportion of sales made to franchisees.

Average trade payables turnover days increased from about 80.5 days for the year ended 31 December 2017 to about 83.3 days for the six months ended 30 June 2018 because of increased bargaining power against the OEM suppliers.

PROPOSED ESTABLISHMENT OF FUND

On 7 February 2018, a wholly-owned subsidiary of the Company, a wholly-owned subsidiary of JD.com, Inc, Beijing Jingdong Century Trading Co., Ltd. ("JD Century") and Li Guo Cheng (as representative of the fund management team) entered into cooperation agreement main terms, pursuant to which a cooperation fund will be established and used primarily for industry mergers, acquisitions and consolidation of resources which are suitable to the business of the Group. The investment targets of the corporation fund are primarily companies involved in the business of intimate wear brands, its upstream and downstream businesses and relevant industries.

It is expected that the target size of the cooperation fund is RMB1,000,000,000, with the size to be expanded later based on actual needs. Initial capital contribution is expected to be no less than RMB350,000,000, among which the Group is expected to contribute RMB250,000,000, while JD Century is expected to contribute RMB100,000,000.

The cooperation fund is expected to be established in the fourth quarter of 2018. For more details, please refer to the announcement dated 7 February 2018.

FORMATION OF JOINT VENTURE

On 21 March 2018, a wholly-owned subsidiary of the Company entered into a shareholders' agreement with Shanghai Kappa Sportings Goods Co., Ltd. ("Shanghai Kappa"), a wholly-owned subsidiary of China Dongxiang (Group) Co., Ltd., for the establishment of a joint venture company ("JV Company"). The Group has invested RMB15,000,000, and holds 75% equity interest in the JV Company. The JV Company is principally engaged in the on-line sales of men's intimate wear and ladies' sport underwear products in the PRC, and has been granted the right to use the trademark "Kappa" on its products for a term of 5 years, to be extended automatically for another 3 years. The JV Company started operation in July 2018.

For details of the above agreement, please refer to the announcement dated 21 March 2018.

ISSUANCE OF NEW SHARES TO STRATEGIC INVESTORS

On 25 May 2018, the Company issued 56,050,714, 18,683,571, 18,683,571 and 28,025,357 new shares at a price of HK$4.20 per share to Windcreek Limited (an indirect wholly-owned subsidiary of JD.com, Inc.), Image Frame Investment (HK) Limited (a wholly-owned subsidiary of Tencent Holdings Limited), Vipshop International Holdings Limited (a wholly-owned subsidiary of Vipshop Holdings Limited) and Quick Returns Global Limited respectively, raising total gross proceeds of approximately HK$510,061,495.

On 30 June 2018, the above proceeds were deposited in certain licensed banks in Hong Kong.

The net proceeds of approximately HK$509,000,000 are intended to be used for financing the reforms in sales and distribution channels of the Group, potential mergers, acquisitions and cooperation opportunities, and general working capital.

The Directors consider that the above transaction represents a valuable opportunity for the Group 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 above subscribers as important strategic shareholders can help the Group to develop its business on internet platforms and promote its brand equity.

For details of the above transaction, please refer to the announcements dated 26 April 2018 and 25 May 2018.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a solid balance sheet. As at 30 June 2018, the Group's term deposits, restricted bank deposits and cash and cash equivalents amounted to approximately RMB1,824,283,000 (31 December 2017: RMB1,515,140,000) and bank borrowings amounted to approximately RMB188,970,000 (31 December 2017: RMB223,080,000). As at 30 June 2018, the current ratio was about 4.3 times (31 December 2017: 3.9 times). The increase in cash and cash equivalents and improvement in current ratio was mainly due to the issuance of new shares as mentioned above.

As at 30 June 2018, 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 4.8% (31 December 2017: 6.6%). The net gearing ratio, which was calculated on the basis of the amount of bank borrowings less term deposits, restricted bank deposits and cash and cash equivalents as a percentage of the total shareholders' equity, was approximately negative 41.9% (31 December 2017: negative 38.5%) 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

Further to the 5-year development plan exercise, management has again engaged Rowland Berger Strategy Consultants (Shanghai) Limited ("Rowland Berger"), a global leading consulting firm, to assist the Group to undergo reforms on our supply chain departments and product merchandising.

In June 2018, Rowland Berger has issued a report making recommendations on the management, systems and procedures of our supply chains department and product merchandising, which will be implemented in second half of this year to improve our Group's efficiency in these areas.

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, up to 30 June 2018, utilized approximately RMB513,435,000 (equivalent to approximately HK$630,206,000) to expand and maintain its retail network of its self-managed retail stores, approximately RMB180,007,000 (equivalent to approximately HK$220,946,000) and approximately RMB119,624,000 (equivalent to approximately HK$146,830,000) to construct and operate the logistics centers in Tianjin and Dongguan respectively and approximately RMB28,786,000 (equivalent to approximately HK$35,332,000) to upgrade information technology infrastructure. As at 30 June 2018, net proceeds not yet utilized were deposited with certain licensed banks in Hong Kong and China.

ISSUANCE OF NEW SHARES TO A WHOLLY-OWNED SUBSIDIARY OF FOSUN INTERNATIONAL LIMITED

On 17 May 2017, the Company issued 240,000,000 shares at a price of HK$2.50 per share to a wholly-owned subsidiary of Fosun International Limited, raising gross proceeds of HK$600,000,000.

Reference is made to the announcement by the Company dated 5 May 2017 and 17 May 2017 regarding the issuance of new shares under general mandate (the "Share Subscription"). It was set out at the time that the net proceeds from the Share Subscription were intended to be used by the Company for financing the reforms in sales and distribution channels of the Group, potential mergers, acquisitions and cooperation opportunities, and general working capitals. As at 30 June 2018, the intended use of proceeds of the Share Subscription has not been changed, and the Company has not yet commenced the utilisation of such proceeds as no suitable opportunities have been identified. As a result, such proceeds have been deposited with certain licensed banks in Hong Kong. The Company has been and will continue to actively seek to identify opportunities suitable but has no definitive timetable nor expectation for when such opportunities will be found.

CAPITAL EXPENDITURE ON PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the period, capital expenditure on property, plant and equipment and intangibles assets amounted to approximately RMB27,907,000 (first half of 2017: RMB58,407,000). The amount declined as the construction work for the first stage of the Tianjin logistics centre had been completed in 2017.

PLEDGE OF ASSETS

As at 30 June 2018, no property, plant and equipment, and land use rights were pledged as security for banking facilities available to the Group.

