



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

2021

INTERIM REPORT





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都市丽人

新品登场

# 柔心杯

双层柔心 双倍柔滑



美国LYCRA细密高弹纤维  
360°柔弹 全天零束缚

V型美背 性感百搭  
亲肤无痕 全天候透气



W型反重力提拉塑形  
24小时舒适承托 全天零压力

零感内衣 | 24小时零感自由



双层柔心杯  
现已上市

# 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  
Ms. Fung Yat Carol

### 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

<http://www.cosmo-lady.com.hk>

## INVESTOR RELATIONS

Porda Havas International Finance Communications Group  
Website: [cosmo-lady@pordahavas.com](mailto:cosmo-lady@pordahavas.com)

## AUTHORIZED REPRESENTATIVES

Mr. Zheng Yaonan  
Mr. Loo Hong Shing Vincent

## REGISTERED OFFICE

Ocorian Trust (Cayman) Limited  
Windward 3, Regatta Office Park  
PO Box 1350  
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 ADVISOR

*Hong Kong*  
Reed Smith Richards Butler



# Management Discussion and Analysis

## BUSINESS REVIEW

Mainland China's economy has gradually regained its resilience and dynamic in the first half of 2021, more than a year after the spread of the coronavirus disease 2019 ("COVID-19"). Rising raw material costs and fresh COVID-19 cases, however, weighed on the recovery momentum.

The mainland China's gross domestic product expanded 7.9% year-on-year in the second quarter of 2021, yet lower than the market expectation, and the growth has slowed significantly from a record 18.3% expansion in the first quarter of 2021.

Despite the economic growth, the average rate of real increase in mainland China people's consumption is lower than the target set in the mainland China's 14th five-year plan period.

Clothing expenditure remained the second smallest part of people's consumption, accounting for only about 6.5% of the per capita consumption expenditure in mainland China. Meanwhile, the vacancy rate of shopping malls in first-and second-tier cities is still high as impacted by both the pandemic and the change of consumption patterns from offline to online.

The mainland China intimate wear market is very fragmented, and competition is fierce as characterized by the high discount offered by some players. In addition, the emergence of internet intimate wear brands in recent years has further intensified the competition in this industry.



The measures taken and to be taken by the board of directors of Cosmo Lady (China) Holdings Company Limited (the “Company”) in 2021 are mainly based on the four strategic directions of “rebuilding products”, “restructuring distribution channels”, “rebranding” and “re-establishing organization”.

### 1. Rebuilding products

- (a) Shifting from fast-moving-fashionable-sexy products to healthy, comfortable, high technology, good-looking and value-for-money products;
- (b) Launching hero products (dust-free cotton loungewear products, soft cup bra products, one-size underwear and one-size panty) and raising quality and selling prices of products in the first half of 2021, and launching the second generation of the hero products and other new hero products in the second half of 2021;
- (c) Reducing numbers of stock keeping unit (“SKU”) to enjoy economies of scale (taking underwear as an example, the numbers of patterns and SKUs of 2021 autumn-winter products dropped by 15.9% and 21.5%, respectively when compared with those of 2020 autumn-winter);
- (d) The cumulative sold-out rate of 2021 spring-summer products is higher than the cumulative sold-out rate of 2020 spring-summer products by approximately 9.9%; and
- (e) The value of orders placed by franchisees during the 2021 autumn-winter product trade fair increased by approximately 36.0% year-on-year.

### 2. Restructuring distribution channels

#### (a) *Offline stores*

- (i) Expanding business territories proactively in untapped markets in low-tier regions, and continuing to seek opportunities to open stores;
- (ii) In the first half of 2021, 373 seventh-generation image stores were opened, and there were 1,441 seventh-generation image stores at the end of June 2021. The average monthly sales of the self-managed seventh-generation image stores of the Company and its subsidiaries (the “Group”) in the first half of 2021 were over 20% higher than those of the old stores; and
- (iii) In the first half of 2021, one shopping mall store with the theme of “family life concept” was opened, and there were 16 such stores at the end of June 2021. In the first half of 2021, the same-store-sales of such stores increased by approximately 63.7% year-on-year.

#### (b) *E-commerce channel*

- (i) Continuing to improve product capabilities for ensuring the long-term healthy development of the brand, with the average unit price and gross profit margin increased year-on-year by about 39.0% and 6.5%, respectively;
- (ii) Apart from the 3 major e-commerce channels (Alibaba, JD and VIP), the Group started cooperation with other e-commerce channels (e.g. TikTok, Kwai and Pinduoduo) in the first quarter of 2021; and
- (iii) Arranging hundreds of live-streams with celebrities in various e-commerce platforms, realizing gross merchandise volume of over RMB38 million in the first half of 2021.



### 3. Rebranding

- (a) Launching new brand stories, holding 2021 autumn-winter product fashion show and the 2021 spring-summer product press conference, with the number of viewers on the whole internet over a million;
- (b) Using creative videos to promote the hero products in the first half of 2021 in various channels (online and offline stores, official Weibo, WeChat, Xiaohongshu, TikTok, WeChat Moments, etc.); and
- (c) Continuing to enhance membership system, refining membership management and introducing appropriate products and promotion activities.

### 4. Re-establishing organization

- (a) Re-establishing the supply chain organization with a view to enhancing sales and production coordination, responding to the market changes swiftly, delivering products on a timely basis, lowering procurement costs, assuring quality and improving creativity; and
- (b) Optimizing information technology operation system, establishing high efficient information technology team, improving core systems and structure, building safe and stable platforms and optimization for decision making.





## FINANCIAL REVIEW

### Revenue

The Group's revenue is mainly derived from sales of intimate products in mainland China. The breakdown of the revenue is as follows:

	Six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
Retail sales	877,952	48.1	421,774	31.7
Wholesales	528,868	28.9	512,055	38.4
E-commerce	357,628	19.6	382,318	28.7
Others	62,779	3.4	16,428	1.2
	<b>1,827,227</b>	<b>100.0</b>	<b>1,332,575</b>	<b>100.0</b>

Revenue for the first half of 2021 increased by about 37.1% year-on-year. The retail sales increased by about 108.2% when compared with the same period of 2020, mainly because the impact of transformation gradually manifested and the Group mainly focused on direct-to-consumers sales model during the period.

### Gross profit margin

During the period under review, the gross profit margin of the Group remained stable at around 48.7% (the first half of 2020: 48.7%) amid surge in raw material prices. 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; and
- The product capabilities, competitiveness and sold-out rate have improved in the first half of 2021 so that the products could be sold at better prices.

