



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

2020



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zheng Yaonan (*Chairman*)
Mr. Zhang Shengfeng (*Deputy Chairman*)
Ms. Wu Xiaoli
Mr. Siu Ka Lok

Non-executive Directors

Mr. Lin Zonghong
Mr. Wen Baoma
Mr. Jiang Bo
Mr. Zhao Yingming

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 *FCA, 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 and Registered PIE Auditor

PRINCIPAL BANKERS

Bank of China (Hong Kong) 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

REGISTERED OFFICE

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

HEAD OFFICE

Building N1, Fenggang Tianan Digital City
Fenggang Town, Dongguan City
Guangdong

PLACE OF BUSINESS IN HONG KONG

Unit 909, 9/F.
China Merchants Tower, Shun Tak Centre
Nos. 168-200 Connaught Road Central
Hong Kong

SHARE REGISTRAR IN HONG KONG

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

LEGAL ADVISORS

Hong Kong
Reed Smith Richards Butler
Cleary Gottlieb Steen & Hamilton

Financial Highlights



		Six months ended 30 June	
		Unaudited 2020	Unaudited 2019
Revenue	RMB'000	1,332,575	2,210,207
Operating (loss)/profit	RMB'000	(108,636)	43,005
(Loss)/profit attributable to owners of the Company	RMB'000	(131,349)	35,466
Gross profit margin	%	48.7%	41.1%
Operating (loss)/profit margin	%	(8.2%)	1.9%
Margin of (loss)/profit attributable to owners of the Company	%	(9.9%)	1.6%
(Loss)/earnings per share Basic and diluted	RMB cents	(5.89)	1.57

Management Discussion and Analysis

BUSINESS REVIEW

The first half of 2020 has been exceptionally tough for mainland China economy. As affected adversely by the ongoing global trade disputes and the sudden outbreak of COVID-19, there has been a general slowdown of the mainland China economy and its retail industry. According to the National Bureau of Statistics of China, the GDP of mainland China for the first half of 2020 has declined by approximately 1.6% while the Purchasing Manager's Index of the manufacturing sector has dropped to 35.7 in February 2020.

The impact on apparel industry is even larger. The retail sales of apparel products in the first half of 2020 declined year-on-year by approximately 21.8% while the cumulative finished cloth volume of apparel enterprises above designated size for the period fell by 17.9%.

In addition, there is keen competition in mainland China's intimate wear market which continues to undergo structural adjustments in respect of sales channel diversification, product quality and mix of products.

From early February 2020 onwards, following the requirements of various local authorities in mainland China for social distancing and other public health warnings to prevent further spreading of COVID-19, Cosmo Lady (China) Holdings Company Limited (the "Company") and its subsidiaries (the "Group") and the Group's franchisees shut down temporarily most of their stores from February 2020 to around mid-March 2020. Such measures had limited to significant extent, foot traffic in the main shopping areas, and dampened consumer sentiment leading to a devastating impact on the operating result of the Group.



弗拉明戈的輕盈曼妙和浪漫
聚焦「形」樣的優雅與魅力

The board of directors (the “Board”) has adopted and will adopt the following measures to mitigate the adverse impact of the factors mentioned above and continued to implement the transformation plan adopted in the second half of 2019:

1. Re-opening stores gradually from the second half of March 2020 onwards when the gravest impact of epidemic gradually subsided – although still being affected by the impact of epidemic and the slowdown of mainland China economy, the same store retail sales of self-owned stores in May and June 2020 were around 83.5% of that for the same period in 2019;
2. E-commerce and membership management
 - a) Stepping up efforts on developing online “new retailing”, including Tencent mini APP and live webcast, realizing omni-channel marketing and extending business hours. Together with the use of the private traffic of 59 million members for boosting sales, the year-on-year sales growth in May and June 2020 in some key e-commerce platforms was around 34.7%;
 - b) Enhancing membership system and refining membership management (e.g. introducing appropriate products, promotion and other activities, membership loyalty plan, etc.) to improve the purchasing rate, re-purchasing rate and activity rate of members; and
 - c) Stepping up the business cooperation with the key e-commerce platforms, Tmall, JD and VIP, in the second half of 2020 so as to maintain or surpass the growth rate of e-commerce business in the first half of 2020, cooperating with other e-commerce platforms; and launching new loungewear products and new men underwear products under new brand names on e-commerce channels.
3. Stepping up effort on clearing aged inventories – although being affected by the epidemic and slowdown of mainland China economy, part of the aged inventories (2019 or before) with cost of approximately RMB553,500,000, representing approximately 37.7% of the cost of these inventories, have been cleared;
4. New product development
 - a) Continuing the Group’s shift from fast-moving-fashionable-sexy products to practical, functional, comfortable, healthy and value-for-money products;
 - b) Focusing on classic products and reducing significantly the number of stock keeping unit (“SKU”), for example, the number of SKU for 2020 Autumn/Winter products has been reduced by about 35% when comparing with the number of SKU for 2019 Autumn/Winter products;
 - c) Launching more quality, upgraded and new products (such as Air Bra, new thermal cloth products); and
 - d) Using new 3D technology for product research and development.
5. Establishing a new fast-response committee for improving supply chain management, product designing, product merchandising and product operating (such as ordering and re-ordering products accurately at appropriate pricing, transferring products flexibly, products life cycle management) in order to enhance efficiency, lower costs and shorten response time;
6. Stepping up investments in digital management for supporting operation and management (such as work shift system for stores, stock replenishment system for stores, stock ordering system, purchase orders management system, warehouse management system, etc.), and enabling the Group to response swiftly to the market change;

7. Adopting various measures to improve cash flows and cash position such that cash flows generated from operating activities improved from approximately negative RMB261,570,000 for the six months ended 30 June 2019 to approximately RMB293,972,000 for the six months ended 30 June 2020, and the cash and cash equivalents, term deposits and restricted bank deposits as at 30 June 2020 have increased to approximately RMB917,708,000 (31 December 2019: RMB854,794,000); and
8. New development on retail stores

Defining clearly market position and implementing detail planning on the standards and structure for each type of stores:

- a) Opening and renovating around 100 seventh generation stores with new image up to 30 June 2020, and expecting to open and renovate around 420 seventh generation stores in the second half of 2020, and the performance of the seventh generation stores was outstanding in the first half of 2020;
- b) Opening 10 shopping mall stores with “family life concept” (“Cosmo Lady Home stores”) up to 30 June 2020 and expecting to open 10 more Cosmo Lady Home stores in the second half of 2020 – two Cosmo Lady Home stores were renovated from old shopping mall stores, and sales of these stores have nearly doubled after the renovation;
- c) Opening 42 factory outlets/discount stores in the first half of 2020, and expecting to open 30 more stores in the second half of 2020 for clearance of aged inventories; and
- d) Opening a new flagship store with an area of about 1,000 square metres at Dongguan in June 2020 and applying this flagship model gradually in other major cities.



FINANCIAL REVIEW

Revenue

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

During the period, due to the factors mentioned in the "Business Review" section, the Group's revenue from product sales fell by approximately 37.8% and total revenue fell by approximately 39.7%, when compared with the same period of last year.

Revenue by sales channel

The products of the Group were sold to consumers through an extensive network of retail stores in various 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			
	2020		2019	
	RMB'000	%	RMB'000	%
Sales to franchisees (<i>Note</i>)	512,055	38.4	1,081,587	48.9
Retail sales	421,774	31.7	711,623	32.2
E-commerce	382,318	28.7	323,629	14.7
Revenue from product sales	1,316,147	98.8	2,116,839	95.8
Trading of raw materials	16,428	1.2	93,368	4.2
Total revenue	1,332,575	100.0	2,210,207	100.0

Note: The retail sales of franchisees fell by approximately 35.6%, which was better than the decline in sales to franchisees of approximately 52.7%, as the franchisees continued to clear the aged inventories purchased in previous years.