CONTINGENT LIABILITIES

As at 30 June 2018, 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. During the period under review, the number of retail stores of the Group increased as a result of the gradual recovery of the Group's business. As at 30 June 2018, the Group's distribution network comprised 7,368 retail stores (31 December 2017: 7,181), out of which 1,332 (31 December 2017: 1,290) were self-managed retail stores and 6,036 (31 December 2017: 5,891) were franchised retail stores. During the period, the Group has renovated 98 self-managed retail stores and 634 franchised retail stores.

HUMAN RESOURCES AND MANAGEMENT

The Group had approximately 7,100 full-time employees as at 30 June 2018 (31 December 2017: 7,252). 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.

ENVIRONMENTAL MANAGEMENT

Being a socially and environmentally responsible enterprise, the Group is dedicated to achieving environmental sustainability through its daily operations and is in compliance with regulations including the "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 2017 annual report. A similar report will be included in the 2018 annual report which will be issued in next year.

OUTLOOK AND STRATEGY

Looking ahead to the second half of 2018, the Group has many new development projects, including but not limited to, the following:

(a) Working with first-class interior design companies, reputable international advertising companies and smart retail store technology companies to set up new shopping mall retail stores based on the guidance of Ms. Sharen Turney, our chief strategic officer (shopping mall 2.0 development plan);

(b) Cooperation with Tencent on smart retail store arrangement. For details, please refer to the announcement dated 17 August 2018;

(c) Development of young brand "O+" derived from the original Ordifen brand;

(d) Development of household retail stores (GIPO stores);

(e) Entering into strategic investment agreements with eleven intimate wear product and material suppliers in order to strengthen our supply chain management, shorten the development and manufacturing cycle of new materials and products, and raise self-sufficiency of premium products. For details, please refer to the announcement dated 17 August 2018; and

(f) Seeking suitable target companies for mergers, acquisitions, share subscriptions and/or cooperation proactively, apart from those mentioned in (e) above, with a view to possibly further develop the Group's existing business and new businesses with synergy effect in the foreseeable future.

The above plans prepare the Group for better future development. The Group will increase input on designing, research and development, brand building, image updating, supply chain reforming, human resources construction etc., and some expenses are one-off in nature. Therefore, the amount of operating expenses and the operating expenses as a percentage of sales will increase in the second half of this year. Management will maintain a proper balance between increase in expenditure and development of new plans.

The Board is cautiously optimistic that the operating result of the Group will continue to improve in the future amid the challenging operating conditions.

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 14 to 48, 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 2018 and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of 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 of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 August 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Six months ended 30 June 2018 Unaudited RMB'000	2017 Unaudited RMB'000
Revenue	6	2,338,682	2,079,229
Cost of sales	8	(1,316,840)	(1,142,034)
Gross profit		1,021,842	937,195
Selling and marketing expenses		(695,404)	(644,757)
General and administrative expenses		(133,365)	(120,620)
Other income	7	35,315	23,968
Other gains – net	7	4,813	1,557
Operating profit	8	233,201	197,343
Finance income	9	11,995	6,376
Finance expenses	9	(5,517)	(6,039)
Finance income – net		6,478	337
Share of loss of an associate and joint ventures	14	(1,623)	(515)
Profit before income tax		238,056	197,165
Income tax expense	10	(63,227)	(52,278)
Profit for the period		174,829	144,887
Other comprehensive income for the period			
(Item that may be reclassified subsequently to profit or loss)			
Exchange differences		15,657	(8,608)
Total comprehensive income for the period		190,486	136,279
Profit for the period attributable to:			
Owners of the Company		175,121	144,887
Non-controlling interests		(292)	–
		174,829	144,887
Total comprehensive income attributable to:			
Owners of the Company		190,778	136,279
Non-controlling interests		(292)	–
		190,486	136,279
Earnings per share attributable to equity holders of the Company during the period	11	RMB cents	RMB cents
– Basic		8.11	7.40
– Diluted		8.07	7.40

The notes on pages 20 to 48 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet

	Note	As at 30 June 2018 Unaudited RMB'000	As at 31 December 2017 Audited RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*13*	551,521	565,009
Land use rights	*13*	86,271	87,311
Intangible assets	*13*	45,630	45,390
Investment in joint ventures	*14*	22,353	19,900
Investment in an associate	*14*	1,431	2,507
Financial assets at fair value through profit or loss	*16*	53,000	–
Financial assets at fair value through other comprehensive income	*15*	23,100	–
Available-for-sale financial assets		–	23,100
Deposits, prepayments and other receivables		10,025	8,637
Deferred income tax assets	*17*	64,580	55,230
		857,911	807,084
Current assets			
Inventories		1,096,485	1,111,959
Trade receivables	*18*	676,891	554,279
Deposits, prepayments and other receivables		608,702	539,624
Financial assets at fair value through profit or loss	*16*	13,872	8,408
Term deposits and restricted bank deposits	*19*	9,645	109,855
Cash and cash equivalents	*19*	1,814,638	1,405,285
		4,220,233	3,729,410
Total assets		5,078,144	4,536,494

	Note	As at 30 June 2018 Unaudited RMB'000	As at 31 December 2017 Audited RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*20*	**141,194**	133,792
Share premium	*20*	**1,937,029**	1,603,035
Other reserves	*21*	**301,329**	275,445
Retained earnings		**1,518,962**	1,343,841
Non-controlling interests		**8,708**	–
Total equity		**3,907,222**	3,356,113
LIABILITIES			
Current liabilities			
Trade payables	*23*	**635,103**	583,568
Accruals and other payables		**231,487**	305,257
Contract liabilities		**41,557**	–
Current income tax liabilities		**55,546**	48,649
Borrowings	*24*	**10,020**	11,820
Deferred income		**2,958**	2,958
		976,671	952,252
Non-current liabilities			
Borrowings	*24*	**178,950**	211,260
Deferred income tax liabilities	*17*	**1,335**	1,424
Deferred income		**13,966**	15,445
		194,251	228,129
Total liabilities		**1,170,922**	1,180,381
Total equity and liabilities		**5,078,144**	4,536,494

The notes on pages 20 to 48 form an integral part of this condensed consolidated interim financial information.

