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Post Hearing Information Pack of

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)

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(Incorporated in the Cayman Islands with limited liability)

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Number of [**REDACTED**] under the [**REDACTED**]	:	[**REDACTED**] Shares (subject to the Over-allotment Option)
Number of [**REDACTED**]	:	[**REDACTED**] Shares (subject to adjustment)
Number of [**REDACTED**]	:	[**REDACTED**] Shares (subject to adjustment and the Over-allotment Option)
Maximum [**REDACTED**]	:	HK$[**REDACTED**] per [**REDACTED**] plus brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	US$0.01 per Share
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EXPECTED TIMETABLE

[**REDACTED**]

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***This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by and should be read in conjunction with, the full text of this document. You should read the whole document before you decide to invest in the* [REDACTED].**

***There are risks associated with any investment. Some of the particular risks in investing in the* [REDACTED] *are set forth in "Risk Factors". You should read that section carefully before you decide to invest in the* [REDACTED].**

OVERVIEW

We are the largest branded intimate wear enterprise in China in terms of both total retail sales in 2013 and the number of retail outlets as of December 31, 2013, according to the Frost & Sullivan Report. As of December 31, 2013, our retail network covered 5,790 outlets in more than 330 prefecture-level cities in all provinces as well as province-level municipalities and autonomous regions in China.

Our Industry and Market Position

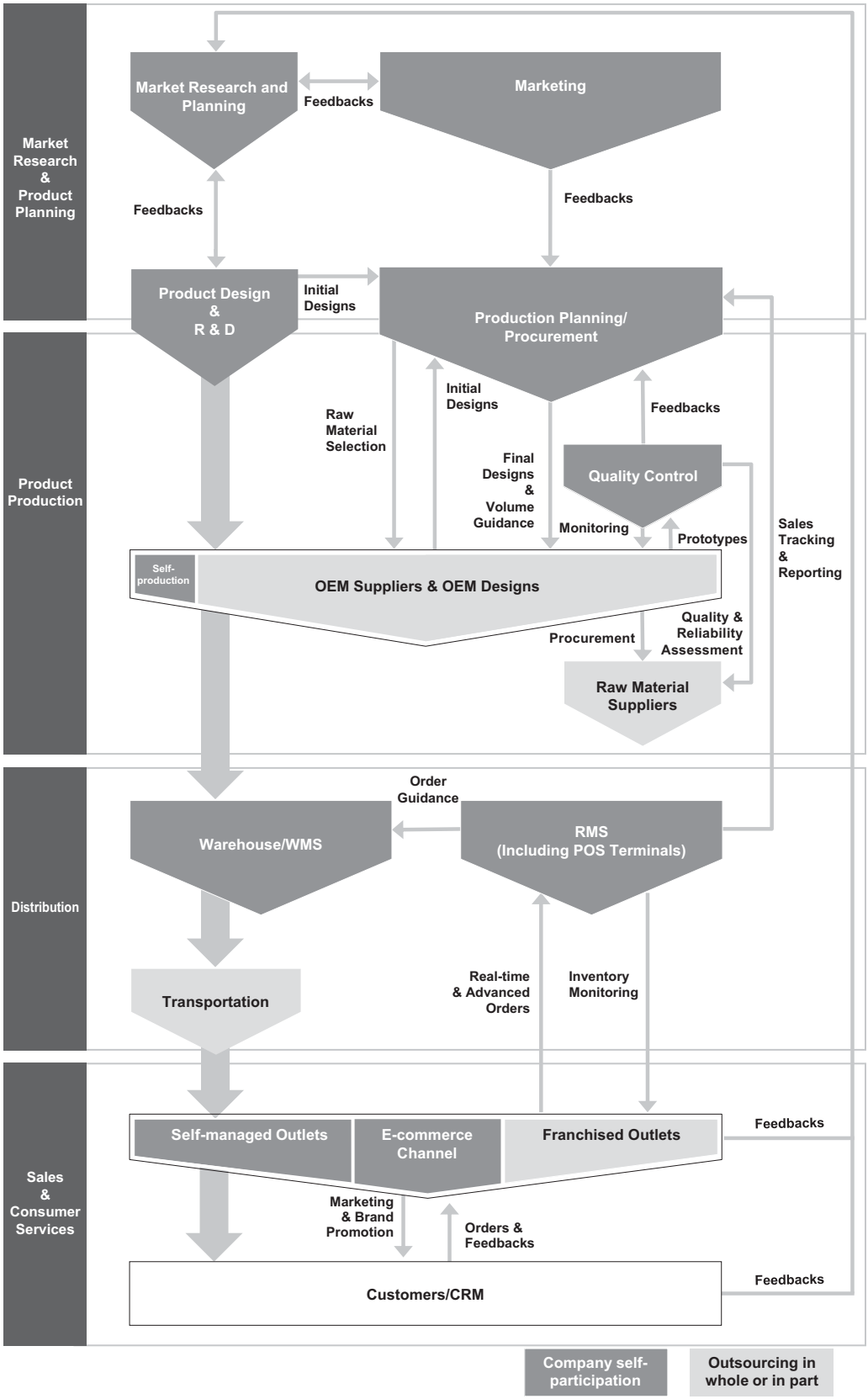
China's intimate wear industry has grown and is expected to continue to grow rapidly. According to the Frost & Sullivan Report, China's intimate wear industry reached retail sales of approximately RMB194.4 billion in 2013, representing a CAGR of 14.4% from 2009 to 2013. China's intimate wear industry is expected to reach retail sales of approximately RMB455.3 billion by 2018, which would represent a CAGR of approximately 18.6% from 2013 to 2018, according to the Frost & Sullivan Report. We have focused on the mass market of the intimate wear industry in China, which is the largest market sub-segment in our industry according to the Frost & Sullivan Report. According to the same report, the mass market of China's intimate wear industry has the highest growth potential in the industry. From 2009 to 2013, the total retail sales of the mass market of China's intimate wear industry grew at a CAGR of 21.7%, reaching RMB101.8 billion in 2013. The mass market of China's intimate wear industry is expected to reach retail sales of approximately RMB292.1 billion by 2018, which would represent a CAGR of approximately 23.5% from 2013 to 2018.