E-commerce sales increased by about 18.1% when compared with the same period of last year mainly because the Group continued to invest resources in the development of e-commerce channels during the period.

In order to focus on implementing reforms and dealing with the impact of the epidemic, trading of raw materials activities declined significantly during the period.



Revenue by type of product

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

	Six months ended 30 June			
	2020		2019	
	RMB'000	%	RMB'000	%
Bras	712,736	53.5	1,105,182	50.0
Underpants	251,120	18.8	383,861	17.4
Sleepwear and loungewear	200,970	15.1	302,435	13.7
Thermal clothes	49,999	3.8	93,235	4.2
Other products <i>(Note)</i>	101,322	7.6	232,126	10.5
Revenue from product sales	1,316,417	98.8	2,116,839	95.8
Trading of raw materials	16,428	1.2	93,368	4.2
Total revenue	1,332,575	100.0	2,210,207	100.0

Note: Includes leggings and tights, vests, hosiery and accessories.

Gross profit margin

During the period under review, the gross profit margin of the Group increased to around 48.7% (first half of 2019: 41.1%). This was primarily due to:

- Continued implementation of transformation plan for improvement of supply chain management, product operating and product merchandising capabilities to lower cost and improve gross profit margin;
- Drop in cost of raw materials by around 3.4% during the period; and
- Sales of aged inventories, with full provision already made in last year, at a large discount to overseas market during the period.

Selling and marketing expenses

Selling and marketing expenses primarily consist of employee benefit expenses, operating expenses in respect of stores under cooperative arrangements, marketing and promotion expenses, e-commerce platforms commission expenses, depreciation and amortisation and others.

The decline in selling and marketing expenses by about 16.9% for the six months ended 30 June 2020 to approximately RMB609,442,000 (first half of 2019: RMB733,311,000) was primarily driven by the decrease in various store-related expenses as a result of adjusting sales and distribution channels proactively by closing certain loss-making retail stores during the period.

General and administrative expenses

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

The rise of general and administrative expenses by about 3.4% for the six months ended 30 June 2020 to approximately RMB148,999,000 (first half of 2019: RMB144,134,000) was mainly attributable to the increase in consulting expenses for employing Boston Consulting Group during the period.

Other income

Other income consists of government grants, logistics warehousing and delivery income, software usage fee income, franchise fee income and others. During the period, other income decreased by approximately 40% to approximately RMB18,452,000 (first half of 2019: RMB30,758,000), mainly due to the decline in government grants awarded by local governments and drop in logistics warehousing and delivery service income as a result of the epidemic.

Finance expenses – net

Finance expenses – net represents financial expenses on bank borrowings and lease liabilities less interest income on short-term bank deposits and advance to suppliers.

The finance income of approximately RMB2,256,000 (first half of 2019: RMB6,737,000) decreased mainly resulted from the drop in interest income on short-term bank deposits.

The increase in finance expense to approximately RMB26,207,000 (first half of 2019: RMB12,269,000) was in line with the increase in bank borrowings and lease liabilities.

Income tax credit

The Group recognized appropriate deferred tax assets in the financial statements resulting in income tax credit.

As at 30 June 2020, the Group had fulfilled all its tax obligations and did not have any unresolved tax disputes.

INVENTORIES, TRADE RECEIVABLES AND TRADE AND NOTES PAYABLES

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Inventories	742,211	679,845
Trade receivables	288,113	276,111
Trade and notes payables	590,139	460,642

As affected by the epidemic, the sales and cost of sales figures for the period were lower than normal so that the average inventories, trade receivables and trade payables turnover days have been distorted. As such, the inventories, trade receivables and trade and notes payables balances are analyzed instead.

As mentioned above, management has cleared a lot of aged inventories during the period. The increase in the overall balance was mainly due to the purchase of new practical, functional, comfortable, healthy and value-for-money inventories in the first half of 2020, and the remaining balance of such inventories as at 30 June 2020 was approximately RMB270,672,000.

There was no significant fluctuation in the trade receivables balance.

The trade and notes payables balance increased because after negotiation, suppliers agreed to extend the credit period granted to the Group by one month.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a solid balance sheet. As at 30 June 2020, the Group's term deposits, restricted bank deposits and cash and cash equivalents amounted to approximately RMB917,708,000 (31 December 2019: RMB854,794,000) and bank borrowings amounted to approximately RMB548,782,000 (31 December 2019: RMB455,190,000). As at 30 June 2020, the current ratio was about 1.9 times (31 December 2019: 1.9 times).

As at 30 June 2020, 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 22.7% (31 December 2019: 17.8%). The gross gearing ratio increased as a result of increase in bank borrowings. 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 15.3% (31 December 2019: negative 15.7%) 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

In the first half of this year, the Group continued to engage a global leading consulting firm, Boston Consulting Group, to assist the Group in undergoing reforms in various aspects (such as overall operation strategies, major brand operation models, improvement of store structure, implementation of strategies and prioritization of various measures, inventory management, optimization of management hierarchy and determining short, medium and long-term strategies).

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 gross proceeds from the Company's initial public offering amounted to approximately HK\$1,463,245,000 while the net proceeds amounted to approximately HK\$1,386,405,000. The use of net proceeds, up to 30 June 2020, was as follows:

Use of net proceeds	Original intended use of net proceeds HK\$	Amount utilized as at 30 June 2020 HK\$	Revised use of net proceeds (Note 3) HK\$	Expected timeline of full utilization of said unutilized balance
Expansion of the retail network of self-managed stores (Note 1)	540,700,000	873,300,000	886,760,000 (fully utilized as of 31 August 2020)	N/A
Construction and operation of logistics centers in Dongguan, Tianjin and Chongqing	350,800,000	361,972,000 (Note 2)	361,972,000 (fully utilized as of 31 August 2020)	N/A
Acquisitions of businesses, brands or products and further development of strategic alliances (Note 3)	174,700,000	90,069,000	90,069,000 (fully utilized as of 31 August 2020)	N/A
Establishment of design, research and development center (Note 3)	91,500,000	–	–	N/A
Upgrade of information technology infrastructure (Note 3)	91,500,000	46,391,000	47,604,000 (fully utilized as of 31 August 2020)	N/A
Working capital and other general corporate purposes (Note 3)	137,205,000	–	–	N/A

Note 1: The Group has increased the allocated amount for expansion of the retail network of self-managed stores since 2014 due to the Group's business growing at a much faster rate than was contemplated during the initial public offering, which resulted in the opening of a larger number of self-managed stores.

Note 2: Being approximately HK\$226,182,000 for the Tianjin logistics center and approximately HK\$135,790,000 for the Dongguan logistics center. Upon and since its listing, the Company has raised funds by equity offerings in Hong Kong Dollar and incurs expenditure predominantly in Renminbi given its geographical focus on the People's Republic of China.

Given the fluctuating exchange rate between Renminbi and Hong Kong Dollar since 2014, the Hong Kong Dollar equivalent amount spent on the construction and operation of logistics centers in Dongguan and Tianjin is marginally higher than the amount originally allocated. The project for constructing the Chongqing logistics center has been cancelled due to the changes in business environment.

Note 3: Given the over-allocation of the net proceeds for the expansion of the Company's retail network of self-managed stores as explained above and the resulting smaller amount of unutilized net proceeds, and the changing business environment, the Board has made reasonable reductions in the amounts allocated for the other intended uses in August 2020.

The Board believes that the above reallocation of the use of net proceeds is in the interest of the Company and its shareholders as a whole, in response to the changing market conditions in light of the challenges as a result of the general slowdown of mainland China economy and the COVID-19 pandemic.

USE OF PROCEEDS FOR FUNDS RAISED

Fosun Subscription

Reference is made to the announcements by the Company dated 5 May 2017 and 17 May 2017 regarding the issuance of new shares under general mandate (the “Fosun Subscription”). 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 and net proceeds of approximately HK\$599,000,000.