Zheng Yaonan
Director

Zhang Shengfeng
Director

Condensed Consolidated Statement of Changes in Equity

		Unaudited						
		Attributable to equity holders of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2018		133,792	1,603,035	275,445	1,343,841	3,356,113	–	3,356,113
Comprehensive income								
Profit for the period		–	–	–	175,121	175,121	(292)	174,829
Other comprehensive income								
Exchange differences		–	–	15,657	–	15,657	–	15,657
Total comprehensive income for the period		–	–	15,657	175,121	190,778	(292)	190,486
Transactions with equity holders								
Proceeds from shares issued	*20*	7,756	407,363	–	–	415,119	–	415,119
Dividends relating to 2017 paid in June 2018		–	(61,783)	–	–	(61,783)	–	(61,783)
Shares bought back on-market and cancelled		(354)	(11,586)	–	–	(11,940)	–	(11,940)
Equity-settled share-based compensation	*22(d)*	–	–	11,348	–	11,348	–	11,348
Shares purchased for share award scheme		–	–	(1,121)	–	(1,121)	–	(1,121)
Non-controlling interests on setting up of subsidiaries		–	–	–	–	–	9,000	9,000
Total transactions with equity holders		7,402	333,994	10,227	–	351,623	9,000	360,623
As at 30 June 2018		141,194	1,937,029	301,329	1,518,962	3,898,514	8,708	3,907,222

		Unaudited						
		Attributable to equity holders of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2017		117,320	1,254,574	260,929	1,061,006	2,693,829	–	2,693,829
Comprehensive income								
Profit for the period		–	–	–	144,887	144,887	–	144,887
Other comprehensive income								
Exchange differences		–	–	(8,608)	–	(8,608)	–	(8,608)
Total comprehensive income for the period		–	–	(8,608)	144,887	136,279	–	136,279
Transactions with equity holders								
Proceeds from shares issued	*20*	16,472	511,978	–	–	528,450	–	528,450
Dividends relating to 2016 paid in June 2017		–	(115,388)	–	–	(115,388)	–	(115,388)
Equity-settled share-based compensation	*22(d)*	–	–	(1,592)	–	(1,592)	–	(1,592)
Total transactions with equity holders		16,472	396,590	(1,592)	–	411,470	–	411,470
As at 30 June 2017		133,792	1,651,164	250,729	1,205,893	3,241,578	–	3,241,578

The notes on pages 20 to 48 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

	Note	2018 Unaudited RMB'000	2017 Unaudited RMB'000
		Six months ended 30 June	
Cash flows from operating activities			
Cash generated from operations	*25*	80,868	133,133
Income tax paid		(65,770)	(38,465)
Net cash generated from operating activities		15,098	94,668
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		352	198
Interest received		13,880	14,903
Purchases of property, plant and equipment		(42,498)	(49,271)
Purchases of intangible assets		(2,871)	(2,278)
Term deposits with initial term of over three months		100,210	(360,376)
Repayment of loan to a third party		–	105,000
Capital contribution to an associate		–	(4,000)
Capital contribution to a joint venture		(3,000)	–
Advance to a related party		–	(3,200)
Advance to a joint venture		–	(9,055)
Repayment from a related party		2,700	–
Net cash generated from/(used in) investing activities		68,773	(308,079)
Cash flows from financing activities			
Proceeds from shares issued	*20*	415,119	528,450
Capital injections from non-controlling interests		9,000	–
Proceeds from borrowings		–	30,000
Repayments of borrowings		(34,110)	(3,010)
Dividends paid		(61,783)	(115,388)
Interest paid for borrowings		(5,517)	(6,039)
Purchase of the Company's shares for share award scheme		(1,121)	–
Payment for repurchase of the Company's shares		(11,940)	–
Net cash generated from financing activities		309,648	434,013
Net increase in cash and cash equivalents		393,519	220,602
Cash and cash equivalents at beginning of the period		1,405,285	799,533
Effect of foreign exchange rate changes		15,834	(8,133)
Cash and cash equivalents at end of the period	*19*	1,814,638	1,012,002

The notes on pages 20 to 48 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 2018

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 2018 ("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 (the "Board") on 20 August 2018.

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 2017, 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 2017. Refer to Note 3.2 for new accounting standards and accounting changes.

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 2017, except as mentioned below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

IFRS 9	Financial Instruments; and
IFRS 15	Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 3 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

2 BASIS OF PREPARATION (Continued)

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

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 RMB509,280,000 (Note 26(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.

3 NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES

This note explains the impact of the adoption of IFRS 9 "Financial Instruments" ("IFRS 9") and IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15") on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods. Certain of the Group's accounting policies have been changed to comply with the adoption of IFRS 9 and IFRS 15.

3.1 Impact on the financial statements

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated. As explained in Notes 3.2 and 3.3 below, IFRS 9 and IFRS 15 were generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Condensed Consolidated Balance Sheet (extract)	31 December 2017 As originally presented RMB'000	IFRS 9 RMB'000	IFRS 15 RMB'000	1 January 2018 Restated RMB'000
Non-current assets				
Financial assets at fair value through other comprehensive income ("FVOCI")	–	23,100	–	23,100
Available-for-sale financial assets	23,100	(23,100)	–	–
Current liabilities				
Accruals and other payables	50,703	–	(50,703)	–
Contract liabilities	–	–	50,703	50,703

3.2 Adoption of IFRS 9 "Financial Instruments"

3.2.1 IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in 3.2.2 below.

Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 measurement categories. All classes of financial assets and financial liabilities had the same carrying amounts in accordance with IAS 39 and IFRS 9 on 1 January 2018, the measurement categories of each material class of financial assets and liabilities were as follows:

3 NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES (Continued)

3.2 Adoption of IFRS 9 "Financial Instruments" (Continued)

3.2.1 IFRS 9 Financial Instruments – Impact of adoption (Continued)

Classification and measurement (Continued)

	Measurement and Category under IAS 39	Measurement and Category under IFRS 9
Financial assets		
Trade receivables	Amortised Cost	Amortised Cost
Other receivables	Amortised Cost	Amortised Cost
Cash and cash equivalents	Amortised Cost	Amortised Cost
Financial assets at fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss
Financial assets at fair value through other comprehensive income	Fair value through other comprehensive income	Fair value through other comprehensive income
Available-for-sale financial assets	Fair value through profit or loss	Not applicable
Financial liabilities		
Trade payables	Amortised Cost	Amortised Cost
Other payables	Amortised Cost	Amortised Cost

Reclassification from available-for-sale to financial asset with fair value change through other comprehensive income

The Group has certain equity investments and these investments were classified as available-for-sale at fair value under previous standard IAS 39. With the adoption of IFRS 9, these assets were currently classified as fair value and the Group elected to present any changes in the fair value through other comprehensive income, because the investment is held as long-term strategic investments that are not expected to be sold in the short to medium term.

As a result of the adoption of IFRS 9, the above share investment has been fair valued as at 1 January 2018 with reference to the valuation conducted by an independent external valuer. There was no significant difference between the fair value and the carrying amount of the investment as at 1 January 2018, and therefore no adjustment was recorded to opening equity.

Other than that, there were no changes to the classification and measurement of financial instruments.