### 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 increase in selling and marketing expenses by about 21.2% for the six months ended 30 June 2021 to approximately RMB738,689,000 (the first half of 2020: RMB609,442,000) was mainly driven by the increase in the commission expenses in respect of consignment sales in franchised stores as a result of stepping up effort on promoting the direct-to-consumers sales model 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 decline in general and administrative expenses by about 15.1% for the six months ended 30 June 2021 to approximately RMB126,558,000 (the first half of 2020: RMB148,999,000) was mainly due to the fact that there was a larger impairment for right-of-use assets in the same period of 2020.

### Other income

Other income consists of dividends from financial assets at fair value through other comprehensive income, investment income from financial assets at fair value through profit or loss, government grants and others. During the period, other income remained fairly stable at approximately RMB18,521,000 (the first half of 2020: RMB18,452,000).

### 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 RMB2,486,000 (the first half of 2020: RMB2,256,000) increased mainly resulted from the increase in interest income on short-term bank deposits.

The decrease in finance expenses to approximately RMB22,377,000 (the first half of 2020: RMB26,207,000) was in line with the decrease in bank borrowings and lease liabilities.

### Income tax expense/(credit)

As of 30 June 2021, the Group had fulfilled all its tax obligations and did not have any unresolved tax disputes.

For the six months ended 30 June 2021, the Group recognized appropriate deferred tax assets in the financial statements resulting in income tax credit.



## WORKING CAPITAL MANAGEMENT

	Six months ended 30 June 2021	Year ended 31 December 2020
Average inventories turnover days	152 days	172 days
Average trade and notes receivables turnover days	41 days	35 days
Average trade and notes payables turnover days	147 days	137 days

The improvement in average inventories turnover days was mainly due to the continuous clearance of aged inventories during the period.

There were no significant changes for the average trade and notes receivables turnover days and average trade and notes payables turnover days.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a solid balance sheet. As at 30 June 2021, the Group's term deposits, restricted bank deposits and cash and cash equivalents amounted to approximately RMB929,412,000 (31 December 2020: RMB980,913,000) and bank borrowings amounted to approximately RMB477,477,000 (31 December 2020: RMB537,751,000). As at 30 June 2021, the current ratio was about 1.5 times (31 December 2020: 1.7 times).

As at 30 June 2021, 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 19.8% (31 December 2020: 22.3%). The gross gearing ratio decreased as part of the bank borrowings has been repaid. 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 18.7% (31 December 2020: negative 18.4%) as the Group maintained a good 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.

## 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 said net proceeds were fully utilized as of 31 August 2020.



## 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 2021, the use of net proceeds was as follows:

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

*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 changes 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.

## Management Discussion and Analysis

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 2021, the use of the net proceeds was as follows:

<b>Use of net proceeds</b>	<b>Intended use of net proceeds HK\$</b>	<b>Amount utilized as at 30 June 2021 HK\$</b>	<b>Expected timeline of full utilization of said unutilized balance (Note)</b>
Financing the reforms in sales and distribution channels of the Group	239,000,000	74,301,663	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	19,000,000	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 changes due to future development of market conditions.

The net proceeds not yet utilized 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 intangible assets amounted to approximately RMB29,105,000 (the first half of 2020: RMB201,178,000), which was mainly used for decoration and renewal of stores.

## PLEDGE OF ASSETS

At 30 June 2021, certain property, plant and equipment and land use rights were pledged as securities for obtaining banking borrowings of approximately RMB477,477,000 (31 December 2020: RMB529,377,000).

## CONTINGENT LIABILITIES

At 30 June 2021, the Group did not have any significant contingent liabilities.

## HUMAN RESOURCES AND MANAGEMENT

The Group had approximately 2,900 full-time employees as at 30 June 2021 (31 December 2020: 3,200). 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 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 2020 annual report. A similar report will be included in the 2021 annual report which will be issued in next year.

## OUTLOOK AND STRATEGY

After taking the aforementioned transformation measures, the Group's operating results have gradually improved, and the management believes that the Group will achieve better performance in the future.

However, since mid-June 2021, the pandemic appeared to have rebounded in mainland China. The management will pay close attention and will take appropriate measures swiftly to respond to the changing market conditions.





# Report on Review of Interim Financial Information



羅兵咸永道

**To the Board of Directors of Cosmo Lady (China) Holdings Company Limited**  
*(incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 15 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 2021 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, 26 August 2021

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*T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Six months ended 30 June	
		2021 Unaudited RMB'000	2020 Unaudited RMB'000
<b>Revenue</b>	5	1,827,227	1,332,575
Cost of sales	7	(937,049)	(683,191)
<b>Gross profit</b>		<b>890,178</b>	<b>649,384</b>
Selling and marketing expenses	7	(738,689)	(609,442)
General and administrative expenses	7	(126,558)	(148,999)
Net impairment losses on financial assets		(9,843)	(5,592)
Other income	6	18,521	18,452
Other gains/(losses) – net	6	1,093	(12,439)
<b>Operating profit/(loss)</b>		<b>34,702</b>	<b>(108,636)</b>
Finance income	8	2,486	2,256
Finance expenses	8	(22,377)	(26,207)
<b>Finance expenses – net</b>		<b>(19,891)</b>	<b>(23,951)</b>
Share of profit of equity investments	13	2,440	1,184
<b>Profit/(loss) before income tax</b>		<b>17,251</b>	<b>(131,403)</b>
Income tax (expense)/credit	9	(3,155)	2,577
<b>Profit/(loss) for the period</b>		<b>14,096</b>	<b>(128,826)</b>
<b>Other comprehensive income/(loss) for the period</b>			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences		(4,860)	7,966
<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		(3,189)	(12,157)
<b>Total comprehensive income/(loss) for the period</b>		<b>6,047</b>	<b>(133,017)</b>
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		15,113	(131,349)
Non-controlling interests		(1,017)	2,523
		<b>14,096</b>	<b>(128,826)</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the Company		7,064	(135,540)
Non-controlling interests		(1,017)	2,523
		<b>6,047</b>	<b>(133,017)</b>
<b>Earnings/(loss) per share attributable to owners of the Company during the period</b>		<b>RMB cents</b>	<b>RMB cents</b>
Basic and diluted earnings/(loss) per share	10	0.68	(5.89)

The notes on pages 20 to 47 form an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Balance Sheet