It was set out at the time that the net proceeds from the Fosun 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 capital. Up to 30 June 2020, the use of net proceeds was as follows:

Use of net proceeds	Intended use of net proceeds HK\$	Amount utilized as at 30 June 2020 HK\$	Expected timeline of full utilization of said unutilized balance (Note)
Financing the reforms in sales and distributions channels of the Group	39,000,000	–	Before the end of 2021
Potential mergers, acquisitions and cooperation opportunities	30,000,000	–	Before the end of 2023
General working capital	530,000,000	515,238,000	Before the end of 2021

Note: The expected timeline of full utilization of said unutilized balance is based on the best estimation of the future market conditions made by the Group. It may be subject to change due to future development of market conditions.

The net proceeds not yet utilized from the Fosun Subscription has been deposited with certain licensed banks. The Company will continue to actively seek to identify opportunities suitable but has no definitive timetable nor expectation for when such opportunities will be found.

Windcreek Subscription

Reference is made to the announcements by the Company dated 26 April 2018 and 25 May 2018 regarding the issuance of new shares under general mandate (the “Windcreek Subscription”). On 25 May 2018, the Company issued an aggregate of 121,443,213 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, raising gross proceeds of approximately HK\$510,061,000 and net proceeds of approximately HK\$509,000,000.

It was set out at the time that the net proceeds from the Windcreek 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 capital. Up to 30 June 2020, the net proceeds have not been used:

Use of net proceeds	Intended use of net proceeds	Amount utilized as at 30 June 2020	Expected timeline of full utilization of said unutilized balance (Note)
	HK\$	HK\$	
Financing the reforms in sales and distributions channels of the Group	239,000,000	–	Before the end of 2023
Potential mergers, acquisitions and cooperation opportunities	70,000,000	–	Before the end of 2023
General working capital	200,000,000	–	Before the end of 2023

Note: The expected timeline of full utilization of said unutilized balance is based on the best estimation of the future market conditions made by the Group. It may be subject to change due to future development of market conditions.

The net proceeds from the Windcreek Subscription have been deposited with certain licensed banks. The Company 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 RMB201,178,000 (first half of 2019: RMB40,677,000), which was mainly used for construction of the new office of the Group.

PLEDGE OF ASSETS

As at 30 June 2020, certain property, plant and equipment, and land use rights were pledged as securities for obtaining banking borrowings of approximately RMB548,782,000 (31 December 2019: RMB189,990,000).

CONTINGENT LIABILITIES

As at 30 June 2020, 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, the Group adjusted its sales and distribution channels proactively by closing certain loss-making self-owned stores. As at 30 June 2020, the Group's distribution network comprised 5,457 retail stores (31 December 2019: 5,970), out of which 1,032 (31 December 2019: 1,269) were self-managed retail stores and 4,425 (31 December 2019: 4,701) were franchised retail stores.

HUMAN RESOURCES AND MANAGEMENT

The Group had approximately 3,169 full-time employees as at 30 June 2020 (31 December 2019: 3,530). 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 governments. The Group has also attained ISO14001:2015 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 2019 annual report. A similar report will be included in the 2020 annual report which will be issued in next year.

OUTLOOK AND STRATEGY

Apart from the aforementioned measures and reforms, the Group will also adopt the following measures in the second half of 2020:

1. Urging franchisees to develop business presence in the blank market in mainland China to fill the market gap;
2. Enhancing the overall structure of franchisees and managing by different grading of franchisees; and
3. Tightening cost controls, optimizing organization structure and reducing unnecessary expenses.

Although being affected adversely by epidemic and slowdown of mainland China economy, the Group has taken appropriate measures swiftly with reference to the changing market situation. For certain new products launched in June and July 2020, the sold-out rates have reached 50% or above in 30 days. It is expected that operating performance will improve significantly in the second half of 2020.

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 18 to 47, which comprises the interim condensed consolidated balance sheet of Cosmo Lady (China) Holdings Company Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim 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, 28 August 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Six months ended 30 June	
		2020 Unaudited RMB'000	2019 Unaudited RMB'000
Revenue	5	1,332,575	2,210,207
Cost of sales	7	(683,191)	(1,302,689)
Gross profit		649,384	907,518
Selling and marketing expenses	7	(609,442)	(733,311)
General and administrative expenses	7	(148,999)	(144,134)
Net impairment losses on financial assets		(5,592)	(7,011)
Other income	6	18,452	30,758
Other losses – net	6	(12,439)	(10,815)
Operating (loss)/profit		(108,636)	43,005
Finance income	8	2,256	6,737
Finance expenses	8	(26,207)	(12,269)
Finance expenses – net		(23,951)	(5,532)
Share of profit/(loss) of equity investments	13	1,184	(5,443)
(Loss)/profit before income tax		(131,403)	32,030
Income tax credit	9	2,577	7,680
(Loss)/profit for the period		(128,826)	39,710
Other comprehensive (loss)/income for the period			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences		7,966	(776)
<i>Item that will not be reclassified to profit or loss</i>			
Changes in the fair value of equity investments at fair value through other comprehensive income		(12,157)	–
Total comprehensive (loss)/income for the period		(133,017)	38,934
(Loss)/profit attributable to:			
Owners of the Company		(131,349)	35,466
Non-controlling interests		2,523	4,244
		(128,826)	39,710
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(135,540)	34,690
Non-controlling interests		2,523	4,244
		(133,017)	38,934
(Loss)/earnings per share attributable to owners of the Company during the period		RMB cents	RMB cents
Basic and diluted (loss)/earnings per share	10	(5.89)	1.57

The notes on pages 23 to 47 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet

		As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	12	672,361	515,402
Right-of-use assets	12	595,585	516,522
Intangible assets	12	36,153	39,871
Investment in joint ventures	13	286,358	285,174
Investment in an associate	13	–	–
Financial assets at fair value through profit or loss	14	–	102,729
Financial assets at fair value through other comprehensive income	15	62,257	74,414
Deposits, prepayments and other receivables	16	14,571	113,757
Deferred income tax assets	17	193,686	178,444
		1,860,971	1,826,313
Current assets			
Inventories		742,211	679,845
Trade receivables	18	288,113	276,111
Deposits, prepayments and other receivables	16	528,532	694,154
Financial assets at fair value through profit or loss	14	6,333	8,822
Term deposits and restricted bank deposits	19	116,945	630
Cash and cash equivalents	19	800,763	854,164
		2,482,897	2,513,726
Total assets		4,343,868	4,340,039

	<i>Note</i>	As at 30 June 2020 Unaudited RMB'000	As at 31 December 2019 Audited RMB'000
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	20	140,312	140,312
Share premium	20	1,656,669	1,656,669
Other reserves	21	407,883	418,807
Retained earnings		189,486	320,835
		2,394,350	2,536,623
Non-controlling interests		21,850	15,989
Total equity		2,416,200	2,552,612
LIABILITIES			
Current liabilities			
Trade and notes payables	23	590,139	460,642
Accruals and other payables		245,061	370,292
Contract liabilities	5	74,260	133,675
Current income tax liabilities		5,445	–
Borrowings	24	191,305	150,000
Lease liabilities		235,456	199,147
Deferred income		351	436
		1,342,017	1,314,192
Non-current liabilities			
Borrowings	24	357,477	305,190
Lease liabilities		226,231	165,880
Deferred income tax liabilities	17	981	1,070
Deferred income		962	1,095
		585,651	473,235
Total liabilities		1,927,668	1,787,427
Total equity and liabilities		4,343,868	4,340,039