Summary of effects resulting from adoption of IFRS 9 is as follows:

	IAS 39		IFRS 9	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Financial assets				
Equity investment	Available-for-sale financial assets	23,100	FVOCI	23,100

3 NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES (Continued)

3.2 Adoption of IFRS 9 "Financial Instruments" (Continued)

3.2.1 IFRS 9 Financial Instruments – Impact of adoption (Continued)

Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under IAS 39. The Group has the following type of financial assets measured at amortised cost that are subject to IFRS 9's new expected credit loss model:

- Trade receivables

- Deposits and other receivables

The Group was required to revise its impairment methodology under IFRS 9 for this class of asset. The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Impairment of deposit and other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. The impact of the change in impairment methodology on the Group's retained earnings and equity is immaterial.

The Group established expected credit losses model based on historical settlement records, past experience and available forward-looking information. The Group has concluded that the impact of expected credit losses on financial assets has not resulted in any additional impairment loss as at 1 January 2018.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

3.2.2 IFRS 9 Financial Instruments – summary of significant accounting policies

The following describes the Group's updated financial instruments policy to reflect the adoption of IFRS 9:

Classification and measurement of financial instruments

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss); and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

3 NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES (Continued)

3.2 Adoption of IFRS 9 "Financial Instruments" (Continued)

3.2.2 IFRS 9 Financial Instruments – summary of significant accounting policies (Continued)

Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Equity investments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment of financial assets

The Group assesses on a forward-looking basis the ECL associated with its assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Noted 4(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment of deposit and other receivable is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition, then impairment is measured as lifetime ECL.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcome;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

3 NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES (Continued)

3.3 Adoption of IFRS 15 "Revenue from Contracts with Customers"

3.3.1 IFRS 15 Revenue from Contracts with Customers – Impact of adoption

IFRS 15, "Revenue from Contracts with Customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction contract" and related interpretations. The new accounting policies are set out in Note 3.3.2 below.

The Group has adopted IFRS 15 from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transitional provision in IFRS 15, comparative figures have not been restated.

The Group has assessed its performance obligations under its arrangements pursuant to IFRS 15 and has concluded that there are no significant differences between the performance obligations required to be units of account under IFRS 15 and the deliverables considered to be units of account under IAS 18.

The new standard requires the Group to estimate the total consideration, including an estimate of future variable consideration, receive in exchange for the goods delivered or services rendered. The Group's revenue streams are not significant impacted by the new standard.

3.3.2 IFRS 15 Revenue from Contracts with Customers – summary of significant accounting policies

The following describes the Group's updated revenue recognition policy to reflect the adoption of IFRS 15:

Sales of goods – sales to franchisees

The Group sells intimate wear products in the wholesale market. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The goods are often sold with retrospective volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 60 to 90 days, which is consistent with market practice. The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

3 NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES (Continued)

3.3 Adoption of IFRS 15 "Revenue from Contracts with Customers" (Continued)

3.3.2 IFRS 15 Revenue from Contracts with Customers – summary of significant accounting policies (Continued)

Sales of goods – retail and e-commerce transaction
The Group operates a chain of retail stores and uses third party e-commerce platform to sell intimate wear products. Revenue from the sale of goods is recognised when a Group entity sells a product to the customer.

Payment of the transaction price is due immediately when the customer purchases the intimate wear products which is usually at the time a Group entity has delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Accumulated experience is used by the Group to estimate and provide for such returns at the time of sale.

Franchise fee and software usage fee income
Revenue from franchise fee and software usage fee income is recognised in the accounting period in which the services are rendered.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Logistic warehousing and delivery income
Revenue from logistic warehousing and delivery services is recognised in the accounting period in which the services are rendered.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Other service income
Other service revenues are recognised in service revenue when the performance of contracted services is complete.

4 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 2017.

There have been no changes in any risk management policies since 31 December 2017.

(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 the "equity" as shown in the condensed consolidated balance sheet.

As at 30 June 2018 and 31 December 2017, 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 RMB1,635,313,000 (2017: RMB1,292,060,000).

(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).

4 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

As at 30 June 2018, except for the financial asset at fair value through other comprehensive income and financial assets at fair value through profit or loss, which were measured at level 3 and level 1 fair value as follows, the Group's financial instruments recognised in the condensed consolidated balance sheet are mainly receivables and financial liabilities carried at amortized cost. Analysis of level 1 and level 3 financial instruments for the six months ended 30 June 2018 are as follows:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000 *(Note)*	Total RMB'000
Financial assets at fair value through profit or loss	13,872	–	53,000	66,872
Financial asset at fair value through other comprehensive income	–	–	23,100	23,100
At 30 June 2018	13,872	–	76,100	89,972
At 31 December 2017	8,408	–	23,100	31,508

Note: the changes in level 3 items are as follows:

	Unlisted equity securities RMB'000
Closing balance 31 December 2017	23,100
Addition	53,000
Closing balance 30 June 2018	76,100

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 financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss 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 considered the future business plan, specific business and financial risks.

5 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. Substantially all of its revenue are derived in the PRC for the six months ended 30 June 2018 and 30 June 2017.

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 2018 (2017: None).

6 REVENUE

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Sales to franchisees	**1,261,661**	1,037,369
Retail sales	**774,354**	803,451
E-commerce	**302,667**	238,409
	2,338,682	2,079,229

7 OTHER INCOME AND OTHER GAINS – NET

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Other income:		
Government grants *(Note (a))*	**21,827**	19,790
Logistic warehousing and delivery income	**5,663**	–
Software usage fee income	**1,419**	732
Franchise fee income	**773**	406
Others	**5,633**	3,040
	35,315	23,968
Other gains – net:		
Fair value gain on financial assets at fair value through profit or loss	**5,464**	–
Net foreign exchange gains	**177**	475
Loss on disposal of property, plant and equipment – net	**(828)**	(296)
Gain on disposal of a subsidiary *(Note 27 (c))*	**–**	1,378
	4,813	1,557

Note:

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

8 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Employee benefit expenses (including directors' emoluments)	**283,687**	256,201
Operating lease rentals in respect of retail outlets (including variable rentals of RMB222,604,271 (2017: RMB241,599,000) *(Note (a))*	**232,845**	250,151
Other operating rental expenses	**13,858**	16,829
Marketing and promotion expenses	**57,486**	39,162
E-commerce platforms commission expenses	**41,534**	32,584
Depreciation and amortisation *(Note 13)*	**41,015**	42,518
Write-down of inventories	**22,331**	4,160
Provision for impairment of trade receivables	**315**	916
Provision for impairment of other receivables	**–**	630

Note:

(a) Revenue in respect of the retail outlets under variable rentals arrangement with minimum commitment amounted to RMB742,907,000 for the six months ended 30 June 2018 (2017: RMB781,247,000).