According to the Frost & Sullivan Report, for the year ended December 31, 2013, we had a market share in the intimate wear industry of approximately 2.8% in terms of total retail sales, almost three times as large as that of the second largest player in China.

Our Business Model

We are principally engaged in the design, research, development and sale of our own branded intimate wear, while outsourcing substantially all of our production to selected domestic OEM suppliers. We operate a highly integrated business model, which enables us to exercise substantial control over critical stages of the industry value chain to ensure flexible production, optimal inventory level and timely delivery of products to the market. This business model has provided strong support to our rapid retail network growth.

Our business model is illustrated in the following diagram.



Our Products and Brands

We design and sell five major lines of intimate wear products (namely, bras, underpants, sleepwear and loungewear, thermal clothes, and others, which includes leggings and tights, vests, hosiery and accessories) under our core brand Cosmo Lady (都市•儷人) and three sub-brands, namely Cosmo Elegance (都市•絲語), Cosmo Blossom (都市•繽紛派) and Cosmo Esquire (都市•鋒尚) to attract consumers of different demographics.

The table below shows a breakdown of our revenue by product category for the periods indicated.

	Year Ended December 31,					
	2011		2012		2013	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
	(RMB'000 except percentages)					
Bras	667,016	40.3	966,278	42.8	1,386,163	47.5
Underpants	277,304	16.7	301,756	13.4	437,041	15.0
Sleepwear and loungewear	242,982	14.7	332,722	14.7	443,308	15.2
Thermal clothes	288,713	17.4	471,247	20.9	381,422	13.1
Others[(1)]	179,788	10.9	185,623	8.2	268,332	9.2
Total	**1,655,803**	**100.0**	**2,257,626**	**100.0**	**2,916,266**	**100.0**

Note:

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

We are committed to product design, research and development, and have built a vast first-hand consumer database through our comprehensive information technology platform. We believe that our high value-for-money products have enabled and will continue to enable us to build high consumer loyalty, reinforce our brand and maintain pricing competitiveness. We intend to continue to enhance our product offerings and strengthen our brand recognition to solidify our industry-leading position, with an aim to leading the fashion trend in China's intimate wear industry.

Our Retail Network

We have devoted substantial resources in establishing and maintaining an effective retail network. Our extensive retail network consists primarily of franchised outlets, as well as self-managed outlets, and does not involve distributors or multiple layers of franchisees. Our business model embodies a robust system to directly control our retail network, allowing us to manage our franchised outlets in substantially the same way as our self-managed outlets. Our efficient franchise management system allows us to attract and retain franchisees and grow rapidly, while at the same time enabling us to actively supervise and largely control all critical aspects of our franchised outlets' operations to ensure that they strictly adhere to our retail policies and operating procedures.

The following table sets forth the number of franchised outlets and self-managed outlets within each sales region as of December 31, 2013.

	Franchised outlets		Self-managed outlets	
Sales Region	**Number of outlets**	**% of total outlets**	**Number of outlets**	**% of total outlets**
Southern China	1,955	38.6	333	46.2
Eastern China	1,369	27.0	159	22.1
South-Western China	1,035	20.4	105	14.5
Northern China	710	14.0	124	17.2
Total	**5,069**	**100.0**	**721**	**100.0**

The following table sets forth our total number of franchised outlets and self-managed outlets and their revenue contribution for the periods indicated.

	Year Ended December 31,								
	2011			2012			2013		
	Number of outlets	Revenue	% of Revenue	Number of outlets	Revenue	% of Revenue	Number of outlets	Revenue	% of Revenue
		(RMB'000)			(RMB'000)			(RMB'000)	
Sales to franchisees	3,412[2]	1,592,420	96.2	4,429[2]	2,069,687	91.7	5,069[2]	2,240,433	76.8
Retail sales[1]	82[3]	63,383	3.8	209[3]	187,939	8.3	721[3]	675,833	23.2
Total	3,494	1,655,803	100.0	4,638	2,257,626	100.0	5,790	2,916,266	100.0

Notes:
(1) Refers to sales to our consumers through our self-managed outlets.
(2) Refers to franchised outlets.
(3) Refers to self-managed outlets.

In addition to rapidly expanding our retail network and geographical coverage, we also maintained robust sales growth for our existing outlets. The table below sets forth the Same Store Sales Growth for the periods indicated as compared to the prior period.

	For the year ended December 31, 2012[1]	**For the year ended December 31, 2013[2][3]**
Overall Same Store Sales Growth of our outlets	7.3%	4.9%

Notes:
(1) In calculating the overall Same Store Sales Growth, the sales value of our existing franchised and self-managed outlets that had been in operation for at least 12 months as of January 1, 2012 for the year ended December 31, 2012 were compared with the sales value for the prior year.
(2) In calculating the overall Same Store Sales Growth, the sales value of our existing franchised and self-managed outlets that had been in operation for at least 12 months as of January 1, 2013 for the year ended December 31, 2013 were compared with the sales value for the prior year.
(3) The overall Same Store Sales Growth of our outlets decreased from 7.3% for the year ended December 31, 2012 to 4.9% for the year ended December 31, 2013. Such decrease was largely attributable to the same factors affecting the intimate wear industry in China as well as the partial impact of the one-off supply shortage event caused by a typhoon in Shantou City (including Chaoyang District) in August 2013.