		As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	666,805	695,368
Right-of-use assets	12	450,384	522,894
Intangible assets	12	33,611	33,975
Investment in joint ventures	13	299,067	295,107
Investment in an associate	13	–	–
Financial assets at fair value through other comprehensive income	15	64,704	67,893
Deposits, prepayments and other receivables	16	11,237	13,396
Deferred income tax assets	17	217,037	211,226
		1,742,845	1,839,859
<b>Current assets</b>			
Inventories		792,609	793,730
Trade and notes receivables	18	524,890	302,157
Deposits, prepayments and other receivables	16	547,917	574,129
Financial assets at fair value through profit or loss	14	4,393	4,623
Term deposits and restricted bank deposits	19	177,138	266,344
Cash and cash equivalents	19	752,274	714,569
		2,799,221	2,655,552
<b>Total assets</b>		4,542,066	4,495,411



## Condensed Consolidated Balance Sheet

	<i>Note</i>	As at 30 June 2021 Unaudited RMB'000	As at 31 December 2020 Audited RMB'000
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	20	140,312	140,312
Share premium	20	1,656,669	1,656,669
Other reserves	21	393,204	401,310
Retained earnings		202,402	187,289
		2,392,587	2,385,580
Non-controlling interests		20,238	22,067
<b>Total equity</b>		<b>2,412,825</b>	<b>2,407,647</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and notes payables	23	812,765	719,562
Accruals and other payables	24	394,498	321,107
Contract liabilities	5	76,008	61,261
Current income tax liabilities		19,214	15,805
Borrowings	25	412,040	198,674
Lease liabilities		173,142	214,434
Deferred income		255	267
		1,887,922	1,531,110
<b>Non-current liabilities</b>			
Borrowings	25	65,437	339,077
Lease liabilities		174,371	215,855
Deferred income tax liabilities	17	804	893
Deferred income		707	829
		241,319	556,654
<b>Total liabilities</b>		<b>2,129,241</b>	<b>2,087,764</b>
<b>Total equity and liabilities</b>		<b>4,542,066</b>	<b>4,495,411</b>

The notes on pages 20 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 RMB'000	Total equity RMB'000
Note		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
	<b>As at 1 January 2021</b>	140,312	1,656,669	401,310	187,289	2,385,580	22,067	2,407,647
	<b>Comprehensive income</b>							
	Profit for the period	-	-	-	15,113	15,113	(1,017)	14,096
	<b>Other comprehensive income/(loss)</b>							
	Exchange differences	21	-	(4,860)	-	(4,860)	-	(4,860)
	Changes in the fair value of equity investments at fair value through other comprehensive income		-	(3,189)	-	(3,189)	-	(3,189)
	<b>Total comprehensive income/(loss) for the period</b>		-	(8,049)	15,113	7,064	(1,017)	6,047
	<b>Transactions with owners</b>							
	Equity-settled share-based compensation	22	-	6,483	-	6,483	-	6,483
	Shares purchased for share award scheme	21	-	(6,540)	-	(6,540)	-	(6,540)
	Disposal of a subsidiary		-	-	-	-	(533)	(533)
	Dividends provided for		-	-	-	-	(279)	(279)
	<b>Total transactions with owners</b>		-	(57)	-	(57)	(812)	(869)
	<b>As at 30 June 2021</b>	140,312	1,656,669	393,204	202,402	2,392,587	20,238	2,412,825
	<b>As at 1 January 2020</b>	140,312	1,656,669	418,807	320,835	2,536,623	15,989	2,552,612
	<b>Comprehensive income</b>							
	Loss for the period	-	-	-	(131,349)	(131,349)	2,523	(128,826)
	<b>Other comprehensive (loss)/income</b>							
	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)
	<b>Total comprehensive (loss)/income for the period</b>		-	(4,191)	(131,349)	(135,540)	2,523	(133,017)
	<b>Transactions with owners</b>							
	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
	<b>Total transactions with owners</b>		-	(6,733)	-	(6,733)	3,338	(3,395)
	<b>As at 30 June 2020</b>	140,312	1,656,669	407,883	189,486	2,394,350	21,850	2,416,200

The notes on pages 20 to 47 form an integral part of this condensed consolidated interim financial information.

# Condensed Consolidated Statement of Cash Flows

		Six months ended 30 June	
		2021	2020
		Unaudited	Unaudited
		RMB'000	RMB'000
	Note		
<b>Cash flows from operating activities</b>			
Cash generated from operations	26	229,711	312,171
Income tax paid		(5,646)	(18,199)
<b>Net cash generated from operating activities</b>		<b>224,065</b>	<b>293,972</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		3,220	2,036
Interest received		2,486	2,256
Purchases of property, plant and equipment		(53,757)	(108,503)
Purchases of intangible assets		(4,904)	(95)
Investment income from financial assets at fair value through profit or loss ("FVTPL")		1,990	20
Proceeds from disposal of financial assets at fair value through other comprehensive income ("FVOCI")		200	–
Dividends received from FVOCI		10,378	–
Capital contribution to joint ventures		(1,520)	–
(Advanced to)/repayment from a joint venture		(591)	1,480
<b>Net cash used in investing activities</b>		<b>(42,498)</b>	<b>(102,806)</b>
<b>Cash flows from financing activities</b>			
Capital injections from non-controlling interests		–	3,338
Proceeds from borrowings		120,000	260,909
Repayment of borrowings		(180,274)	(167,317)
Interest paid for borrowings		(13,444)	(15,285)
Purchase of the Company's shares for share award scheme		(6,540)	(10,743)
Release/(pledge) of restricted bank deposits		89,206	(116,315)
Principal elements of lease payments		(148,699)	(200,490)
<b>Net cash used in financing activities</b>		<b>(139,751)</b>	<b>(245,903)</b>
Net increase/(decrease) in cash and cash equivalents		41,816	(54,737)
Cash and cash equivalents at beginning of the period		714,569	854,164
Effect of foreign exchange rate changes		(4,111)	1,336
<b>Cash and cash equivalents at end of the period</b>		<b>752,274</b>	<b>800,763</b>
	19		

The notes on pages 20 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 2021

## 1 GENERAL INFORMATION

The Cosmo Lady (China) Holdings Company Limited (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 Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the “Group”) are 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 were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 26 June 2014.

The directors of the Company regarded Yao Li Investment Holdings Limited, a company incorporated in the British Virgin Islands (the “BVI”) with limited liability and controlled by Mr. Zheng Yaonan, as being the ultimate holding company of the Company.