The notes on pages 23 to 47 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 owners of the Company					Non-controlling interests	Total equity	
Note	Share capital	Share premium	Other reserves	Retained earnings	Total				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
	As at 1 January 2020	140,312	1,656,669	418,807	320,835	2,536,623	15,989	2,552,612	
	Comprehensive income								
	Loss for the period	-	-	-	(131,349)	(131,349)	2,523	(128,826)	
	Other comprehensive (loss)/income								
	Exchange differences	21	-	-	7,966	-	7,966	-	7,966
	Changes in the fair value of equity investments at fair value through other comprehensive income		-	-	(12,157)	-	(12,157)	-	(12,157)
	Total comprehensive (loss)/income for the period		-	-	(4,191)	(131,349)	(135,540)	2,523	(133,017)
	Transactions with owners								
	Equity-settled share-based compensation	22	-	-	4,010	-	4,010	-	4,010
	Shares purchased for share award scheme	21	-	-	(10,743)	-	(10,743)	-	(10,743)
	Contribution from non-controlling interests		-	-	-	-	3,338	3,338	
	Total transactions with owners		-	-	(6,733)	-	(6,733)	3,338	(3,395)
	As at 30 June 2020	140,312	1,656,669	407,883	189,486	2,394,350	21,850	2,416,200	
	As at 1 January 2019	140,755	1,866,386	416,471	1,623,937	4,047,549	15,056	4,062,605	
	Comprehensive income								
	Profit for the period		-	-	35,466	35,466	4,244	39,710	
	Other comprehensive income								
	Exchange differences	21	-	-	(776)	-	(776)	-	(776)
	Total comprehensive income for the period		-	-	(776)	35,466	34,690	4,244	38,934
	Transactions with owners								
	Dividends relating to 2018 paid in June 2019	20	-	(196,706)	-	-	(196,706)	-	(196,706)
	Shares bought back on-market and cancelled	20	(443)	(13,011)	-	-	(13,454)	-	(13,454)
	Contribution from non-controlling interests		-	-	-	-	1,285	1,285	
	Total transactions with owners		(443)	(209,717)	-	-	(210,160)	1,285	(208,875)
	As at 30 June 2019	140,312	1,656,669	415,695	1,659,403	3,872,079	20,585	3,892,664	

The notes on pages 23 to 47 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows

		Six months ended 30 June	
		2020	2019
		Unaudited	Unaudited
		RMB'000	RMB'000
Note			
	Cash flows from operating activities		
	Cash generated from/(used in) operations	312,171	(211,828)
	Income tax paid	(18,199)	(49,742)
	Net cash generated from/(used in) operating activities	293,972	(261,570)
	Cash flows from investing activities		
	Proceeds from disposal of property, plant and equipment	2,036	271
	Interest received	2,256	6,844
	Purchases of property, plant and equipment	(108,503)	(101,168)
	Purchases of intangible assets	(95)	(3,535)
	Investment income from financial assets at fair value through profit or loss	20	–
	Term deposits with initial term of over three months	–	210
	Capital contribution to joint ventures	–	(115,000)
	Repayment from a related party	1,480	–
	Net cash used in investing activities	(102,806)	(212,378)
	Cash flows from financing activities		
	Capital injections from non-controlling interests	3,338	1,285
	Proceeds from borrowings	260,909	309,812
	Repayment of borrowings	(167,317)	(186,360)
	Dividends paid	–	(196,706)
	Interest paid for borrowings	(15,285)	(8,953)
	Purchase of the Company's shares for share award scheme	(10,743)	–
	(Pledge)/release of restricted bank deposits	(116,315)	9,225
	Principal elements of lease payments	(200,490)	(36,752)
	Payment for repurchase of the Company's shares	–	(13,454)
	Net cash used in financing activities	(245,903)	(121,903)
	Net decrease in cash and cash equivalents	(54,737)	(595,851)
	Cash and cash equivalents at beginning of the period	854,164	1,496,163
	Effect of foreign exchange rate changes	1,336	(4,516)
	Cash and cash equivalents at end of the period	800,763	895,796

The notes on pages 23 to 47 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 2020

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 2020 ("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 28 August 2020.

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 2019, 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 2019.

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 2019, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The Group has early adopted Amendment to IFRS 16 – COVID-19-Related Rent Concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before 30 June 2021; and c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totalling RMB24,822,000 have been accounted for as negative variable lease payments and recognised in selling and marketing expenses in the statement of profit or loss for the six months ended 30 June 2020, with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 January 2020.

A number of new or amended standards became applicable for the current reporting period. Except for the Amendment to IFRS 16 set out above, the Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

2 BASIS OF PREPARATION (Continued)

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

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group currently does not use any derivative financial instruments to hedge certain risk exposures during the period.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2019.

There have been no changes in any risk management policies since 31 December 2019.

(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 equity. Due to the adoption of IFRS 16, lease liabilities and right-of-use assets are added to the net debt and total equity to calculate the net debt to equity ratio. Net debt calculated as total borrowings and lease liabilities less cash and cash equivalents, term deposits and restricted bank deposits. The amount of total equity has been disclosed in the condensed consolidated balance sheet. The net debt/(net cash) to equity ratio of the Group as at 30 June 2020 and 31 December 2019 were as follows:

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Net debt/(net cash)	92,761	(34,577)
Total equity	2,416,200	2,552,612
Net debt/(net cash) to equity ratio	4%	(1%)

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation

Financial instruments carried at fair value are disclosed by levels of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 30 June 2020, except for the financial assets 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 amortised cost. Analysis of level 1 and level 3 financial instruments for the six months ended 30 June 2020 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	6,333	–	–	6,333
Financial assets at fair value through other comprehensive income	–	–	62,257	62,257
At 30 June 2020	6,333	–	62,257	68,590
At 31 December 2019	8,822	–	177,143	185,965

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

	Unlisted equity securities RMB'000
Closing balance 31 December 2019	177,143
Additions	–
Disposal	(102,729)
Changes in fair value	(12,157)
Closing balance 30 June 2020	62,257

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transaction on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

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 and market approach method by looking at comparable companies with similar size, features, operations, industry and economic conditions. 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.

4 SEGMENT INFORMATION

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

The Group is principally engaged in the designing, marketing and selling of intimate wear products. Substantially all of its revenue are derived in the PRC for the six months ended 30 June 2020 and 30 June 2019.

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 2020 (2019: None).

5 REVENUE

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Sales to franchisees	512,055	1,081,587
Retail sales	421,774	711,623
E-commerce	382,318	323,629
Revenue from product sales	1,316,147	2,116,839
Trading of raw materials	16,428	93,368
	1,332,575	2,210,207

5 REVENUE (Continued)

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Contract liabilities related to sales to franchisees	65,409	108,227
Contract liabilities related to trading of raw materials	8,851	25,448
	74,260	133,675

6 OTHER INCOME AND OTHER LOSSES – NET

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Other income		
Logistics warehousing and delivery income	8,155	9,672
Government grants <i>(Note)</i>	6,138	13,461
Software usage fee income	235	549
Franchise fee income	65	469
Others	3,859	6,607
	18,452	30,758
Other losses – net		
Net foreign exchange (losses)/gains	(6,637)	310
Loss on disposal of financial assets at fair value through profit or loss (“FVTPL”)	(2,729)	–
Fair value loss of FVTPL	(2,489)	(11,013)
Loss on disposal of property, plant and equipment – net	(477)	(112)
Loss on disposal of intangible assets – net	(107)	–
	(12,439)	(10,815)

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

7 EXPENSES BY NATURE

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Costs of inventories recognised in cost of sales	656,851	1,268,479
Depreciation and amortisation (<i>Note 12</i>)		
– Depreciation of right-of-use assets	165,900	39,710
– Property, plant and equipment	41,483	45,003
– Intangible assets	3,834	3,629
Employee benefit expenses (including directors' emoluments)	157,940	183,386
Operating expenses in respect of stores under cooperative arrangements	93,130	313,798
Marketing and promotion expenses	91,773	74,669
E-commerce platforms commission expenses	47,812	41,411
Impairment of right-of-use-assets	41,266	–
Consulting service expenses	18,640	7,346
Provision for inventories	15,615	11,066
Logistics warehousing and delivery expenses	12,728	34,149
Travelling expenses	12,083	25,615
Utilities expenses	11,354	14,879
Other operating rental expenses (<i>Note</i>)	11,198	22,812
Consumables recognised in expenses	7,530	12,676
Government charges and levies	6,015	11,934
Auditor's remuneration	1,690	1,690
Miscellaneous	44,790	67,882
	1,441,632	2,180,134
Total cost of sales, selling and marketing expenses and general and administrative expenses	1,441,632	2,180,134

Note: COVID-19-related rent concessions amounted to RMB24,822,000 has been included in selling and marketing expenses.