As part of our strategic plan to expand our retail network, beginning in the fourth quarter of 2012, we began using cooperative agreements with third-party partners to expand the network of our self-managed outlets. We generally select partners who we believe can offer

attractive outlet locations and may continue to do so in the future. Under these arrangements, in addition to providing leased premises, our partners are responsible for applying for relevant government licenses and approvals while we manage all aspects of the outlet's operations. As of December 31, 2012 and 2013, we had 58 and 519 outlets under cooperative arrangement. The revenue from these outlets totaled RMB1.4 million and RMB343.2 million for the year ended December 31, 2012 and 2013, respectively.

Our extensive retail network has enabled us to build a vast and loyal consumer base. As of the Latest Practicable Date, through our membership program, we had accumulated more than 26 million members, among which approximately seven million were active members who have made more than one purchase at one of our outlets within the six-month period before the Latest Practicable Date. We believe our solid consumer base positions us well to continue to grow our business.

We enter into annual franchise agreements with our franchisees. Our franchise agreements typically include the following principal terms: geographical scope and avoidance of cannibalization among franchisees, suggested retail price, exclusivity, sales target, purchase orders, credit term, product returns, transportation, use of brands and termination rights.

Our Supply Chain Management System

We outsource substantially all of our production to selected domestic OEM suppliers, which enables us to focus our resources on key stages of the production life cycle, such as product design, research and development, brand promotion and management, and sales and distribution.

Our highly efficient and responsive supply chain management system enables us to shorten our products' time to market and maintain an optimal inventory level, helping us remain competitive in a fast-paced industry. Our information technology platform, which seamlessly integrates ERP, RMS and WMS systems, provides us with daily sales and product tracking and reporting, enabling us to react rapidly to, and to synchronize our production with, changing market trends and consumer demand. Supported by our information technology platform, we are able to implement our retail policies and operating procedures consistently across our outlets in China.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths differentiate us from other industry participants, have contributed to our success and will continue to enable us to increase our market share and capture future growth opportunities:

- We are the largest branded intimate wear enterprise in China
- Our brand and product positioning capture the largest market sub-segment with the highest growth
- We exercise a high degree of direct control over our retail network
- We have a highly efficient and responsive supply chain management system
- We have rapid growth trajectory underpinned by the above-mentioned strengths
- We have an experienced, competent and committed management team with proven track record

OUR BUSINESS STRATEGIES

Our goal is to continue to strengthen our position as the industry-leading intimate wear enterprise in China and to become one of the leading players in the industry globally. We aim to achieve this by implementing the following strategies:

- Expand our retail network
- Increase our brand awareness
- Continue to enhance product offerings and our product design and development capabilities to keep pace with the latest market trends
- Enhance our supply chain and logistics management capabilities
- Enhance information and human resources management systems
- Selectively pursue acquisitions of businesses, brands or products and further develop strategic alliances

SUMMARY COMBINED FINANCIAL INFORMATION

The following is a summary of our combined financial information as of and for the years ended December 31, 2011, 2012 and 2013. We have derived the summary from our combined financial information set forth in "Accountant's Report" in Appendix I on pages I-3–I-6. Below summary should be read in conjunction with the combined financial information in Appendix I, including the accompanying notes and the information set forth in "Financial Information" on pages I-7–I-57. Our combined financial information was prepared in accordance with IFRS.

Summary combined statements of comprehensive income

	Year ended 31 December,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue	**1,655,803**	**2,257,626**	**2,916,266**
Cost of sales	(1,255,607)	(1,640,951)	(1,847,409)
Gross profit	**400,196**	**616,675**	**1,068,857**
Selling and marketing expenses	(132,713)	(295,303)	(588,906)
includes: Operating lease rentals in respect of land and buildings	*(28,374)*	*(64,970)*	*(176,938)*
Concession fees	*–*	*–*	*(78,516)*
Employee benefit expenses	*(57,255)*	*(93,842)*	*(167,334)*
Marketing and promotion expenses	*(9,938)*	*(58,728)*	*(61,364)*
General and administrative expenses	(59,651)	(90,297)	(147,410)
Other income	16,424	24,962	38,957
Other losses – net	(1,591)	(195)	(32)
Operating profit	**222,665**	**255,842**	**371,466**
Finance income	4,706	9,217	4,829
Finance costs	(12)	(1,917)	(1,422)
Finance income - net	4,694	7,300	3,407
Profit before income tax	**227,359**	**263,142**	**374,873**
Income tax expense	(58,750)	(70,400)	(99,365)
Profit for the year	**168,609**	**192,742**	**275,508**

Summary combined balance sheets

	As of 31 December,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Assets			
Non-current assets	186,356	290,688	334,673
Current assets	685,932	799,880	972,423
Total assets	**872,288**	**1,090,568**	**1,307,096**
Total equity	**563,433**	**606,323**	**687,557**
Liabilities			
Non-current liabilities	22,722	—	—
Current liabilities	286,133	484,245	619,539
Total liabilities	**308,855**	**484,245**	**619,539**
Total equity and liabilities	**872,288**	**1,090,568**	**1,307,096**
Net current assets	**399,799**	**315,635**	**352,884**
Total assets less current liabilities	**586,155**	**606,323**	**687,557**

Summary combined statements of cash flows

	Year Ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities	142,486	42,735	217,595
Net cash (used in)/generated from investing activities	(296,382)	109,134	(60,747)
Net cash generated from/(used in) financing activities	306,984	(134,105)	(46,691)
Net increase in cash and cash equivalents	153,088	17,764	110,157
Cash and cash equivalents at beginning of the year	9,018	162,106	179,870
Cash and cash equivalents at end of the year	162,106	179,870	290,027

MAJOR FINANCIAL RATIOS

The table below sets forth a summary of our key financial ratios as of the dates or for the periods indicated.