The interim condensed consolidated financial information for the six months ended 30 June 2021 (“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 26 August 2021.

## 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 2020, 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 2020.

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 2020, except for the adoption of new and amended standards as set out below.

### (a) New and amended standards adopted by the Group

The following standards and amendments have been adopted by the Group for the first time for the financial year beginning on 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

Interest Rate Benchmark Reform – Phase 2

The adoption of these new and amended standards does not have significant impact on the Interim Financial Information of the Group.

### (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 and price 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 2020.

There have been no changes in any risk management policies since 31 December 2020.

#### (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 gearing ratio. This ratio is calculated as bank borrowings divided by total equity. As at 30 June 2021, the amount of total bank borrowings of RMB477,477,000 (as at 31 December 2020: RMB537,751,000) is disclosed in Note 25 while the amount of total equity of approximately RMB2,412,825,000 (as at 31 December 2020: RMB2,407,647,000) is shown in the consolidated balance sheet.

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Borrowings	477,477	537,751
Total equity	2,412,825	2,407,647
<b>Gearing ratio</b>	<b>20%</b>	<b>22%</b>

### 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 2021, except for the financial assets at FVOCI and financial assets at FVTPL, which were measured at level 3 and level 1 fair value as follows respectively, 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 3 and level 1 financial instruments for the six months ended 30 June 2021 are as follows:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000 <i>(Note)</i>	Total RMB'000
Financial assets at FVTPL	4,393	–	–	4,393
Financial assets at FVOCI	–	–	64,704	64,704
<b>At 30 June 2021</b>	<b>4,393</b>	<b>–</b>	<b>64,704</b>	<b>69,097</b>
At 31 December 2020	4,623	–	67,893	72,516

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

	<b>Unlisted equity securities</b>
	<b>RMB'000</b>
Closing balance as at 31 December 2020	67,893
Changes in fair value	(3,189)
	<hr/>
Closing balance as at 30 June 2021	64,704
	<hr/> <hr/>

### **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 FVOCI and financial assets at FVTPL 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 2021 and 30 June 2020.

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 2021 (2020: none).

## 5 REVENUE

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Retail sales	877,952	421,774
Wholesales	528,868	512,055
E-commerce	357,628	382,318
Revenue from product sales	1,764,448	1,316,147
Others ( <i>Note</i> )	62,779	16,428
	<b>1,827,227</b>	<b>1,332,575</b>
	<b>As at 30 June 2021 RMB'000</b>	<b>As at 31 December 2020 RMB'000</b>
Contract liabilities related to sales to franchisees	68,782	52,730
Contract liabilities related to trading of raw materials	7,226	8,531
	<b>76,008</b>	<b>61,261</b>

*Note:* These mainly represent sales for logistics and warehousing services and sales of raw materials.



## 6 OTHER INCOME AND OTHER GAINS/(LOSSES) – NET

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Other income		
– Dividends from financial assets at FVOCI	5,961	–
– Government grants ( <i>Note</i> )	2,286	6,138
– Investment income from financial assets at FVTPL	1,990	20
– Logistics warehousing and delivery income	–	8,155
– Others	8,284	4,139
	<b>18,521</b>	<b>18,452</b>
Other gains/(losses) – net		
– Net foreign exchange gains/(losses)	1,349	(6,637)
– Loss on disposal of financial assets at FVTPL	–	(2,729)
– Fair value loss of financial assets at FVTPL	(230)	(2,489)
– Loss on disposal of property, plant and equipment – net	(26)	(477)
– Loss on disposal of intangible assets – net	–	(107)
	<b>1,093</b>	<b>(12,439)</b>

*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	
	2021 RMB'000	2020 RMB'000
Costs of inventories recognised in cost of sales	864,581	656,851
Costs of sales for logistics and warehousing services	49,278	–
Depreciation and amortisation ( <i>Note 12</i> )		
– Right-of-use assets	134,431	165,900
– Property, plant and equipment	53,055	41,483
– Intangible assets	4,018	3,834
Employee benefit expenses (including directors' emoluments)	184,284	157,940
Operating expenses in respect of stores under cooperative arrangements	103,696	93,130
Commission expenses in respect of consignment sales in franchisees' stores	141,033	–
Marketing and promotion expenses	86,157	91,773
E-commerce platforms commission expenses	41,793	47,812
Impairment of right-of-use assets ( <i>Note 12</i> )	13,181	41,266
Reversal for impairment of property, plant and equipment ( <i>Note 12</i> )	(2,287)	–
Consulting service expenses	21,504	18,640
Provision for inventories	7,833	15,615
Logistics warehousing and delivery expenses	9,990	12,728
Travelling expenses	10,119	12,083
Utilities expenses	12,450	11,354
Other operating rental expenses	12,061	11,198
Consumables recognised in expenses	6,328	7,530
Government charges and levies	5,545	6,015
Auditor's remuneration	1,690	1,690
Miscellaneous	41,556	44,790
<b>Total cost of sales, selling and marketing expenses and general and administrative expenses</b>	<b>1,802,296</b>	<b>1,441,632</b>

## 8 FINANCE INCOME AND EXPENSES

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Finance income		
– Interest income on short-term bank deposits	2,323	1,854
– Interest income on advance to suppliers	163	402
	2,486	2,256
Finance expenses		
– Interest expense on bank borrowings	(13,444)	(15,285)
– Interest expense on lease liabilities	(8,933)	(10,922)
	(22,377)	(26,207)
	(19,891)	(23,951)

## 9 INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Current income tax		
– Hong Kong profits tax ( <i>Note (a)</i> )	–	–
– PRC corporate income tax ( <i>Note (b)</i> )	9,055	12,754
	9,055	12,754
Deferred income tax ( <i>Note 17</i> )		
– Deferred income tax	(5,900)	(15,331)
Income tax expense/(credit)	3,155	(2,577)

## 9 INCOME TAX EXPENSE/(CREDIT) (Continued)

Notes:

### (a) Hong Kong profits tax

The applicable Hong Kong profits tax rate is 16.5% for the period (2020: 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. On 15 July 2021, Cosmo Lady Guangdong has submitted application materials to relevant government departments to renew the HNTE. The management considers that Cosmo Lady Guangdong is able to fulfil all HNTE criteria and accordingly, use 15% as the applicable tax rate for the six months ended 30 June 2021. 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 2021 (2020: 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 BVI was incorporated under the International Business Companies Act of the BVI and, accordingly, is exempted from BVI income tax.