9 FINANCE INCOME AND EXPENSES

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Finance income		
Interest income on financial assets at fair value through other comprehensive income	**3,480**	4,062
Interest income on loan to third parties	**2,182**	1,717
Interest income on short-term bank deposits	**6,333**	597
	11,995	6,376
Finance expenses		
Interest expense on bank borrowings	**(5,517)**	(6,039)
	6,478	337

10 INCOME TAX EXPENSE

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Current income tax		
– Hong Kong profits tax *(Note (a))*	–	–
– PRC corporate income tax *(Note (b))*	**72,666**	51,100
	72,666	51,100
Deferred income tax *(Note 17)*	**(9,439)**	1,178
Income tax expenses	**63,227**	52,278

Notes:

(a) Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% for the period (2017: 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 2018 (2017: 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.

11 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	
	2018	2017
Profit for the period attributable to equity holders of Company *(RMB'000)*	**175,121**	144,887
Weighted average number of ordinary shares for purposes of basic earnings per share *(thousands of shares)*	**2,158,304**	1,959,223
Basic earnings per share *(RMB cents per share)*	**8.11**	7.40

Note: The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 June 2018 has been adjusted for the effects of the issuance of new shares on 25 May 2018, purchase and withholding of ordinary shares of the Company for the share award scheme and the repurchase and cancellation of ordinary shares of the Company during the six months ended 30 June 2018.

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding on an assumption of conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options.

	Six months ended 30 June	
	2018	2017
Profit for the period attributable to equity holders of Company *(RMB'000)*	**175,121**	144,887
Weighted average number of ordinary shares for purposes of basic earnings per share *(thousands of shares)*	**2,158,304**	1,959,223
Adjustment for share options *(thousands of shares)*	**10,400**	–
Weighted average number of ordinary shares for purposes of diluted earnings per share *(thousands of shares)*	**2,168,704**	1,959,223
Diluted earnings per share *(RMB cents per share)*	**8.07**	7.40

12 INTERIM DIVIDEND

The Board has recommended the payment of an interim dividend of HK2.73 cents (equivalent to approximately RMB2.40 cents) per ordinary share of the Company, totalling approximately HK$61,763,000 (equivalent to approximately RMB54,297,000) for the six months ended 30 June 2018 (2017: HK$55,378,000 (equivalent to approximately RMB47,246,000)).The dividend is not reflected as a dividend payable in the condensed consolidated interim financial information for the six months ended 30 June 2018, but will be reflected as an appropriation for the year ending 31 December 2018.

13 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 2018			
As at 1 January 2018	565,009	87,311	45,390
Additions	24,352	–	3,555
Disposals	(1,180)	–	–
Depreciation and amortisation	(36,660)	(1,040)	(3,315)
As at 30 June 2018	551,521	86,271	45,630
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

14 INVESTMENT IN JOINT VENTURES AND AN ASSOCIATE

The carrying amount of equity-accounted investments for the six months ended 30 June 2018 has changed as follows:

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Beginning of the period	22,407	1,990
Additions	3,000	4,000
Loss for the period	(1,623)	(515)
End of the period	23,784	5,475

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Equity investments at fair value through other comprehensive income

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Unlisted equity investments	23,100	–

(b) Financial assets previously classified as available-for-sale financial assets (2017)

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Unlisted equity investments	–	23,100

These investments were classified as available-for-sale in 2017. All of these investments were also held in the previous period.

16 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial asset at fair value through profit or loss is held for trading and include the following:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Japan listed equity security *(Note (a))*	13,872	8,408
Entrusted investment *(Note (b))*	53,000	–
	66,872	8,408

Notes:

(a) Amount recognised in profit or loss

Changes in fair value of financial asset at fair value through profit or loss are recorded in other gains/(losses) in profit or loss (2018: gain of RMB5,464,000; 2017: nil).

(b) The Group invest RMB106,000,000 in an unlisted company through a third party investment management company. According to the agreement entered into with the investment management company, the Group is committed to pay total amount of RMB106,000,000 to the investment company. As at 30 June 2018, amount of RMB53,000,000 has been paid to the investment management company.

(c) Risk exposure and fair value measurements

For information about the methods and assumptions used in determining fair value, please refer to Note 4(c).

17 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.

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	Deferred income RMB'000	Unrealised profit RMB'000	Tax losses carried forward RMB'000	Accrued interest RMB'000	Total RMB'000
At 1 January 2018	16,025	611	605	4,601	–	20,690	12,698	55,230
Credited/(charged) to the profit or loss *(Note 10)*	925	69	(605)	(370)	–	4,856	4,475	9,350
At 30 June 2018	16,950	680	–	4,231	–	25,546	17,173	64,580
At 1 January 2017	15,933	773	832	–	–	15,057	6,614	39,209
Credited/(charged) to the profit or loss *(Note 10)*	(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

As at 30 June 2018, 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:

	Fair value of intangible assets	
	2018 RMB'000	2017 RMB'000
At 1 January	1,424	1,601
Credited to the profit or loss *(Note 10)*	(89)	(89)
At 30 June	1,335	1,512

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 2018, temporary differences relating to the undistributed profits of certain subsidiaries of the Group in the PRC amounted to RMB1,559,186,000 (31 December 2017: RMB1,397,866,000). Deferred tax liabilities of RMB155,919,000 (31 December 2017: RMB139,786,000) 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.

18 TRADE RECEIVABLES

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Due from third parties	679,609	556,723
Less: provision for impairment	(2,718)	(2,444)
Trade receivables – net	676,891	554,279

(a) As at 30 June 2018, 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 outlets, 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 2018 and 31 December 2017 is as follows:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Trade receivables, gross		
– Within 30 days	370,972	291,628
– Over 30 days and within 60 days	86,341	59,296
– Over 60 days and within 90 days	24,100	73,527
– Over 90 days and within 180 days	117,778	39,409
– Over 180 days and within 360 days	62,170	71,730
– Over 360 days	18,248	21,133
	679,609	556,723

19 BANK BALANCES AND CASH

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Cash and cash equivalents	1,814,638	1,405,285
Term deposits with initial term of over three months *(Note (a))*	420	100,630
Restricted bank deposits *(Note (b))*	9,225	9,225
Total bank balances and cash	1,824,283	1,515,140
Denominated in:		
RMB	1,021,614	1,158,982
HK$	555,146	213,346
Other currencies	247,523	142,812
	1,824,283	1,515,140

Notes:

(a) As at 30 June 2018, the weighted average effective interest rate of the Group's term deposits with initial terms of over three months was 2.80% (2017: 1.12%) per annum.