Financial Ratios	Formulae	As of/for the year ended December 31,		
		2011	2012	2013
Profitability ratios:				
1. Growth				
a. Revenue growth		—	36.3%	29.2%
b. Net profit growth		—	14.3%	42.9%
2. Profit margins				
a. Gross margin	a. Gross profit/Revenue x 100.0%	24.2%	27.3%	36.7%
b. Net profit margin	b. Profit for the year/Revenue x 100.0%	10.2%	8.5%	9.4%
3. Return on equity				
a. Return on equity	a. Profit for the year/Average total equity x 100.0%	52.7%	33.0%	42.6%
b. Return on total assets	b. Profit for the year/Average total assets x 100.0%	30.6%	19.6%	23.0%
Liquidity ratios:				
1. Liquidity ratios				
a. Current ratio	a. Current assets/Current liabilities	2.4	1.7	1.6
b. Quick ratio	b. (Current assets — Inventories)/Current liabilities	1.7	1.0	0.9
2. Turnover ratios				
a. Inventory turnover days	a. Average inventories/Cost of sales x 365 days	44.4	59.0	72.3
b. Adjusted inventory turnover days of our self-managed outlets	b. Inventory turnover days accounted for by our self-managed outlets	109.4	143.5	132.5
c. Receivables turnover days (average collection period)	c. Average trade receivables/ Revenue x 365 days	8.8	20.0	22.0
d. Payables turnover days (average payment period)	d. Average trade payables/Cost of sales x 365 days	25.2	42.6	45.1
Capital adequacy ratios:				
1. Gearing ratio	Total bank borrowings — cash and cash equivalents and restricted bank deposits /Total equity x 100.0%	Net cash	Net cash	Net cash
2. Interest coverage	Profit before finance cost and income tax expense/ Finance cost	18,947.6	138.3	264.6

The following table sets forth a breakdown of our gross profit and gross profit margin by sales channel for the periods indicated.

	Year Ended December 31,					
	2011		2012		2013	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%
Sales to franchisees	363,960	22.9	509,036	24.6	683,626	30.5
Retail sales[(1)]	36,236	57.2	107,639	57.3	385,231	57.0
Total gross profit	**400,196**	**24.2**	**616,675**	**27.3**	**1,068,857**	**36.7**

Note:
(1) Refers to sales to our consumers through our self-managed outlets.

The following table sets forth a breakdown of our gross profit and gross profit margin for sales to our franchisees by product category for the periods indicated.

	Year Ended December 31,					
	2011		2012		2013	
Sales to franchisees	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%
Bras	209,526	32.9	318,579	36.0	402,291	37.7
Underpants	37,687	14.2	42,202	15.9	74,034	22.6
Sleepwear and loungewear	41,507	17.6	36,965	12.1	78,890	22.4
Thermal clothes	41,904	15.0	83,720	18.9	83,188	28.7
Others[(1)]	33,336	19.2	27,570	16.1	45,223	22.2
Total	**363,960**	**22.9**	**509,036**	**24.6**	**683,626**	**30.5**

Note:
(1) Includes leggings and tights, vests, hosiery and accessories.

The following table sets forth a breakdown of our gross profit and gross profit margin for sales to our consumers through our self-managed outlets by product category for the periods indicated.

	Year Ended December 31,					
	2011		2012		2013	
Retail sales	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%
Bras	19,254	65.1	49,868	60.7	197,799	62.0
Underpants	6,234	56.2	20,703	57.2	65,716	60.2
Sleepwear and loungewear	3,663	47.3	14,641	53.6	41,638	45.4
Thermal clothes	4,304	48.1	14,953	52.8	45,732	49.8
Others[(1)]	2,781	46.3	7,474	53.5	34,346	53.5
Total	**36,236**	**57.2**	**107,639**	**57.3**	**385,231**	**57.0**

Note:
(1) Includes leggings and tights, vests, hosiery and accessories.

The table below sets forth the term of the lease agreements and approximate gross floor area of our leased properties as of the Latest Practicable Date. All of our leases provide for a fixed amount of rental throughout the lease term.

Expire Date of the Leases	Number of Leases	Approximate Gross Floor Area (square meters)
Within three months	16	996.53
Between three and 12 months.	63	4,243.97
More than 12 months.	129	35,322.45
Total	**208**	**40,727.39**

Operating lease commitments

The table below sets forth the future aggregate minimum lease payments in respect of our rented premises under our non-cancellable lease agreements as of the dates indicated.

	As of December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
No later than one year	29,020	70,348	97,778
Later than one year and no later than five years	30,253	101,162	137,111
Later than five years	5	3,938	4,406
Total	**59,278**	**175,448**	**239,295**

[REDACTED] STATISTICS

	Based on an [REDACTED] of HK$[REDACTED] per Share	Based on an [REDACTED] of HK$[REDACTED] per Share
Market capitalization of our Shares(2)	HK$[**REDACTED**] million	HK$[**REDACTED**] million
Unaudited pro forma adjusted combined net tangible assets per Share(3)	HK$[**REDACTED**]	HK$[**REDACTED**]

Notes:

(1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.

(2) The calculation of market capitalization is based on [**REDACTED**] Shares expected to be issued under the [**REDACTED**], and assuming that [**REDACTED**] Shares are issued and outstanding immediately following the completion of the [**REDACTED**].

(3) The unaudited pro forma adjusted net tangible assets per Share is calculated after making the adjustments referred to in Appendix II "Unaudited Pro Forma Financial Information" and on the basis that [**REDACTED**] Shares are issued and outstanding immediately following the completion of the [**REDACTED**].