The tax on the Group's profit/(loss) 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	
	2021 RMB'000	2020 RMB'000
Profit/(loss) before income tax	17,251	(131,403)
Tax calculated at statutory tax rates applicable to each group entity ( <i>Note (b)</i> )	2,885	(29,108)
Tax losses for which no deferred income tax asset was recognised	14,910	20,958
Recognition of tax losses for which deferred income tax assets were not recognised previously	(16,059)	–
Income not subject to taxation	(5,745)	(33)
Expenses not deductible for tax purposes	4,487	2,982
Withholding tax	2,677	2,624
Income tax expense/(credit)	3,155	(2,577)



## 10 EARNINGS/(LOSS) PER SHARE

### Basic

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

	Six months ended 30 June	
	2021	2020
Profit/(loss) for the period attributable to owners of the Company ( <i>RMB'000</i> )	15,113	(131,349)
Weighted average number of ordinary shares for purposes of basic earnings/(loss) per share ( <i>thousands of shares</i> )	2,207,054	2,229,672
Basic earnings/(loss) per share ( <i>RMB cents per share</i> )	0.68	(5.89)

*Note:* The weighted average numbers of ordinary shares for the purpose of basic earnings/(loss) per share for the six months ended 30 June 2021 and 30 June 2020 have been adjusted for the ordinary shares of the Company held under the share award scheme during the six months ended 30 June 2021 and 30 June 2020, respectively.

### Diluted

For the six months ended 30 June 2021 and 30 June 2020, diluted earnings/(loss) per share is the same as the basic earnings/(loss) 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 2021 (for the six months ended 30 June 2020: 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
<b>Six months ended 30 June 2021</b>			
As at 1 January 2021	695,368	522,894	33,975
Additions	25,451	96,264	3,654
Disposals	(3,246)	(21,162)	–
Depreciation and amortisation	(53,055)	(134,431)	(4,018)
Impairment reversal/(loss) (Note (a))	2,287	(13,181)	–
<b>As at 30 June 2021</b>	<b>666,805</b>	<b>450,384</b>	<b>33,611</b>
<b>Six months ended 30 June 2020</b>			
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)	–
<b>As at 30 June 2020</b>	<b>672,361</b>	<b>595,585</b>	<b>36,153</b>

## Notes:

- (a) As at 30 June 2021, net book amount of retail store assets amounted to RMB382,822,000. 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 or reversed to its recoverable amount if the asset's carrying amount is greater than or less than its estimated recoverable amount. As a result, an impairment loss of RMB13,181,000 (2020: RMB41,266,000) for right-of-use assets and reversal of impairment loss of RMB2,287,000 (2020: nil) for property, plant and equipment were 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 2021, buildings and land use rights of RMB468,767,000 (31 December 2020: RMB483,071,000) were pledged as collateral for the Group's borrowings (Note 25).

### 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 2021:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Beginning of the period	295,107	285,174
Additions	1,520	–
Share of profit for the period	2,440	1,184
End of the period	299,067	286,358

Name of entity	Place of business/ country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Carrying amount	
		As at 30 June 2021 %	As at 31 December 2020 %			As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Guangdong Dongdu Holdings Limited	PRC	19.9	19.9	Joint venture (Note (a))	Equity method	19,027	18,658
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	31,712	29,478
Jinghedu (Dongguan) Equity Investment Fund Partnership (Limited Partnership) (“Jinghedu”)	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	844	972
Shantou Lianxin Inspection Company Limited	PRC	19.99	19.99	Joint venture (Note (e))	Equity method	988	999
Dongguan Jiali Intelligence Technology Company Limited	PRC	19	60	Joint venture (Note (f))	Equity method	1,496	–

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.
- Shantou Lianxin Inspection Company Limited is primarily engaged in inspection of intimate wear products.
- Dongguan Jiali Intelligence Technology Company Limited is primarily engaged in designing, producing and selling of 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 2021 RMB'000	As at 31 December 2020 RMB'000
Current asset		
Japan listed equity security ( <i>Note (a)</i> )	4,393	4,623

*Notes:*

- (a) Changes in fair value of financial assets at fair value through profit or loss are recorded in other losses in profit or loss (2021: losses of RMB230,000; 2020: losses of RMB2,489,000).
- (b) 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 include the following:

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Unlisted equity investments	64,704	67,893



## 16 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Value added tax recoverable	243,360	258,563
Prepayments for purchase of inventories	118,382	102,512
Prepaid expenses in respect of stores under cooperative arrangements	69,886	89,746
Other receivables	49,449	55,906
Prepayments and deposits	12,141	9,139
Prepayments for acquisition of property, plant and equipment and intangible assets	7,153	8,736
Dividend receivables	2,238	6,655
Others	61,254	58,263
Less: provision for impairment of other receivables	(4,709)	(1,995)
	<b>559,154</b>	<b>587,525</b>
Less: non-current portion	(11,237)	(13,396)
Current portion	<b>547,917</b>	<b>574,129</b>

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	Amortization of right-of-use assets RMB'000	Tax losses RMB'000	Accrued interest RMB'000	Impairment of property, plant and equipment RMB'000	Equity-settled share-based compensation RMB'000	Total RMB'000
At 1 January 2021	55,370	13,330	211	164	6,930	93,598	27,366	12,767	1,490	211,226
Credited/(charged) to the profit or loss (Note 9)	(20,647)	(185)	(95)	(20)	(5,445)	25,726	2,296	3,263	918	5,811
At 30 June 2021	34,723	13,145	116	144	1,485	119,324	29,662	16,030	2,408	217,037
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

## 17 DEFERRED INCOME TAX (Continued)

As at 30 June 2021, 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	
	2021 RMB'000	2020 RMB'000
<b>At 1 January</b>	893	1,070
Credited to the profit or loss ( <i>Note 9</i> )	(89)	(89)
<b>At 30 June</b>	804	981

As at 30 June 2021, temporary differences relating to the undistributed profits of certain subsidiaries of the Group in the PRC amounted to RMB190,923,000 (31 December 2020: RMB189,318,000). Deferred tax liabilities of RMB19,092,000 (31 December 2020: RMB18,932,000) 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.

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of RMB91,207,000 (2020: RMB109,414,000) in respect of tax losses amounting to RMB483,715,000 (2020: RMB546,085,000) that can be carried forward against future taxable income and will expire within 1 to 5 years.