8 FINANCE INCOME AND EXPENSES

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Finance income		
– Interest income on short-term bank deposits	1,854	5,967
– Interest income on advance to suppliers	402	770
	2,256	6,737
Finance expenses		
– Interest expense on bank borrowings	(15,285)	(8,953)
– Interest expense on lease liabilities	(10,922)	(3,316)
	(26,207)	(12,269)
	(23,951)	(5,532)

9 INCOME TAX CREDIT

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Current income tax		
– Hong Kong profits tax (<i>Note (a)</i>)	–	–
– PRC corporate income tax (<i>Note (b)</i>)	12,754	24,885
– Over-provision in prior year (<i>Note (d)</i>)	–	(25,198)
	12,754	(313)
Deferred income tax (<i>Note 18</i>)		
– Deferred income tax current period	(15,331)	(9,978)
– Over-provision in prior year (<i>Note (d)</i>)	–	2,611
	(15,331)	(7,367)
Income tax credit	(2,577)	(7,680)

9 INCOME TAX CREDIT (Continued)

Notes:

(a) Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% for the period (2019: 16.5%).

(b) PRC corporate income tax

The Company's subsidiary, Cosmo Lady Guangdong Holdings Limited ("Cosmo Lady Guangdong") was given the preferential corporate income tax at 15% under the High and New Technology Enterprises ("HNTE") in April 2019, which is effective for 3 years from 2018 to 2020. The Group's other subsidiaries in the PRC are subject to PRC corporate income tax at the rate of 25% for the six months ended 30 June 2020 (2019: 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.

(d) Over-provision in prior year

Pursuant to the PRC Corporate Income Tax Law (the "CIT Law"), the corporate income tax rate is 25%. In addition, the CIT Law provides, among others, a preferential tax rate of 15% for enterprises qualified as HNTE. During the year ended 31 December 2018, Cosmo Lady Guangdong submitted an application to the relevant government authorities for being designated as a HNTE for financial year from 2018 to 2020. In April 2019, Cosmo Lady Guangdong obtained the approval from the relevant government authorities as HNTE and was given the preferential corporate income tax rate at 15% for financial year from 2018 to 2020. The over-provision for the period ended 30 June 2019 represents the difference between 15% and 25% which was the then corporate tax rate used in 2018.

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the results of the consolidated companies as follows:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
(Loss)/profit before income tax	(131,403)	32,030
Tax calculated at statutory tax rates applicable to each group entity <i>(Note (b))</i>	(29,108)	7,814
Tax losses for which no deferred income tax asset was recognised	20,958	40
Income not subject to taxation	(33)	(222)
Expenses not deductible for tax purposes	2,982	7,106
Withholding tax	2,624	169
Over-provision in prior year <i>(Note (d))</i>	–	(22,587)
Income tax credit	(2,577)	(7,680)

10 (LOSS)/EARNINGS PER SHARE

Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2020	2019
(Loss)/profit for the period attributable to owners of the Company <i>(RMB'000)</i>	(131,349)	35,466
Weighted average number of ordinary shares for purposes of basic (loss)/earnings per share <i>(thousands of shares)</i>	2,229,672	2,252,467
Basic (loss)/earnings per share <i>(RMB cents per share)</i>	(5.89)	1.57

Note: The weighted average number of ordinary shares for the purpose of basic loss per share for the six months ended 30 June 2020 has been adjusted for the purchase of ordinary shares of the Company for the share award scheme during the period ended 30 June 2020.

The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 June 2019 has been adjusted for the repurchase and cancellation of ordinary shares of the Company during the period ended 30 June 2019.

Diluted

For the six months ended 30 June 2020, diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share as there is no diluted potential shares.

11 INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend to shareholders of the Company for the six months ended 30 June 2020 (2019: nil).

12 PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

	Property, plant and equipment RMB'000	Right-of-use assets – land use rights and properties RMB'000	Intangible assets RMB'000
Six months ended 30 June 2020			
As at 1 January 2020	515,402	516,522	39,871
Additions	200,955	318,592	223
Disposals	(2,513)	(32,363)	(107)
Depreciation and amortisation	(41,483)	(165,900)	(3,834)
Impairment loss (Note (a))	–	(41,266)	–
As at 30 June 2020	672,361	595,585	36,153
Six months ended 30 June 2019			
As at 1 January 2019	564,357	85,231	44,972
Adoption of IFRS 16	–	154,606	–
Additions	38,003	–	2,674
Disposals	(383)	–	–
Depreciation and amortisation	(45,003)	(39,710)	(3,629)
As at 30 June 2019	556,974	200,127	44,017

Notes:

- (a) As at 30 June 2020, net book amount of retail store assets amounted to RMB502,544,000. The Group regards each individual retail store as a separately identifiable cash-generating unit and monitors their financial performance for the existence of impairment indicators, such as stores making a loss and early closure of stores before the expiry of lease term. Management carried out an impairment assessment for the retail store assets which have an impairment indicator. The carrying amount of the retail store assets is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. As a result, an impairment loss of RMB41,266,000 was recognised in general and administrative expenses. The estimates of the recoverable amounts were based on value-in-use calculations using discounted cash flow projections based on the financial forecasts approved by management covering the remaining tenure of the lease, with major assumptions such as revenue growth rates, gross margins and discount rate. The key assumptions used in the value-in-use calculations are dependent on management significant judgement by comparing with the historical performance of the stores, future business plans and market situation.
- (b) As at 30 June 2020, buildings and land use rights of RMB509,884,000 (2019: RMB26,239,000) were pledged as collateral for the Group's borrowings (Note 24).

13 INVESTMENT IN JOINT VENTURES AND AN ASSOCIATE

The carrying amount of equity-accounted investments has changed as follows for the six months ended 30 June 2020:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Beginning of the period	285,174	165,790
Additions	–	115,000
Share of profit/(loss) for the period	1,184	(5,443)
End of the period	286,358	275,347

Name of entity	Place of business/ country of incorporation	% of ownership interest			Nature of relationship	Measurement method	Carrying amount	
		As at 30 June 2020 %	As at 31 December 2019 %	As at 30 June 2020 RMB'000			As at 31 December 2019 RMB'000	
		Guangdong Dongdu Holdings Limited	PRC	19.9			19.9	Joint venture (Note (a))
Zhong Rui Run He (Ningbo) Investment Management Company Limited	PRC	40	40	Associate (Note (b))	Equity method	–	–	
Jinghedu (Dongguan) Equity Investment Management Company Limited	PRC	60	60	Joint venture (Note (c))	Equity method	21,187	19,499	
Jinghedu (Dongguan) Equity Investment Fund Partnership (Limited Partnership) (“Jinhedu”)	PRC	38.72	38.72	Joint venture (Note (c))	Equity method	242,000	242,000	
Jinghedu (Dongguan) Equity Investment Management Partnership (Limited Partnership)	PRC	30	30	Joint venture (Note (c))	Equity method	3,000	3,000	
Shantou Lianda Technology Company Limited	PRC	19.99	19.99	Joint venture (Note (d))	Equity method	973	1,155	

Notes:

- Guangdong Dongdu Holdings Limited is primarily engaged in developing an industrial centre in Shaoguan, Guangdong Province.
- Zhong Rui Run He (Ningbo) Investment Management Company Limited is primarily engaged in investments and assets management.
- Jinghedu (Dongguan) Equity Investment Management Company Limited, Jinghedu and Jinghedu (Dongguan) Equity Investment Management Partnership (Limited Partnership) are primarily engaged in assets management and equity investment fund.
- Shantou Lianda Technology Company Limited is primarily engaged in producing and selling intimate wear products.