USE OF PROCEEDS

We estimate the net proceeds of the [**REDACTED**] which we will receive, assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**] range stated in this document), will be approximately HK$[**REDACTED**] million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the [**REDACTED**] and assuming the Over-allotment Option is not exercised. We intend to use the net proceeds of the [**REDACTED**] for the following purposes:

- approximately [39.0]%, or HK$[**REDACTED**] million, will be used to expand our retail network, in particular, to increase the number of our self-managed outlets, including the related working capital.
- approximately [25.3]%, or HK$[**REDACTED**] million, will be used to finance the capital expenditures required in connection with the establishment of our three logistics centers in Dongguan, Tianjin and Chongqing.
- approximately [12.6]%, or HK$[**REDACTED**] million, will be used to selectively pursue acquisitions of businesses, brands or products and further develop strategic alliances.
- approximately [6.6]%, or HK$[**REDACTED**] million, will be used to finance the capital expenditures required in connection with the establishment of our design, research and development center.
- approximately [6.6]%, or HK$[**REDACTED**] million, will be used to finance the capital expenditures required in connection with the upgrade of our information technology infrastructure.
- the remaining amount of approximately HK$[**REDACTED**] million, representing not more than 10% of the net proceeds, will be used for working capital and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the [**REDACTED**] is fixed below or above the midpoint of the indicative price range.

In the event that the Over-allotment Option is exercised in full, we will receive additional net proceeds of HK$[**REDACTED**] million (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being midpoint of the proposed [**REDACTED**] range), after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the [**REDACTED**].

Harmonious Composition estimates that it will (upon the exercise of the Over-allotment Option in full) receive net proceeds from the [**REDACTED**] of approximately HK$[**REDACTED**] million, after deduction of underwriting fees and commissions and estimated expenses payable by them in the [**REDACTED**] and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the midpoint of the [**REDACTED**] range set forth on the cover of this document).

For further information relating to our future plan and the use of proceeds from the [**REDACTED**], see "Future Plans and Use of Proceeds" on pages 248–249.

DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that we consider appropriate. We did not declare any dividend in 2011. We declared dividends in an aggregate amount of RMB150.0 million and RMB200.0 million in 2012 and 2013, respectively, to our then Shareholders.

We currently intend to adopt, after our Listing, a general annual dividend policy of declaring and paying dividends on an annual basis of no less than 30% of our distributable net profit attributable to our Group for any particular financial year. A detailed discussion of our dividend policy is set forth in "Financial Information — Dividend Policy" on pages 211–212.

OUR CONTROLLING SHAREHOLDERS AND PRE-IPO INVESTORS

Immediately upon the completion of the [**REDACTED**] (and before the exercise of any Over-allotment Option), our Controlling Shareholders will hold approximately [**REDACTED**] in the total issued share capital of our Company. Our pre-IPO investors, Capital Today Investment and Cosmic Vanguard, will hold approximately [**REDACTED**] and [**REDACTED**], respectively, in the total issued share capital of our Company immediately upon the completion of the [**REDACTED**] (and before the exercise of any Over-allotment Option and the conversion of the Exchangeable Note). Great Ray will hold [**REDACTED**] of the total issued share capital of our Company upon the completion of the [**REDACTED**] (and before the exercise of any Over-allotment Option) of which approximately [**REDACTED**] will be held on trust for 95 employees of the Group. See "History, Development and Reorganization" on pages 90–108.

RECENT DEVELOPMENT

Based on our unaudited financial information for the four months ended April 30, 2014 as extracted by us from the unaudited condensed consolidated interim financial information of our Group for the four months ended April 30, 2014, which have been reviewed by our reporting accountant in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board, we recorded total revenue of RMB1,189.0 million, as compared to RMB920.7 million for the same period in 2013.

Our gross profit margin for the four months ended April 30, 2014 increased compared to the same period in 2013 primarily due to the increased proportion of retail sales and optimized product mix.

For the year ending December 31, 2014, we expect to incur non-cash share-based compensation expenses associated with grants of share-based awards to our employees. Based on the number of award units outstanding as of April 30, 2014, our share-based compensation expenses to be recognized for the year ending December 31, 2014 are expected to be approximately RMB8.3 million.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there had not been any material adverse change in our financial, operational or trading position since December 31, 2013 and up to the date of this [**REDACTED**].

RISK FACTORS

There are certain risks involved in our operations and in connection with the [**REDACTED**], many of which are beyond our control. These risks can be categorized into (i) risks relating to our industry and business, (ii) risks relating to doing business in the PRC, and (iii) risks relating to the [**REDACTED**]. For example, we may not be able to compete effectively in the highly competitive intimate wear industry. In addition, we may not be able to effectively monitor the operations and inventory level of our franchised outlets or maintain the current relationship with the franchisees. A detailed discussion of all the risk factors involved are set forth in "Risk Factors" on pages [27–51] and you should read the whole section carefully before you decide to invest in the [**REDACTED**].

LISTING EXPENSE INCURRED AND TO BE INCURRED

During the Track Record Period, we incurred listing expenses of approximately RMB21.7 million, of which RMB16.5 million was recognized as general and administrative expenses in our combined statement of comprehensive income for the year ended December 31, 2013, and RMB5.2 million was capitalized as deferred expenses in our combined balance sheet as of December 31, 2013 to be recognized as a deduction in equity. We expect to incur additional listing expenses (excluding underwriting commission) of approximately RMB31.2 million, of which RMB24.1 million is expected to be recognized as general and administrative expenses for the year ending December 31, 2014 and RMB7.1 million is expected to be recognized as a deduction in equity directly. Our Directors do not expect such expenses to have a material and adverse impact on our financial results for the year ending December 31, 2014.

In this document, unless the context otherwise requires, the following expressions shall have the following meanings.