(b) Restricted bank deposits were pledged to banks as collateral for 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.

20 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
As at 1 January 2018	**2,146,457,000**	**133,792**	**1,603,035**	**1,736,827**
Proceeds from shares issued *(Note (a))*	**121,443,213**	**7,756**	**407,363**	**415,119**
Shares bought back on-market and cancelled	**(5,505,000)**	**(354)**	**(11,586)**	**(11,940)**
Dividends	**–**	**–**	**(61,783)**	**(61,783)**
As at 30 June 2018	**2,262,395,213**	**141,194**	**1,937,029**	**2,078,223**
As at 1 January 2017	1,906,457,000	117,320	1,254,574	1,371,894
Proceeds from shares issued *(Note (b))*	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

Note:

(a) Pursuant to an agreement dated 26 April 2018, entered into among the Company, Windcreek Limited, Image Frame Investment (HK) Limited, Vipshop International Holdings Limited and Quick Returns Global Limited, the Company allotted and issued 121,443,213 shares at the price of HK$4.2 per share on 25 May 2018.

(b) 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.

21 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 22)	Exchange reserve RMB'000	Total other reserves RMB'000
At 1 January 2018	(8,938)	(19,537)	98,223	192,790	23,377	4,641	(15,111)	275,445
Equity-settled share-based compensation								
– Value of employee services	–	–	–	–	–	11,348	–	11,348
Shares purchased for share award scheme	–	(1,121)	–	–	–	–	–	(1,121)
Currency translation differences	–	–	–	–	–	–	15,657	15,657
At 30 June 2018	(8,938)	(20,658)	98,223	192,790	23,377	15,989	546	301,329
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

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 and the aggregate capital of the subsidiaries acquired, after elimination of investments in subsidiaries.

(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.

21 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 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 15 January 2018, the share scheme trustee acquired and withheld 500,000 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$1,356,000 (equivalent to approximately RMB1,121,000), which had been deducted from shareholders' equity.

22 EQUITY-SETTLED SHARE-BASED COMPENSATION

(a) Pre-IPO share award scheme

Great Ray Investment Holdings Limited, a company incorporated in the BVI and 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 "Pre-IPO Share Award Scheme") in exchange for employee services to the Group.

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

	Six months ended 30 June	
	2018 Number of ordinary shares	2017 Number of ordinary shares
At 1 January	–	6,900,000
Vested	–	–
Forfeited	–	(6,900,000)
At 30 June	–	–

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.

22 EQUITY-SETTLED SHARE-BASED COMPENSATION (Continued)

(b) 2016 Share award scheme

The Board has approved the adoption of the share award scheme on 17 August 2016. The purpose of the share award scheme is to recognize and motivate the contribution of certain members of management of the Group and to provide incentives and help the Group in retaining its existing members of management and to provide them with a direct economic interest in attaining the long-term business objectives of the Group. The vesting period of the awarded shares is determined by the Board.

No awards have been granted under the 2016 Share Award Scheme by the Group since its adoption and up to 30 June 2018.

(c) Employee option plan

The establishment of the Company employee option plan was approved by the Board on 31 October 2017. The employee option plan is designed to provide long-term incentives for senior managers and above (including executive directors) to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Vesting of the options is conditional upon the achievement of certain performance targets during the periods prior to each vesting date and the exercise period of the options. Subject to the Listing Rules, the Board reserves its rights to specify appropriate performance targets and conditions that must be achieved before the exercise of the options for each of the individual grantees at its absolute discretion.

Each option shall entitle the holder of the option to subscribe for one share upon exercise of such option at an exercise price, being the higher of (i) the closing price of the shares on the date of grant; (ii) the average closing price of the shares as quoted on the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

Set out below are summaries of options granted under the plan:

	2018		2017	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at 1 January	HK$3.288	75,000,000	–	–
Forfeited	HK$3.288	(12,700,000)	–	–
As at 30 June	HK$3.288	62,300,000	–	–
Vested and exercisable at 30 June	–	–	–	–

Share options outstanding at the end of the period have the following expiry date and exercise prices:

Grant Date	Expiry date	Exercise price	As at 30 June 2018	As at 31 December 2017
31 October 2017	30 October 2027	HK$3.288	62,300,000	75,000,000

22 EQUITY-SETTLED SHARE-BASED COMPENSATION (Continued)

(d) Expenses arising from share-based payment transactions

Total expenses arising from the share-based transactions have been charged in the consolidated statement of profit or loss and other comprehensive income as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
General and administrative expenses:		
Options issued under employee option plan	**6,878**	–
Pre-IPO Share Award Scheme	**–**	(1,063)
Selling and marketing expenses:		
Options issued under employee option plan	**4,470**	–
Pre-IPO Share Award Scheme	**–**	(529)
	11,348	(1,592)

23 TRADE PAYABLES

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Due to third parties	**629,521**	577,900
Due to related parties *(Note 27(d))*	**5,582**	5,668
	635,103	583,568

As at 30 June 2018, trade payables of the Group are denominated in RMB, non-interest bearing, and the carrying amounts approximate their fair values.

At 30 June 2018, the aging analysis of trade payables (including amounts due to related parties of trading in nature) based on invoice date were as follows:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Trade payables		
– Within 30 days	**210,060**	158,783
– Over 30 days and within 60 days	**155,054**	125,781
– Over 60 days and within 90 days	**112,192**	107,847
– Over 90 days and within 180 days	**141,680**	170,253
– Over 180 days and within 360 days	**10,194**	14,633
– Over 360 days	**5,923**	6,271
	635,103	583,568

24 BORROWINGS

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Non-current	178,950	211,260
Current	10,020	11,820
	188,970	223,080

Movements in borrowings is analysed as follows:

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Opening amount	223,080	200,000
Repayments of borrowings	(34,110)	(3,010)
Proceeds from bank borrowings	–	30,000
Closing amount	188,970	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 5.30% (2017: 5.20%) and are within level 2 of the fair value hierarchy.