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Current asset		
Listed equity security (<i>Note (a)</i>)	6,333	8,822
Non-current asset		
Entrusted investment (<i>Notes (b) and (c)</i>)	–	102,729
	6,333	111,551

Notes:

(a) Amount recognised in profit or loss

Changes in fair value of financial assets at fair value through profit or loss are recorded in other losses in profit or loss (2020: losses of RMB2,489,000; 2019: losses of RMB11,013,000).

- (b) The Group had invested in an unlisted company through a third party investment management company. The Group has entered into agreement with Jinghedu, a joint venture of the Group, to dispose of the entrusted investment. As at 30 June 2020, the transaction is completed and loss of disposal is recorded in other losses in profit or loss of RMB2,729,000.

(c) Risk exposure and fair value measurements

For information about the methods and assumptions used in determining fair value, please refer to Note 3(c).

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity investments at fair value through other comprehensive income (“FVOCI”) include the following:

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Unlisted equity investments	62,257	74,414

16 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Value added tax recoverable	211,908	220,138
Prepayments for purchase of inventories	139,633	203,343
Prepaid expenses in respect of stores under cooperative arrangements	81,898	181,954
Other receivables	42,293	56,741
Prepayments and deposits	15,507	8,509
Prepayments for acquisition of property, plant and equipment and intangible assets	8,542	105,816
Others	46,517	57,813
Less: provision for impairment of other receivables	(3,195)	(26,403)
	543,103	807,911
Less: non-current portion	(14,571)	(113,757)
Current portion	528,532	694,154

As at 30 June 2020, the carrying amounts of the Group's deposits and other receivables are denominated in RMB and approximate their fair values.

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:

	Provision for inventories RMB'000	Provision for trade receivables RMB'000	Provision for sales return RMB'000	Deferred income RMB'000	Amortisation of right-of-use assets RMB'000	Tax losses carried forward RMB'000	Accrued interest RMB'000	Impairment of property, plant and equipment RMB'000	Total RMB'000
At 1 January 2020	138,837	14,806	453	339	446	–	18,532	5,031	178,444
Credited/(charged) to the profit or loss (Note 9)	(57,373)	(1,262)	(179)	(142)	704	62,875	3,355	7,264	15,242
At 30 June 2020	81,464	13,544	274	197	1,150	62,875	21,887	12,295	193,686
At 1 January 2019	15,957	1,114	775	3,861	–	36,553	21,723	–	79,983
Credited/(charged) to the profit or loss (Note 9)	(5,812)	2,029	(775)	(741)	1,309	17,269	(6,003)	–	7,276
At 30 June 2019	10,145	3,143	–	3,120	1,309	53,822	15,720	–	87,259

17 DEFERRED INCOME TAX (Continued)

As at 30 June 2020, 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	
	2020 RMB'000	2019 RMB'000
At 1 January	1,070	1,247
Credited to the profit or loss (<i>Note 9</i>)	(89)	(91)
At 30 June	981	1,156

As at 30 June 2020, temporary differences relating to the undistributed profits of certain subsidiaries of the Group in the PRC amounted to RMB209,429,000 (31 December 2019: RMB359,964,000). Deferred tax liabilities of RMB20,943,000 (31 December 2019: RMB35,996,000) 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 2020 RMB'000	As at 31 December 2019 RMB'000
Due from third parties	363,746	349,347
Less: provision for impairment	(75,633)	(73,236)
Trade receivables – net	288,113	276,111

- (a) As at 30 June 2020, 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 from the invoice date for seasonal products. The Group also grants franchise customers with a credit period of 180 to 360 days from the invoice date for their first order of products for new outlets. The Group also gives an additional credit period of 180 to 360 days to certain franchise customers under certain circumstances due to COVID-19.

18 TRADE RECEIVABLES (Continued)

(c) The ageing analysis of trade receivables based on invoice date, as at 30 June 2020, and 31 December 2019 is as follows:

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Trade receivables, gross		
– Within 30 days	122,106	88,808
– Over 30 days and within 60 days	50,514	65,006
– Over 60 days and within 90 days	25,809	51,064
– Over 90 days and within 180 days	28,049	49,485
– Over 180 days and within 360 days	112,552	50,676
– Over 360 days	24,716	44,308
	363,746	349,347

19 BANK BALANCES AND CASH

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Cash and cash equivalents	800,763	854,164
Term deposits with initial term of over three months (<i>Note (a)</i>)	630	630
Restricted bank deposits (<i>Note (b)</i>)	116,315	–
	917,708	854,794
Denominated in:		
RMB	745,756	637,432
HK\$	63,578	87,646
Other currencies	108,374	129,716
	917,708	854,794

Notes:

- (a) As at 30 June 2020, the weighted average effective interest rate of the Group's term deposits with initial terms of over three months was 2.80% (2019: 2.80%) per annum.
- (b) Restricted bank deposits were pledged to banks as collateral for bank's acceptance bill.
- (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 2020	2,249,457,213	140,312	1,656,669	1,796,981
As at 30 June 2020	2,249,457,213	140,312	1,656,669	1,796,981
As at 1 January 2019	2,256,234,213	140,755	1,866,386	2,007,141
Shares bought back on-market and cancelled (Note (a) and (b))	(6,777,000)	(443)	(13,011)	(13,454)
Dividends	–	–	(196,706)	(196,706)
As at 30 June 2019	2,249,457,213	140,312	1,656,669	1,796,981

Notes:

- (a) 210,000 shares were purchased in late 2018 and cancelled in early 2019.
- (b) 6,567,000 shares were purchased in 2019 and cancelled in 2019.

21 OTHER RESERVES

	Shares held		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)	Financial assets at FVOCI RMB'000	Exchange reserve RMB'000	Total other reserves RMB'000
	Merger reserve RMB'000 (Note (a))	for share award scheme RMB'000 (Note (d))							
At 1 January 2020	(8,938)	(39,498)	201,646	196,764	23,377	18,192	(9,446)	36,710	418,807
Equity-settle share-based compensation									
– Value of employee services	–	–	–	–	–	4,010	–	–	4,010
Shares purchased for share award scheme	–	(10,743)	–	–	–	–	–	–	(10,743)
Revaluation	–	–	–	–	–	–	(12,157)	–	(12,157)
Exchange differences	–	–	–	–	–	–	–	7,966	7,966
At 30 June 2020	(8,938)	(50,241)	201,646	196,764	23,377	22,202	(21,603)	44,676	407,883
At 1 January 2019	(8,938)	(20,658)	196,356	196,764	23,377	10,248	–	19,322	416,471
Currency translation differences	–	–	–	–	–	–	–	(776)	(776)
At 30 June 2019	(8,938)	(20,658)	196,356	196,764	23,377	10,248	–	18,546	415,695

21 OTHER RESERVES (Continued)

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.

(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 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 RMB196,764,000 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. According to the Share Award Scheme approved by the Board on 28 June 2019, 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.

During the period ended 30 June 2020, the Share Scheme Trustee acquired and withheld 10,377,000 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\$11,844,000 (equivalent to approximately RMB10,743,000), which had been deducted from shareholders' equity.

22 EQUITY-SETTLED SHARE-BASED COMPENSATION

(a) 2016 Share Award Scheme

The Board approved the adoption of the 2016 Share Award Scheme on 17 August 2016. The purposes of the 2016 Share Award Scheme are 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 2020. The 2016 Share Award Scheme will be terminated.