"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s) or, where the context so requires, any of them
"Articles" or "Articles of Association"	the articles of association of the Company, as amended from time to time, a summary of which is set out in "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix III
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Beijing Ziseyangguang"	Beijing Ziseyangguang Sale Co., Ltd. (北京紫色陽光銷售有限公司), a company incorporated on November 23, 2010 under the laws of the PRC and our indirect wholly-owned subsidiary
"Board" or "Board of Directors"	our board of Directors
"Business day" or "business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capital Today Investment"	Capital Today Investment XVIII (HK) Limited, a company incorporated under the laws of Hong Kong on August 20, 2008 and a Shareholder, which is wholly owned by Capital Today Investment XVIII Limited, a company owned by Capital Today China Growth Co-Investment 2009 (as to 0.425%) and Capital Today China Growth Fund, LP (as to 99.575%) whose general partner is Capital Today China Growth GenPar, LTD, an exempted company registered in the Cayman Islands, of which 4.88% shareholding interest is owned by Mr. Wen Baoma, a Director and 91.19% shareholding interest is owned by Capital Today Partners Limited, which is solely owned by Ms. Xu Xin

"Capitalization Issue"	the issue of [1,499,900,000] Shares to be made upon capitalization of certain sums standing to the credit of the share premium account of our Company as referred to in "Statutory and General Information — A. Further Information About Our Group — 3. Resolutions in Writing of the Shareholders of Our Company" in Appendix IV
"Cayman Companies Law" or "Companies Law"	the Companies Law of the Cayman Islands, as amended, consolidated and supplemented from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" , "PRC" or the "People's Republic of China"	the People's Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires, references in this document to "China" and the "PRC" do not include, Hong Kong, Macau and Taiwan
"Companies Ordinance" or "Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 622 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Cosmic Vanguard"	Cosmic Vanguard Group Limited (宇鋒集團有限公司), a company incorporated in the BVI on December 16, 2013, a Shareholder and a company wholly owned by CICC Growth Capital Fund I, L.P. The general partner of CICC Growth Capital Fund I, L.P. is CICC Growth Capital Fund GP, L.P., and the general partner of CICC Growth Capital Fund GP, L.P. is CICC Growth Capital Fund GP, Ltd., which is indirectly wholly owned by China International Capital Corporation Limited
"Company", "our Company", "we" or "us"	Cosmo Lady (China) Holdings Company Limited (都市麗人(中國)控股有限公司), a company incorporated in the Cayman Islands with limited liability on January 28, 2014, and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries
"connected person"	has the meaning ascribed thereto in the Listing Rules
"Controlling Shareholders"	has the meaning ascribed thereto in the Listing Rules and, unless the context otherwise requires, refers to Mr. Zheng, Mr. Zhang, Mr. Lin, Mr. Cheng, Great Brilliant, Forever Flourish, Forever Shine, Mountain Dragon and Harmonious Composition
"Cosmo Lady (Chengdu)"	Cosmo Lady Fashion (Chengdu) Co., Ltd. (成都市都市麗人服裝有限公司), a company incorporated on September 13, 2012 under the laws of the PRC and our indirect wholly-owned subsidiary
"Cosmo Lady (Fuzhou)"	Cosmo Lady Fashion (Fuzhou) Co., Ltd. (福州都市麗人服裝有限公司), a company incorporated on April 19, 2013 under the laws of the PRC and our indirect wholly-owned subsidiary
"Cosmo Lady (Guangzhou)"	Cosmo Lady Fashion (Guangzhou) Co., Ltd. (廣州市都市麗人服裝有限公司), a company incorporated on June 27, 2011 under the laws of the PRC and our indirect wholly-owned subsidiary
"Cosmo Lady (Guiyang)"	Cosmo Lady Fashion (Guiyang) Co., Ltd. (貴陽都市麗人服裝有限公司), a company incorporated on March 19, 2013 under the laws of the PRC and our indirect wholly-owned subsidiary

"Cosmo Lady (Hong Kong) Holdings"	Cosmo Lady (Hong Kong) Holdings Company Limited (都市麗人(香港)控股有限公司), a company incorporated on February 12, 2014 under the laws of Hong Kong and our indirect wholly-owned subsidiary
"Cosmo Lady (International) Company"	Cosmo Lady (International) Company Limited (都市麗人(國際)集團有限公司), a company incorporated on August 27, 2013 under the laws of Hong Kong and our indirect wholly-owned subsidiary
"Cosmo Lady (International) Holdings"	Cosmo Lady (International) Holdings Company Limited (都市麗人(國際)控股有限公司), a company incorporated on January 29, 2014 under the laws of the BVI and our direct wholly-owned subsidiary
"Cosmo Lady (Shenzhen)"	Cosmo Lady Fashion (Shenzhen) Co., Ltd. (深圳市都市麗人服裝有限公司), a company incorporated on January 11, 2011 under the laws of the PRC and our indirect wholly-owned subsidiary
"Cosmo Lady (Wuhan)"	Cosmo Lady Fashion (Wuhan) Co., Ltd. (武漢市都市麗人銷售有限公司), a company incorporated on May 24, 2011 under the laws of the PRC and our indirect wholly-owned subsidiary
"Cosmo Lady (Yunnan)"	Cosmo Lady Fashion (Yunnan) Co., Ltd. (雲南都市麗人服裝有限公司), a company incorporated on April 10, 2013 under the laws of the PRC and our indirect wholly-owned subsidiary
"Cosmo Lady Guangdong"	Cosmo Lady GuangDong Holdings Limited (廣東都市麗人實業有限公司), first established as a limited liability company under the laws of the PRC with the name Dongguan City Beauty Industry Co., Ltd.(東莞市都市麗人實業有限公司) on September 29, 2009, subsequently converted into a joint stock company under the laws of the PRC with limited liability on July 29, 2013 with the name of Cosmo Lady Garment Co., Ltd(都市麗人服飾股份有限公司)and further converted into a limited liability company on January 29, 2014 with its current name, our indirect wholly-owned subsidiary
"CSRC"	China Securities Regulatory Commission(中國證券業監督管理委員會)
"Director(s)"	the director(s) of our Company