25 NOTE TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Profit before income tax	**238,056**	197,165
Add: share of loss of an associate and joint ventures	**1,623**	515
Adjustments for:		
– Depreciation of property, plant and equipment *(Note 13)*	**36,660**	38,659
– Amortisation of land use rights *(Note 13)*	**1,040**	1,040
– Amortisation of intangible assets *(Note 13)*	**3,315**	2,819
– Provision for impairment of trade receivables *(Note 8)*	**315**	916
– Provision for impairment of other receivables *(Note 8)*	**–**	630
– Write-down of inventories *(Note 8)*	**22,331**	4,160
– Fair value gains on financial assets at fair value through profit or loss *(Note 7)*	**(5,464)**	–
– Finance income *(Note 9)*	**(11,995)**	(6,376)
– Finance expenses *(Note 9)*	**5,517**	6,039
– Foreign exchange gains – net *(Note 7)*	**(177)**	(475)
– Equity-settled share-based compensation *(Note 21)*	**11,348**	(1,592)
– Gain on disposal of a subsidiary *(Note 7)*	**–**	(1,378)
– Loss on disposal of property, plant and equipment – net *(Note 7)*	**828**	296
	303,397	242,418
Changes in working capital:		
– Trade receivables	**(122,927)**	26,936
– Deposits, prepayments and other receivables	**(75,262)**	(77,195)
– Inventories	**(6,857)**	(10,282)
– Financial assets at fair value through profit or loss	**(53,000)**	–
– Trade payables	**51,535**	(23,183)
– Accruals and other payables	**(16,018)**	(25,561)
Cash generated from operations	**80,868**	133,133

26 COMMITMENTS

(a) Capital commitments

As at 30 June 2018, the Group had the following capital commitments not provided for:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Contracted but not provided for:		
Investment in cooperation fund *(Note)*	250,000	–
FVPL *(Note 16(b))*	53,000	–
Property, plant and equipment	27,874	34,757
Intangible assets	697	2,417
	331,571	37,174

Note:

On 7 February 2018, the Group has entered into main terms for a non-legally binding cooperation agreement with a wholly-owned subsidiary of JD. com. Inc. and Mr. Li Guo Cheng to establish a cooperation fund. The target size of the cooperation fund is estimated to be RMB1,000,000,000 and will be expanded based on the actual need in the future. Initial capital contribution to the cooperation fund is expected to no less with RMB350,000,000 and the Group is expected to commit RMB250,000,000.

(b) Operating lease commitments

As at 30 June 2018, the future aggregate minimum lease payments in respect of buildings under non-cancellable operating leases are as follows:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
No later than 1 year	184,338	202,095
Later than 1 year and no later than 5 years	322,679	292,960
Later than 5 years	2,263	3,678
	509,280	498,733

The Group's lease term range from 1 to 7 years.

27 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 2018, 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. ("Shantou Shengqiang")	Controlled by a brother of Mr. Zhang Shengfeng's spouse
Shantou City Maosheng Knitting Underwear Co., Ltd. ("Shantou Maosheng")	Controlled by a brother of Mr. Lin Zonghong
Guangdong Zhengji Innovative Industrial Park Development Co., Ltd. ("Guangdong Zhengji")	Controlled by Mr. Zheng Yaonan

(b) Transactions with related parties – purchases of goods

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Continuing transactions:		
Shantou Shengqiang	**11,525**	11,429
Shantou Maosheng	**5,668**	5,188
	17,193	16,617

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 consideration of RMB10,809,100. A gain on disposal of the equity interest of RMB1,378,000 was taken to profit or loss (Note 7).

27 RELATED-PARTY TRANSACTIONS (Continued)

(d) Balances with related parties

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Trade payables:		
Shantou Shengqiang	4,472	4,405
Shantou Maosheng	1,110	1,263
	5,582	5,668

These 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 2018 is as follows:

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Wages, salaries and bonuses	4,063	4,747
Social insurance and housing fund	265	272
Equity-settled share-based compensation	4,208	22
	8,536	5,041

28 IMPORTANT EVENT AFTER THE REPORTING PERIOD

On 17 August 2018, Cosmo Lady (Guang Dong) Technology Company Limited ("Guangdong Cosmo Lady Technology"), a wholly-owned subsidiary of the Company, 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 joint ventures Cooperation Agreements in relation to the business cooperation between Guangdong Cosmo Lady Technology and seven existing suppliers of the Group through joint venture companies held as to either 19.99% or 51% by Guangdong Cosmo Lady Technology, as the case may be, with the remaining portion held by the respective suppliers.

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

As at 30 June 2018, 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 of Hong Kong Limited (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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (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	1,192,500,678 (L)	52.71% (L)
Mr. Zhang Shengfeng[2]	Interests held jointly with another person; interest of controlled company	1,192,500,678 (L)	52.71% (L)
Mr. Lin Zonghong[2]	Interests held jointly with another person; interest of controlled company	1,192,500,678 (L)	52.71% (L)
Mr. Cheng Zuming[2]	Interests held jointly with another person; interest of controlled company	1,192,500,678 (L)	52.71% (L)
Ms. Wu Xiaoli[2][3]	Interest of spouse	1,192,500,678 (L)	52.71% (L)
Mr. Wen Baoma	Personal Interests	5,000,000 (L)	0.22% (L)
Dr. Lu Hong Te	Personal Interests	210,000 (L)	0.01% (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, 2,262,395,213 shares) of the Company as at 30 June 2018.

(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) 1,192,500,678 shares of the Company (of which 10,500,000 shares were issuable upon exercises of the share options granted pursuant to the share option scheme adopted by the Company on 9 June 2014), representing approximately 52.71% 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 2018, 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 2018, 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]
Forever Flourish International Holdings Limited[2]	Interests held jointly with another person; interest of controlled company	1,192,500,678 (L)	52.71% (L)
Forever Shine Holdings Limited[2]	Interests held jointly with another person; interest of controlled company	1,192,500,678 (L)	52.71% (L)
Great Brilliant Investment Holdings Limited[2]	Interests held jointly with another person; interest of controlled company	1,192,500,678 (L)	52.71% (L)
Harmonious Composition Investment Holdings Limited[2]	Interests held jointly with another person; beneficial interest	1,192,500,678 (L)	52.71% (L)
Mountain Dragon Investment Limited[2]	Interests held jointly with another person; interest of controlled company	1,192,500,678 (L)	52.71% (L)
Ms. Cai Jingqin[3]	Interest of spouse	1,192,500,678 (L)	52.71% (L)
Ms. Cai Shaoru[4]	Interest of spouse	1,192,500,678 (L)	52.71% (L)
Fosun International Holdings Limited[5]	Interest of controlled company	240,000,000 (L)	10.61% (L)
Fosun International Limited[5]	Interest of controlled company	240,000,000 (L)	10.61% (L)
Fosun Ruizhe Grace Investments Limited[5]	Beneficial interest	240,000,000 (L)	10.61% (L)
Guo Guangchang[5]	Interest of controlled company	240,000,000 (L)	10.61% (L)
Prime Capital Management Company Limited	Beneficial owner	196,837,478 (L)	8.70% (L)
Morgan Stanley[6]	Interest of controlled company; interests held jointly with another person	152,286,188 (L) 152,649,625 (S)	6.73% (L) 6.74% (S)
Capital Today Investment XVIII (HK) Limited[7]	Beneficial owner	133,156,000 (L)	5.89% (L)
Capital Today Investment XVIII Limited[7]	Interest of controlled company	133,156,000 (L)	5.89% (L)
Capital Today China Growth Fund, LP[7]	Interest of controlled company	133,156,000 (L)	5.89% (L)
Capital Today China Growth GenPar, LTD[7]	Interest of controlled company	133,156,000 (L)	5.89% (L)
Capital Today Partners Limited[7]	Interest of controlled company	133,156,000 (L)	5.89% (L)
Ms. Xu Xin[7]	Interest of controlled company	133,156,000 (L)	5.89% (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, 2,262,395,213 shares) of the Company as at 30 June 2018.