## 18 TRADE AND NOTES RECEIVABLES

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Due from third parties	607,178	383,745
Notes receivables	3,741	2,872
Less: provision for impairment	(86,029)	(84,460)
Trade and notes receivables – net	<b>524,890</b>	<b>302,157</b>

- (a) As at 30 June 2021, the carrying amounts of the trade and notes receivables of the Group approximate their fair values and are all denominated in RMB.
- (b) The Group's trade and notes receivables are primarily derived from sales to certain wholesales customers with an appropriate credit history. The Group generally grants wholesales customers with a credit period of 60 days to 90 days from the invoice date. For certain large wholesales customers, the Group would grant longer credit periods, up to 360 days, under certain circumstances.
- (c) The ageing analysis of trade receivables based on invoice date, as at 30 June 2021 and 31 December 2020 is as follows:

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Trade receivables, gross		
– Within 30 days	321,554	143,215
– Over 30 days and within 60 days	99,991	41,710
– Over 60 days and within 90 days	42,331	42,608
– Over 90 days and within 180 days	47,414	60,935
– Over 180 days and within 360 days	48,069	38,498
– Over 360 days	47,819	56,779
	<b>607,178</b>	<b>383,745</b>

## 19 BANK BALANCES AND CASH

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Cash and cash equivalents	752,274	714,569
Restricted bank deposits ( <i>Note (a)</i> )	177,138	266,344
<b>Total bank balances and cash</b>	<b>929,412</b>	<b>980,913</b>
Denominated in:		
RMB	807,321	839,622
HK\$	41,166	48,077
Other currencies	80,925	93,214
	<b>929,412</b>	<b>980,913</b>

*Notes:*

- (a) Restricted bank deposits were mainly pledged to banks as collateral for bank's acceptance bill.
- (b) 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
<b>As at 1 January 2021</b>	2,249,457,213	140,312	1,656,669	1,796,981
<b>As at 30 June 2021</b>	2,249,457,213	140,312	1,656,669	1,796,981
<b>As at 1 January 2020</b>	2,249,457,213	140,312	1,656,669	1,796,981
<b>As at 30 June 2020</b>	2,249,457,213	140,312	1,656,669	1,796,981

## 21 OTHER RESERVES

	Merger reserve	Shares held for share award scheme	Statutory reserve	Capital reserve	Capital contribution reserve	Equity-settled share-based compensation reserve	Financial assets at FVOCI	Exchange reserve	Total other reserves
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note (a))	(Note (d))	(Note (b))	(Note (c))		(Note (22))			
<b>At 1 January 2021</b>	(8,938)	(57,562)	217,097	193,456	23,377	27,015	(11,568)	18,433	401,310
Equity-settle share-based compensation									
– Value of employee services	-	-	-	-	-	6,483	-	-	6,483
Shares purchased for share award scheme	-	(6,540)	-	-	-	-	-	-	(6,540)
Revaluation	-	-	-	-	-	-	(3,189)	-	(3,189)
Exchange differences	-	-	-	-	-	-	-	(4,860)	(4,860)
<b>At 30 June 2021</b>	(8,938)	(64,102)	217,097	193,456	23,377	33,498	(14,757)	13,573	393,204
<b>At 1 January 2020</b>	(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
<b>At 30 June 2020</b>	(8,938)	(50,241)	201,646	196,764	23,377	22,202	(21,603)	44,676	407,883

Notes:

**(a) Merger reserve**

Merger reserve represented the difference of the aggregate consideration paid by the Group for the acquisition of subsidiaries pursuant to the Group reorganisation and the aggregate capital of the subsidiaries acquired, after elimination of investments in subsidiaries.

**(b) Statutory reserve**

In accordance with the relevant laws and regulations in the PRC and the articles of association of the PRC incorporated subsidiaries of the Company, it is required to appropriate 10% of the annual statutory net profits of the Company's PRC incorporated subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the share capital of these subsidiaries, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of share capital.



## **21 OTHER RESERVES (Continued)**

*Notes: (Continued)*

### **(c) Capital reserve**

Capital reserve represented the excess of the cash consideration over the paid-in capital arising from capital contributions to Cosmo Lady Guangdong by investors.

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

### **(d) Shares held for share award scheme**

The Share Award Scheme is managed by the Share Scheme Trustee. 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.

As at 30 June 2021, the Share Scheme Trustee withheld 56,035,800 ordinary shares of the Company with funds provided by the Company by way of contributions, for an aggregate consideration of approximately RMB64,102,000, 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 purpose of the 2016 Share Award Scheme is to recognize and motivate the contribution of certain members of management of the Group and to provide incentives and help the Group in retaining its existing members of management and to provide them with a direct economic interest in attaining the long-term business objectives of the Group. The vesting period of the awarded shares is determined by the Board.

No awards have been granted under the 2016 Share Award Scheme by the Group since its adoption and up to 30 June 2021. This scheme has been terminated on 22 December 2020.

## **22 EQUITY-SETTLED SHARE-BASED COMPENSATION (Continued)**

### **(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.

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 RMB3,374,000 as at 30 June 2021 continues to be amortised over its remaining period when the conditions as defined in the plan are fulfilled.

### **(c) 2019 Share Award Scheme**

The Board has approved the adoption of the 2019 Share Award Scheme on 28 June 2019. The purpose of the 2019 Share Award Scheme is 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 of the awarded shares is conditional upon the achievement of certain performance targets 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.

## 22 EQUITY-SETTLED SHARE-BASED COMPENSATION (Continued)

### (c) 2019 Share Award Scheme (Continued)

Movements in the number of shares awarded:

	Number of shares as at 30 June	
	2021	2020
At 1 January	34,684,600	30,542,000
Vested	–	(5,858,200)
Cancelled	(2,176,800)	–
At 30 June	32,507,800	24,683,800

Details of the shares awarded as at 30 June 2021 were set out as follows:

Date of award	Average fair value per share (HK\$)	Vesting period (Note)	Number of awarded shares		
			As at 1 January 2021	Cancelled during the period	As at 30 June 2021
28 June 2019	1.33	28 June 2019 to 31 December 2022	22,568,600	(1,824,800)	20,743,800
10 July 2020	0.60	10 July 2020 to 31 December 2022	12,116,000	(352,000)	11,764,000
			34,684,600	(2,176,800)	32,507,800