"EIT"	enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law
"EIT Rules"	the Regulation on the Implementation of the PRC Enterprise Income Tax Law
"Fanxue Fashion (Changsha)"	Fanxue Fashion (Changsha) Co., Ltd. (長沙市凡雪服裝貿易有限公司), a company incorporated on June 7, 2011 under the laws of the PRC and our indirect wholly-owned subsidiary
"Fanxue Fashion (Chongqing)"	Fanxue Fashion (Chongqing) Co., Ltd. (重慶市凡雪服裝有限公司), a company incorporated on July 23, 2012 under the laws of the PRC and our indirect wholly-owned subsidiary
"Fanxue Fashion (Huizhou)"	Fanxue Fashion (Huizhou) Co., Ltd. (惠州市凡雪服裝有限公司), a company incorporated on March 20, 2013 under the laws of the PRC and our indirect wholly-owned subsidiary
"Fanxue Fashion (Ningbo)"	Fanxue Fashion (Ningbo) Co., Ltd. (寧波市凡雪服裝有限公司), a company incorporated on March 28, 2013 under the laws of the PRC and our indirect wholly-owned subsidiary
"Fanxue Fashion (Shanghai)"	Fanxue Fashion (Shanghai) Co., Ltd. (上海市凡雪服裝有限公司), a company incorporated on August 3, 2012 under the laws of the PRC and our indirect wholly-owned subsidiary
"Fanxue Fashion (Zhengzhou)"	Fanxue Fashion (Zhengzhou) Co., Ltd. (鄭州市凡雪服裝有限公司), a company incorporated on April 28, 2013 under the laws of the PRC and our indirect wholly-owned subsidiary
"Forever Flourish"	Forever Flourish International Holdings Limited (信鋒國際有限公司), a company incorporated on January 22, 2014 under the laws of the BVI, a Controlling Shareholder and wholly owned by Mr. Zhang
"Forever Shine"	Forever Shine Holdings Limited (宏業投資有限公司), a company incorporated on January 22, 2014 under the laws of the BVI, a Controlling Shareholder and wholly owned by Mr. Lin

"Four Co-founders"	Mr. Zheng, Mr. Zhang, Mr. Lin and Mr. Cheng, who founded Cosmo Lady Guangdong on September 29, 2009 under the laws of the PRC and are our Controlling Shareholders and Directors
"GDP"	gross domestic product (except as otherwise specified, all references to GDP growth rates are to real, as opposed to nominal, rates of GDP growth)

[**REDACTED**]

"Great Brilliant"	Great Brilliant Investment Holdings Limited (大成投資有限公司), a company incorporated on January 22, 2014 under the laws of the BVI, a Controlling Shareholder and wholly owned by Mr. Zheng
"Great Ray"	Great Ray Investment Holdings Limited (大運投資有限公司), a company incorporated on January 22, 2014 under the laws of the BVI, a Controlling Shareholder and wholly owned by Mr. Zheng
"**GREEN** application form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, [**REDACTED**]
"Group", "our Group", "we", "our" or "us"	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries (or before such associated companies of our Company), the business operated by such subsidiaries or their predecessors (as the case may be)
"Haodai Fashion (Hangzhou)"	Haodai Fashion (Hangzhou) Co., Ltd. (杭州好戴服裝有限公司), a company incorporated on March 26, 2013 under the laws of the PRC and our indirect wholly-owned subsidiary

"Harmonious Composition"	Harmonious Composition Investment Holdings Limited (大同投資有限公司), a company incorporated on January 23, 2014 under the laws of the BVI and a Controlling Shareholder, which is owned by Mr. Zheng (through Great Brilliant) as to approximately 62.1%, Mr. Zhang (through Forever Flourish) as to approximately 19.3%, Mr. Lin (through Forever Shine) as to approximately 14.5% and Mr. Cheng (through Mountain Dragon) as to approximately 4.1%
"HK$" or "Hong Kong dollars" or "HK dollars" or "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

[**REDACTED**]

"Hong Kong Share Registrar"	[**REDACTED**]
"Hong Kong Underwriters"	the underwriters of the [**REDACTED**] listed in "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated [**REDACTED**], relating to the [**REDACTED**] and entered into by, among others, our Company, the Controlling Shareholders, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters
"IFRS"	International Financial Reporting Standards issued by the International Accounting Standards Board

"independent third party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are independent of our Company and our connected persons
	[**REDACTED**]
"International Underwriters"	the group of international underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the [**REDACTED**]
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around [**REDACTED**] by, among others, our Company, the Controlling Shareholders, the Joint Global Coordinators, the Joint Bookrunners, and the International Underwriters in respect of the [**REDACTED**]
"Joint Sponsors" [**REDACTED**]	Morgan Stanley Asia Limited (摩根士丹利亞洲有限公司) and China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司)
"Latest Practicable Date"	[June 6], 2014, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange

"Listing Committee"	the listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about [**REDACTED**], on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"M&A Rules"	the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定)
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部)
"Mountain Dragon"	Mountain Dragon Investment Limited (川龍投資有限公司), a company incorporated on January 22, 2014 under the laws of the BVI, a Controlling Shareholder and wholly owned by Mr. Cheng
"Mr. Cheng"	Mr. CHENG Zuming (程祖明), our executive Director, vice president and Controlling Shareholder
"Mr. Lin"	Mr. LIN Zonghong (林宗宏), our executive Director, vice president and Controlling Shareholder
"Mr. Zhang"	Mr. ZHANG Shengfeng (張盛鋒), our executive Director, vice president and Controlling Shareholder
"Mr. Zheng"	Mr. ZHENG Yaonan (鄭耀南), our Chairman, executive Director, chief executive officer and Controlling Shareholder and the husband of Ms. Wu