(b) 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 Rules Governing the Listing of Securities on the Stock Exchange, 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 of HK\$3.288 per share, 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:

	2020		2019	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at 1 January	–	–	–	55,300,000
Forfeited	HK\$3.288	–	HK\$3.288	(6,800,000)
As at 30 June	HK\$3.288	–	HK\$3.288	48,500,000
Vested and exercisable at 30 June	–	–	–	–

The benefits of the share options granted under the Employee Option Plan has been replaced by the benefits of the shares to be granted under the 2019 Share Award Scheme as mentioned in Note 22(c). As such, the remaining share option balance of RMB9,663,000 as at 30 June 2020 continues to be amortised over its remaining period when the conditions as defined in the plan are fulfilled.

22 EQUITY-SETTLED SHARE-BASED COMPENSATION (Continued)**(c) 2019 Share Award Scheme**

The Board has approved the adoption of the 2019 Share Award Scheme on 28 June 2019. The purposes of the 2019 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 and attracting new talents to join the Group. The benefits under the 2019 Share Award Scheme serves to replace the benefits under the Company's employee option plan established and approved by the Board on 31 October 2017. The vesting periods and conditions of the awarded shares are determined by the Board.

The shares are recognised at the closing share price on the grant date (grant date fair value) as an issue of shares under employee share scheme and as part of employee benefit costs in the period the shares are granted.

The shares had a grant date fair value of HK\$62,111,000 (equivalent to approximately RMB55,638,000).

As at 30 June 2020, the number of shares to be granted under the 2019 Share Award Scheme to selected participants, provided that the vesting conditions determined by the Board can be met, is 37,778,200.

(d) Expenses arising from share-based payment transactions

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
General and administrative expenses:		
2019 Share Award Scheme	1,729	–
Selling and marketing expenses:		
2019 Share Award Scheme	2,281	–
	4,010	–

23 TRADE AND NOTES PAYABLES

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Trade payables (Note (a))		
Due to third parties	466,501	440,928
Due to related parties (Note 27(c))	7,323	19,714
	473,824	460,642
Notes payable (Note (b))	116,315	–
	590,139	460,642

Notes:

- (a) As at 30 June 2020, trade payables of the Group are denominated in RMB, non-interest bearing, and the carrying amounts approximate their fair values.

As at 30 June 2020, the ageing analysis of trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Trade payables		
– Within 30 days	115,090	76,738
– Over 30 days and within 60 days	98,851	50,898
– Over 60 days and within 90 days	127,513	150,834
– Over 90 days and within 180 days	98,618	130,202
– Over 180 days and within 360 days	28,491	47,521
– Over 360 days	5,261	4,449
	473,824	460,642

- (b) The amount represents the bank's acceptance bills with credit terms of 3-4 months.

24 BORROWINGS

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Non-current		
Secured bank borrowing (Note)	357,477	189,990
Unsecured bank borrowing	–	115,200
	357,477	305,190
Current		
Secured bank borrowing (Note)	191,305	–
Unsecured bank borrowing	–	150,000
	548,782	455,190

Movements in borrowings is analysed as follows:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Opening amount	455,190	183,960
Repayments of borrowings	(167,317)	(186,360)
Proceeds from bank borrowings	260,909	309,812
	548,782	307,412

Note:

The amount represents the bank borrowings that are secured by the Group's certain buildings and land use rights of RMB509,884,000.

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 5.53% (2019: 4.99%) and are within level 2 of the fair value hierarchy.

25 NOTE TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
(Loss)/profit before income tax	(131,403)	32,030
Add: share of (profit)/loss of equity investments	(1,184)	5,443
Adjustments for:		
– Depreciation of property, plant and equipment (Note 12)	41,483	45,003
– Amortisation of right-of-use assets (Note 12)	165,900	39,710
– Amortisation of intangible assets (Note 12)	3,834	3,629
– Provision for impairment of trade receivables (Note 18)	2,397	7,011
– Provision for other receivables (Note 16)	3,195	–
– Impairment of right of use assets (Note 12)	41,266	–
– Provision for inventories	15,615	11,066
– Fair value loss on FVTPL (Note 6)	2,489	11,013
– Finance income (Note 8)	(2,256)	(6,737)
– Finance expenses (Note 8)	26,207	12,269
– Foreign exchange losses/(gains) – net (Note 6)	6,637	(310)
– Equity-settled share-based compensation (Note 22(d))	4,010	–
– Investment income on FVTPL	(20)	(108)
– Loss on disposal of FVTPL (Note 6)	2,729	–
– Loss on disposal of property, plant and equipment – net (Note 6)	477	112
– Loss on disposal of intangible assets – net (Note 6)	107	–
	181,483	160,131
Changes in working capital:		
– Trade receivables	(14,399)	34,963
– Deposits, prepayments and other receivables	162,858	(140,969)
– Inventories	(77,981)	(128,214)
– Trade and notes payables	129,497	(68,396)
– Contract liabilities	(59,415)	–
– Deferred income	(218)	–
– Accruals and other payables	(9,654)	(69,343)
	312,171	(211,828)
Cash generated from/(used in) operations	312,171	(211,828)

26 CAPITAL COMMITMENTS

As at 30 June 2020, the Group had the following capital commitments not provided for:

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Contracted but not provided for:		
Property, plant and equipment	15,406	96,584
Intangible assets	1,339	2,182
	16,745	98,766

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 2020, and balances arising from related party transactions as at reporting date.

(a) Name and relationship with related parties

Name	Relationship with the Group
Mr. Zhang Shengfeng	Director
Mr. Lin Zonghong	Director
Shantou City Shengqiang Knitting Industrial Co., Ltd. (汕頭市盛強針織實業有限公司, “Shantou Shengqiang”)	Controlled by a brother of Mr. Zhang Shengfeng’s spouse
Shantou City Maosheng Knitting Underwear Co., Ltd. (汕頭市茂盛針織內衣有限公司, “Shantou Maosheng”)	Controlled by a brother of Mr. Lin Zonghong
Jinghedu (京合都(東莞)股權投資基金合夥企業 (有限合夥))	Joint venture

27 RELATED-PARTY TRANSACTIONS (Continued)**(b) Transactions with related parties**

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Purchases of goods (<i>Note</i>):		
Shantou Shengqiang	8,775	13,070
Shantou Maosheng	324	1,437
	9,099	14,507
Sale of an entrusted investment to Jinghedu (<i>Note 14(b)</i>)	100,000	–
	109,099	14,507

Note: 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) Balances with related parties

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
	Trade payables:	
Shantou Shengqiang	7,064	19,714
Shantou Maosheng	259	–
	7,323	19,714

These trade payables due to related parties were unsecured, non-interest bearing, repayable on demand and denominated in RMB.

27 RELATED-PARTY TRANSACTIONS (Continued)**(d) 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 2020 is as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Wages, salaries and bonuses	7,429	4,416
Social insurance and housing fund	252	256
Equity-settled share-based compensation	115	–
	7,796	4,672

Other Information

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

As at 30 June 2020, the interests and short positions of the Directors and the chief executive of the Cosmo Lady (China) Holdings Company Limited (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⁾	Interest of controlled corporation; founder of a discretionary trust who can influence how the trustee exercises his discretion	768,992,381 (L)	34.19% (L)
Ms. Wu Xiaoli ⁽²⁾	Interest of spouse; other (beneficiary of a discretionary trust)	768,992,381 (L)	34.19% (L)
Mr. Zhang Shengfeng	Founder of a discretionary trust who can influence how the trustee exercises his discretion	216,285,173 (L)	9.61% (L)
Mr. Lin Zonghong	Founder of a discretionary trust who can influence how the trustee exercises his discretion	156,290,277 (L)	6.95% (L)
Mr. Wen Baoma	Beneficial owner	5,000,000 (L)	0.22% (L)
Dr. Lu Hong Te	Beneficial owner	210,000 (L)	0.01% (L)
Mr. Siu Ka Lok ⁽³⁾	Interest of spouse	190,000 (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, 2,249,457,213 shares) of the Company as at 30 June 2020.
- (2) 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 was interested. Ms. Wu Xiaoli is also one of the beneficiaries of a discretionary trust, founded by Mr. Zheng Yaonan, which holds the entire issued share capital of Yao Li Investment Holdings Limited.
- (3) Mr. Siu Ka Lok is the spouse of Ms. Cheung Wilma Veronica. Under Part XV of the SFO, he was deemed to be interested in the same number of shares in which Ms. Cheung Wilma Veronica was interested.