(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) 1,192,500,678 shares of the Company (of which 10,500,000 shares were issuable upon exercises of the share options granted pursuant to the share option scheme adopted by the Company on 9 June 2014), representing approximately 52.71% 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 designated by Fosun International Limited subscribed and paid for 240,000,000 shares at the subscription price of HK$2.50 per subscription 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 71.77% by Fosun International Holdings Limited, which is indirectly owned as to 64.45% by Mr. Guo Guangchang.

(6) Morgan Stanley was deemed to have a long position in 152,286,188 shares and a short position in 152,649,625 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 147,793,427 shares and a short position in 152,649,344 shares.

  (b) Morgan Stanley & Co. LLC (Morgan Stanley's indirect subsidiary) had a long position in 4,490,708 shares.

  (c) Morgan Stanley Capital Services LLC (Morgan Stanley's indirect subsidiary) had a long position in 2,053 shares and a short position in 281 shares.

  In addition, the long position in 20,273 shares and short position in 54,151,706 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 5.89% 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 5.89% of the total issued share capital of the Company.

Save as disclosed above, as at 30 June 2018, 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

Pursuant to the share option scheme adopted by the Company on 9 June 2014 (the "Share Option Scheme"), there were 62,300,000 options outstanding as at 30 June 2018, which represented approximately 2.8% of the total number of issued shares of the Company as at the date of this interim report.

During the six months ended 30 June 2018, the movements of the options that have been granted under the Share Option Scheme were as follows:

Category and name of participant	Date of grant	Exercise price per share (HK$)	Exercise period[1]	Number of options Balance as at 1 January 2018	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period[2]	Balance as at 30 June 2018
Directors								
Mr. Zheng Yaonan	31 October 2017	3.288	31 October 2018 to 30 October 2027	2,100,000	–	–	–	2,100,000
Mr. Zhang Shengfeng	31 October 2017	3.288	31 October 2018 to 30 October 2027	2,100,000	–	–	–	2,100,000
Mr. Lin Zonghong	31 October 2017	3.288	31 October 2018 to 30 October 2027	2,100,000	–	–	–	2,100,000
Mr. Cheng Zuming	31 October 2017	3.288	31 October 2018 to 30 October 2027	2,100,000	–			2,100,000
Ms. Wu Xiaoli	31 October 2017	3.288	31 October 2018 to 30 October 2027	2,100,000	–	–	–	2,100,000
Total for Directors				10,500,000	–	–	–	10,500,000
Employees								
Employees of the Group	31 October 2017	3.288	31 October 2018 to 30 October 2027	64,500,000	–	–	(12,700,000)	51,800,000
Total for Employees of the Group				64,500,000	–	–	(12,700,000)	51,800,000
Total for all categories				**75,000,000**	**–**	**–**	**(12,700,000)**	**62,300,000**

Notes:

1. Subject to the terms of the Share Option Scheme, the options granted to each holder of the options are valid for a period of 10 years from the date of grant and shall be vested in five tranches in accordance with the following vesting dates:

   (a) 10% of the options shall be vested and exercisable from the first anniversary date of the date of grant (i.e. 31 October 2018);

   (b) 15% of the options shall be vested and exercisable from the second anniversary date of the date of grant (i.e. 31 October 2019);

   (c) 20% of the options shall be vested and exercisable from the third anniversary date of the date of grant (i.e. 31 October 2020);

   (d) 25% of the options shall be vested and exercisable from the fourth anniversary date of the date of grant (i.e. 31 October 2021); and

   (e) 30% of the options shall be vested and exercisable from the fifth anniversary date of the date of grant (i.e. 31 October 2022).

2. This refers to the options lapsed due to cessation of employment.

Save as disclosed above, no other options under the Share Option Scheme were outstanding at the beginning or at the end of the period under review nor any other options were granted, exercised, cancelled or lapsed at any time during 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 2018, a total of 8,018,000 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.

INTERIM DIVIDEND

The Company's board of directors (the "Board") has recommended the payment of interim dividend of HK2.73 cents per share (equivalent to approximately RMB2.40 cents per share, using the exchange rate quoted by the People's Bank of China on 17 August 2018) for the six months ended 30 June 2018 (six months ended 30 June 2017: HK2.58 cents per share). The interim dividend would be payable to shareholders whose names appear on the register of members of the Company on Thursday, 6 September 2018. Dividend warrants are expected to be despatched on Monday, 17 September 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 4 September 2018 to Thursday, 6 September 2018, 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, 3 September 2018 for registration.

CORPORATE GOVERNANCE PRACTICES

The Board 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 2018, with the exception of Code Provision A.2.1.

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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2018, the Company repurchased a total of 5,505,000 shares on the Stock Exchange at an aggregate consideration (excluding related expenses) of approximately HK$14,520,000 and all the shares repurchased have been duly cancelled. Particulars of the shares repurchased are as follow:

Month	Number of shares repurchased	Highest price per share (HK$)	Lowest price per share (HK$)	Aggregate consideration (HK$'000)
January 2018	5,505,000	2.65	2.61	14,520

Save as disclosed above, 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 2018.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Specific enquiry was made with all the Directors and all confirmed that they have complied with the requirements set out in the Model Code throughout the six months ended 30 June 2018.

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 Dr. Lu Hong Te. Mr. Yau Chi Ming, who possesses appropriate professional qualifications as required by the Listing Rules, is the chairman of the audit committee.

The committee holds regular meetings to review the Group's financial information, financial reporting system, internal control procedures and risk management system, including a review of the interim financial information for the six months ended 30 June 2018.

INFORMATION REGARDING DIRECTORS

Mr. Yau Chi Ming, an independent non-executive Director of the Company, served as an independent non-executive director, the chairman of the audit committee, a member of nomination committee and remuneration committee of Hosa International Limited from 30 April 2018 to 31 July 2018.

Mr. Hu Shengli has been appointed as a non-executive director of the Company with effect from 25 May 2018.

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 2017 of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.