## 22 EQUITY-SETTLED SHARE-BASED COMPENSATION (Continued)

### (d) Expenses arising from share-based payment transactions

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
General and administrative expenses 2019 Share Award Scheme	3,882	1,729
Selling and marketing expenses 2019 Share Award Scheme	2,601	2,281
	<b>6,483</b>	<b>4,010</b>

## 23 TRADE AND NOTES PAYABLES

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
	<b>Trade payables (Note (a))</b>	
Due to third parties	535,277	469,754
Due to related parties (Note 28(c))	7,947	143
	<b>543,224</b>	<b>469,897</b>
<b>Notes payable (Note (b))</b>		
Due to third parties	257,136	249,665
Due to related parties (Note 28(c))	12,405	–
	<b>269,541</b>	<b>249,665</b>
	<b>812,765</b>	<b>719,562</b>

## 23 TRADE AND NOTES PAYABLES (Continued)

Notes:

- (a) Trade payables of the Group are denominated in RMB, non-interest bearing, and the carrying amounts approximate their fair values.

As at 30 June 2021, 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 2021 RMB'000	As at 31 December 2020 RMB'000
Trade payables		
– Within 30 days	159,251	187,983
– Over 30 days and within 60 days	94,695	69,689
– Over 60 days and within 90 days	121,399	97,634
– Over 90 days and within 180 days	128,724	111,152
– Over 180 days and within 360 days	22,662	3,191
– Over 360 days	16,493	248
	543,224	469,897

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

## 24 ACCRUALS AND OTHER PAYABLES

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Payables for purchases of property, plant and equipment and intangible assets	6,935	35,031
Salaries and welfare payables	34,188	41,018
Accrued taxes other than income tax	10,811	8,462
Deposits from franchisees	98,993	79,665
Payable for logistics	444	40,885
Payable for advertisements	4,228	9,321
Advanced payment from suppliers	115,743	–
Other accrued expenses and payables	123,156	106,725
	394,498	321,107

Accruals and other payables of the Group are non-interest bearing, and their fair values, except for the provision for sales return and receipts in advance from customers which are not financial liabilities, approximate their carrying amounts due to their short maturities.

Accruals and other payables of the Group are denominated in RMB.



## 25 BORROWINGS

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
<b>Non-current</b>		
Secured bank borrowing <i>(Note)</i>	65,437	339,077
	<b>65,437</b>	339,077
<b>Current</b>		
Secured bank borrowing <i>(Note)</i>	412,040	190,300
Unsecured bank borrowing	–	8,374
	<b>412,040</b>	198,674
	<b>477,477</b>	537,751

Movements in borrowings is analysed as follows:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
<b>Opening amount</b>	537,751	455,190
Repayments of borrowings	(180,274)	(167,317)
Proceeds from borrowings	120,000	260,909
<b>Closing amount</b>	<b>477,477</b>	548,782

*Note:*

The amount represents the bank borrowings that are secured by the Group's certain buildings and land use rights with a carrying amount as at 30 June 2021 of RMB468,767,000.

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 5.24% (2020: 5.11%) and are within level 2 of the fair value hierarchy.

## 26 NOTE TO CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Profit/(loss) before income tax	17,251	(131,403)
Add: share of profit of equity investments	(2,440)	(1,184)
<b>Adjustments for:</b>		
– Depreciation of property, plant and equipment (Note 12)	53,055	41,483
– Amortisation of right-of-use assets (Note 12)	134,431	165,900
– Amortisation of intangible assets (Note 12)	4,018	3,834
– Provision for impairment of trade receivables (Note 18)	6,488	2,397
– Provision for other receivables (Note 16)	3,355	3,195
– Impairment of property, plant and equipment and right-of-use assets (Note 12)	10,894	41,266
– Provision for inventories	7,833	15,615
– Fair value losses on financial assets at FVTPL (Note 14)	230	2,489
– Finance income (Note 8)	(2,486)	(2,256)
– Finance expenses (Note 8)	22,377	26,207
– Foreign exchange (gains)/losses – net (Note 6)	(1,349)	6,637
– Equity-settled share-based compensation (Note 22)	6,483	4,010
– Investment income on financial assets at FVTPL (Note 6)	(1,990)	(20)
– Dividends from financial assets at FVOCI (Note 6)	(5,961)	–
– Loss on disposal of FVTPL (Note 6)	–	2,729
– Loss on disposal of property, plant and equipment – net (Note 6)	26	477
– Loss on disposal of intangible assets – net (Note 6)	–	107
	<b>252,215</b>	<b>181,483</b>
<b>Changes in working capital:</b>		
– Trade and notes receivables	(229,221)	(14,399)
– Deposits, prepayments and other receivables	1,294	162,858
– Inventories	(6,712)	(77,981)
– Trade and notes payables	93,203	129,497
– Contract liabilities	14,747	(59,415)
– Deferred income	(134)	(218)
– Accruals and other payables	104,319	(9,654)
	<b>229,711</b>	<b>312,171</b>
<b>Cash generated from operations</b>	<b>229,711</b>	<b>312,171</b>

## 27 CAPITAL COMMITMENTS

As at 30 June 2021 and 31 December 2020, the Group had the following capital commitments not provided for:

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Contracted but not provided for:		
Property, plant and equipment	15,180	14,795
Intangible assets	2,823	1,632
Investment in joint ventures	33,983	33,983
	<b>51,986</b>	<b>50,410</b>

## 28 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 2021, and balances arising from related party transactions as at reporting date.

### (a) Name and relationship with related parties

Name	Relationship with the Group
Mr. Zhang Shengfeng	Director
Mr. Lin Zonghong	Director
Shantou City Shengqiang Knitting Industrial Co., Ltd. ("Shantou Shengqiang")	Controlled by a brother of Mr. Zhang Shengfeng's spouse
Shantou City Maosheng Knitting Underwear Co., Ltd. ("Shantou Maosheng")	Controlled by a brother of Mr. Lin Zonghong
Jinghedu	Joint venture

## 28 RELATED-PARTY TRANSACTIONS (Continued)

### (b) Transactions with related parties

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Purchases of goods ( <i>Note (i)</i> ):		
Shantou Shengqiang	17,832	8,775
Shantou Maosheng	3,564	324
	<b>21,396</b>	<b>9,099</b>
Sale of an entrusted investment to Jinghedu ( <i>Note (ii)</i> )	–	100,000

Notes:

- (i) Purchases of goods from these related parties are on mutually agreed terms and conditions, excluded value-added taxes and the purchase prices are determined on cost-plus basis, with a mark-up rate of no more than 9%.
- (ii) 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) Balances with related parties

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
	Trade and notes payables:	
Shantou Shengqiang	18,887	–
Shantou Maosheng	1,465	143
	<b>20,352</b>	<b>143</b>
Prepayment:		
Shantou Shengqiang	–	191

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

## **28 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 2021 and 30 June 2020 is as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Wages, salaries and bonuses	<b>8,458</b>	7,429
Pension costs – defined contribution plans	<b>740</b>	252
Equity-settled share-based compensation	<b>1,787</b>	115
	<b>10,985</b>	7,796



# Other Information

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

As at 30 June 2021, the interests and short positions of the Directors and the chief executive of 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 <sup>(1)</sup>	Approximate percentage of shareholding interest <sup>(1)</sup>
Mr. Zheng Yaonan <sup>(2)</sup>	Interest of controlled corporation; founder of a discretionary trust who can influence how the trustee exercises his discretion	793,634,944 (L)	35.28% (L)
Ms. Wu Xiaoli <sup>(2)</sup>	Interest of spouse; other (beneficiary of a discretionary trust)	793,634,944 (L)	35.28% (L)
Mr. Zhang Shengfeng	Founder of a discretionary trust who can influence how the trustee exercises his discretion	222,625,173 (L)	9.90% (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)
Mr. Siu Ka Lok <sup>(3)</sup>	Beneficial owner; interest of spouse	1,770,000 (L)	0.08% (L)
Dr. Lu Hong Te	Beneficial owner	210,000 (L)	0.01% (L)

#### Notes:

- (1) The letter "L" denotes the person's long position in the shares. The calculation is based on the number of ordinary shares that each person is interested in (whether directly/indirectly interested or deemed to be interested) as a percentage of the total number of issued ordinary shares (that is, 2,249,457,213 shares) of the Company as at 30 June 2021.
- (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 is 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 held 1,000,000 shares of the Company. Ms. Cheung Wilma Veronica, the spouse of Mr. Siu Ka Lok, held 770,000 shares of the Company. 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 2021, 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 2021, 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 <sup>(1)</sup>	Approximate percentage of shareholding interest <sup>(1)</sup>
TMF (Cayman) Limited <sup>(2)</sup>	Trustee	1,129,778,852 (L)	50.22% (L)
Great Brilliant Investment Holdings Limited <sup>(3)</sup>	Interest of controlled corporation; beneficial owner	750,863,402 (L)	33.38% (L)
Yao Li Investment Holdings Limited <sup>(2), (3)</sup>	Interest of controlled corporation	750,863,402 (L)	33.38% (L)
Harmonious Composition Investment Holdings Limited <sup>(3), (4)</sup>	Beneficial owner	735,018,732 (L)	32.68% (L)
Fosun International Holdings Limited <sup>(5)</sup>	Interest of controlled corporation	240,000,000 (L)	10.67% (L)
Fosun International Limited <sup>(5)</sup>	Beneficial owner	240,000,000 (L)	10.67% (L)
Mr. Guo Guangchang <sup>(5)</sup>	Interest of controlled corporation	240,000,000 (L)	10.67% (L)
Ms. Cai Shaoru <sup>(6)</sup>	Interest of spouse	222,625,173 (L)	9.90% (L)
Forever Flourish International Holdings Limited <sup>(7)</sup>	Beneficial owner	222,625,173 (L)	9.90% (L)
Xin Feng Asset Holdings Limited <sup>(2), (7)</sup>	Interest of controlled corporation	222,625,173 (L)	9.90% (L)
Prime Capital Management Company Limited	Investment manager	156,899,369 (L)	6.97% (L)
Ms. Cai Jingqin <sup>(8)</sup>	Interest of spouse	156,290,277 (L)	6.95% (L)
Forever Shine Holdings Limited <sup>(9)</sup>	Beneficial owner	156,290,277 (L)	6.95% (L)

## Other Information

Name	Nature of interest	Number of shares held <sup>(1)</sup>	Approximate percentage of shareholding interest <sup>(1)</sup>
Hong Ye Asset Holdings Limited <sup>(2), (9)</sup>	Interest of controlled corporation	156,290,277 (L)	6.95% (L)
Capital Today Investment XVIII (HK) Limited <sup>(10)</sup>	Beneficial owner	133,156,000 (L)	5.92% (L)
Capital Today Investment XVIII Limited <sup>(10)</sup>	Interest of controlled corporation	133,156,000 (L)	5.92% (L)
Capital Today China Growth Fund, L.P. <sup>(10)</sup>	Interest of controlled corporation	133,156,000 (L)	5.92% (L)
Capital Today China Growth GenPar, LTD <sup>(10)</sup>	Interest of controlled corporation	133,156,000 (L)	5.92% (L)
Capital Today Partners Limited <sup>(10)</sup>	Interest of controlled corporation	133,156,000 (L)	5.92% (L)
Ms. Xu Xin <sup>(10)</sup>	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. 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 2021.
- (2) TMF (Cayman) Limited in its capacity as the trustee holds, among others, the entire issued share capital of Yao Li Investment Holdings Limited, Xin Feng Asset Holdings Limited and Hong Ye Asset Holdings Limited. The three discretionary trusts are founded by Mr. Zheng Yaonan, Mr. Zhang Shengfeng and Mr. Lin Zonghong, 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 is 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 was 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.

## Other Information

- (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 2021, 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 2021, 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, with a 10-year validity, on 17 August 2016 and 28 June 2019 (the “Share Award Schemes”). The purpose and objectives of the Share Award Schemes are to recognize and motivate the contribution of the employees of the Group, help the Group in retaining its existing members of management and attract new talents to join the Group. The share award scheme adopted in 2016 has been terminated on 22 December 2020.

The Cosmo Lady Employee Benefit Trust was established to manage the trust property of the Share Award Schemes. As at 30 June 2021, a total of 56,035,800 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 2021 (six months ended 30 June 2020: 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 2021.

## **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 2021.

## **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 2021.

## **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 2021.

## **INFORMATION REGARDING DIRECTORS**

Mr. Zhao Yingming has resigned as a non-executive Director with effect from 9 September 2021.

Ms. Fung Yat Carol has been appointed as a non-executive Director with effect from 9 September 2021.

Save as disclosed above, there was no change in the information regarding the Directors subsequent to the date of publication of the 2020 annual report of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.