(ii) Interest in associated corporations of the Company

As at 30 June 2020, none of the Directors or the chief executive 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 2020, the following shareholders (other than the Directors and chief executive) 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⁾
TMF (Cayman) Limited ⁽²⁾	Trustee	1,164,900,699 (L)	51.79% (L)
Great Brilliant Investment Holdings Limited ⁽³⁾	Interest of controlled corporation; beneficial owner	750,863,402 (L)	33.38% (L)
Yao Li Investment Holdings Limited ^{(2), (3)}	Interest of controlled corporation	750,863,402 (L)	33.38% (L)
Harmonious Composition Investment Holdings Limited ^{(3), (4)}	Beneficial owner	735,018,732 (L)	32.68% (L)
Fosun International Holdings Limited ⁽⁵⁾	Interest of controlled corporation	240,000,000 (L)	10.67% (L)
Fosun International Limited ⁽⁵⁾	Beneficial owner	240,000,000 (L)	10.67% (L)
Mr. Guo Guangchang ⁽⁵⁾	Interest of controlled corporation	240,000,000 (L)	10.67% (L)
Ms. Cai Shaoru ⁽⁶⁾	Interest of spouse	216,285,173 (L)	9.61% (L)
Forever Flourish International Holdings Limited ⁽⁷⁾	Beneficial owner	216,285,173 (L)	9.61% (L)
Xin Feng Asset Holdings Limited ^{(2), (7)}	Interest of controlled corporation	216,285,173 (L)	9.61% (L)
Prime Capital Management Company Limited	Investment Manager	177,315,956 (L)	7.88% (L)
Ms. Cai Jingqin ⁽⁸⁾	Interest of spouse	156,290,277 (L)	6.95% (L)
Forever Shine Holdings Limited ⁽⁹⁾	Beneficial owner	156,290,277 (L)	6.95% (L)
Hong Ye Asset Holdings Limited ^{(2), (9)}	Interest of controlled corporation	156,290,277 (L)	6.95% (L)

Other Information

Name	Nature of interest	Number of shares held ⁽¹⁾	Approximate percentage of shareholding interest ⁽¹⁾
Capital Today Investment XVIII (HK) Limited ⁽¹⁰⁾	Beneficial owner	133,156,000 (L)	5.92% (L)
Capital Today Investment XVIII Limited ⁽¹⁰⁾	Interest of controlled corporation	133,156,000 (L)	5.92% (L)
Capital Today China Growth Fund, L.P. ⁽¹⁰⁾	Interest of controlled corporation	133,156,000 (L)	5.92% (L)
Capital Today China Growth GenPar, LTD ⁽¹⁰⁾	Interest of controlled corporation	133,156,000 (L)	5.92% (L)
Capital Today Partners Limited ⁽¹⁰⁾	Interest of controlled corporation	133,156,000 (L)	5.92% (L)
Ms. Xu Xin ⁽¹⁰⁾	Interest of controlled corporation	133,156,000 (L)	5.92% (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, 2,249,457,213 shares) of the Company as at 30 June 2020.
- (2) TMF (Cayman) Limited in its capacity as the trustee holds the entire issued share capital of Yao Li Investment Holdings Limited, Xin Feng Asset Holdings Limited, Hong Ye Asset Holdings Limited and Zuming Investment Holdings Limited. The four discretionary trusts are founded by Mr. Zheng Yaonan, Mr. Zhang Shengfeng, Mr. Lin Zonghong and Mr. Cheng Zuming respectively for themselves and their close relatives.
- (3) Great Brilliant Investment Holdings Limited, a company incorporated in the British Virgin Islands, is a wholly-owned subsidiary of Yao Li Investment Holdings Limited. Yao Li Investment Holdings Limited is a company incorporated in the British Virgin Islands and wholly owned by TMF (Cayman) Limited as the trustee.
- (4) Harmonious Composition Investment Holdings Limited has become a wholly-owned subsidiary of Great Brilliant Investment Holdings Limited, and held approximately 735,018,732 shares of the Company, representing approximately 32.68% of the entire issued share capital of the Company.
- (5) Fosun International Limited is indirectly owned as to 71.77% by Fosun International Holdings Limited, which is in turn owned as to 64.45% by Mr. Guo Guangchang. As such, each of Mr. Guo Guangchang and Fosun International Holdings Limited were deemed to be interested in the 240,000,000 shares of the Company held by Fosun International Limited.
- (6) 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.
- (7) Forever Flourish International Holdings Limited, a company incorporated in the British Virgin Islands, is a wholly-owned subsidiary of Xin Feng Asset Holdings Limited. Xin Feng Asset Holdings Limited is a company incorporated in the British Virgin Islands and is wholly owned by TMF (Cayman) Limited as the trustee.
- (8) 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.

- (9) Forever Shine International Holdings Limited, a company incorporated in the British Virgin Islands, is a wholly-owned subsidiary of Hong Ye Asset Holdings Limited. Hong Ye Asset Holdings Limited is a company incorporated in the British Virgin Islands and is wholly owned by TMF (Cayman) Limited as the trustee.
- (10) Capital Today Investment XVIII (HK) Limited, a Hong Kong registered company, held 133,156,000 shares, representing approximately 5.92% 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, L.P., 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, L.P. 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, L.P., 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 5.92% of the total issued share capital of the Company.

Save as disclosed above, as at 30 June 2020, the Directors were not aware of any persons (other than the Directors and chief executive) who had, directly or indirectly, interest or short positions in shares and underlying shares of the Company and those interests or short positions were required to be recorded in the register kept under Section 336 of the SFO.

SHARE OPTION SCHEME

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

Under the Share Option Scheme, no options were granted or agreed to be granted, exercised, cancelled or lapsed during the six months ended 30 June 2020, nor was there any option outstanding at the beginning or at the end of the period.

SHARE AWARD SCHEMES

The Company adopted share award schemes on 17 August 2016 and 28 June 2019 (the “Share Award Schemes”). The purposes and objectives of the Share Award Schemes are to recognize and motivate the contribution of the employees of the Group, to help the Group in retaining its existing members of management and to attract new talents to join the Group, each with a 10-year validity. The share award scheme adopted in 2016 will be terminated.

The Cosmo Lady Employee Benefit Trust was established to manage the trust property of the Share Award Schemes. As at 30 June 2020, a total of 28,631,800 shares of the Company were held by the trustee.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend to shareholders of the Company for the six months ended 30 June 2020 (2019: nil).

CORPORATE GOVERNANCE PRACTICES

The Board considers that the Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the period of six months ended 30 June 2020.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct for Directors' securities transactions. 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 2020.

AUDIT COMMITTEE

The audit committee comprises four independent non-executive Directors, 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 audit committee holds regular meetings to review the financial information, financial reporting system and internal control procedures of the Group, including a review of the interim financial information for the six months ended 30 June 2020.

INFORMATION REGARDING DIRECTORS

Mr. Cheng Zuming has resigned as a non-executive Director with effect from 26 February 2020.

Mr. Siu Ka Lok, the chief executive officer of the Company, has been appointed as an executive Director with effect from 31 March 2020.

Mr. Yang Weiqiang has retired as a non-executive Director with effect from 26 May 2020 and Mr. Jiang Bo has been appointed as a non-executive Director with effect from 26 May 2020.

Save as disclosed above, there was no change in the information regarding the Directors subsequent to the date of publication of the 2019 Annual Report of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.