"Ms. Wu"	Ms. WU Xiaoli (吳小麗), our executive Director, vice president and the wife of Mr. Zheng
"Nanjing Caoyise"	Nanjing Caoyise Fashion Co., Ltd. (南京草一色服裝銷售有限公司), a company incorporated on June 8, 2011 under the laws of the PRC and our indirect wholly-owned subsidiary
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Nomination Committee"	the nomination committee of the Board
"Non-PRC Resident Enterprise"	as defined under the current PRC income tax laws, means companies established pursuant to a non-PRC law with their de facto management conducted outside the PRC, but which have established organizations or premises in the PRC, or which have generated income within the PRC without having established organizations or premises in the PRC

[**REDACTED**]

"Option Grantors"	Harmonious Composition and the Company
"Over-allotment Option"	the option expected to be granted by our Company and Harmonious Composition to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue and Harmonious Composition to sell up to an aggregate of [**REDACTED**] additional Shares at the [**REDACTED**] to, among other things, cover over-allocations in the [**REDACTED**], if any
"PBOC"	People's Bank of China (中國人民銀行)

"People's Congress"	the PRC's legislative apparatus, including the National People's Congress and all the local people's congresses (including provincial, municipal and other regional or local people's congresses) as the context may require, or any of them
"PRC Company Law"	Company Law of the PRC (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Twelfth National People's Congress on December 28, 2013 and effective on March 1, 2014
"PRC GAAP"	generally accepted accounting practices in the PRC
"PRC Government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the content requires, any of them
"Price Determination Agreement"	the agreement to be entered into by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and the Company on the Price Determination Date to record and fix the [**REDACTED**]
"Price Determination Date"	the date, expected to be on or about [**REDACTED**] (Hong Kong time) on which the [**REDACTED**] is determined, or such later time as the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and we may agree, but in any event no later than [**REDACTED**]
	[**REDACTED**]
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Reorganization"	the reorganization arrangements undergone by our Group in preparation for the Listing as described in "History, Development and Reorganization — Reorganization"
"RMB" or "Renminbi"	the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act

"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"SAFE Circular No. 75"	Notice on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) issued by SAFE on October 21, 2005
"SAIC"	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended or supplemented from time to time
"Shareholder(s)"	holder(s) of Shares
"Shares"	shares in the capital of our Company with a nominal value of US$0.01 each
"Share Option Scheme"	our share option scheme conditionally adopted pursuant to resolutions passed by our Shareholders
"Shenzhen Boshi Investment"	Shenzhen Urban Boshi Investments Company Limited (深圳市都市博時投資有限公司), a company established under the laws of the PRC on September 5, 2010 and a shareholder of Cosmo Lady Guangdong before the Reorganization, and 97.12% of its shares is owned by the employees of Cosmo Lady Guangdong and the remaining 2.88% of its shares is owned by Mr. Zhang
"Stabilizing Manager"	[**REDACTED**]
"State Council"	the PRC State Council (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning ascribed thereto in section 15 of the Hong Kong Companies Ordinance

"substantial shareholder"	has the meaning ascribed thereto in the Listing Rules
"Tianjin Daming"	Tianjin Urban Daming Enterprise Management Partnership (Limited Partnership) (天津都市達明企業管理合夥企業(有限企業)), a limited partnership established under the laws of the PRC on October 16, 2012, a shareholder of Cosmo Lady Guangdong before the Reorganization and 22.84% of its interest is owned by Mr. Lin with the remaining 77.16% of interest owned by the employees of Cosmo Lady Guangdong
"Tianjin Fashion Ltd."	Tianjin Dushifengshang Fashion Co., Ltd. (天津都市風尚服裝銷售有限公司), a company incorporated on February 13, 2012 under the laws of the PRC and our indirect wholly-owned subsidiary
"Tier One Cities"	Beijing, Shanghai, Guangzhou, Shenzhen and Tianjin
"Tier Two Cities"	Hangzhou, Nanjing, Jinan, Chongqing, Qingdao, Dalian, Ningbo, Xiamen, Wuhan, Harbin, Shenyang, Xi'an, Chengdu, Changchun, Changsha, Fuzhou, Zhengzhou, Shijiazhuang, Suzhou, Foshan, Dongguan, Wuxi, Yantai, Taiyuan, Hefei, Nanchang, Nanning, Kunming, Wenzhou and Zibo
"Track Record Period"	the three financial years ended December 31, 2013
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United Kingdom" or "U.K."	the United Kingdom of Great Britain and Northern Ireland
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax

"WHITE Form eIPO"	the application for [**REDACTED**] to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO **www.eipo.com.hk**
"WHITE Form eIPO Service Provider"	[**REDACTED**]
"Xiamen Kexuan"	Xiamen Kexuan Fashion Co., Ltd. (廈門可軒服裝有限公司), a company incorporated on July 25, 2011 under the laws of the PRC and our indirect wholly-owned subsidiary

If there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this document and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities are provided for identification purposes only.

GLOSSARY

"B2B"	business-to-business, which refers to commerce transactions between businesses, such as between a manufacturer and a wholesaler, or between a wholesaler and a retailer
"B2C"	business-to-consumer, which refers to the retail business
"bras"	bras, including bras with body shaping functions
"CRM"	customer relationship management system
"ERP"	enterprise resource planning system
"high-end market"	refers to the intimate wear market of products with a higher average selling price than the mass market
"mass market"	refers to the intimate wear market of products with the following price range (in terms of the average selling price): (i) bras: RMB50 to RMB200; (ii) underpants: RMB8 to RMB65; (iii) sleepwear and loungewear: RMB40 to RMB230; and (iv) thermal clothes: RMB35 to RMB300 as referenced in the Frost & Sullivan Report
"low-end market"	refers to the intimate wear market of products with a lower average selling price than the mass market
"OEM"	an original equipment manufacturer, a company that manufactures a product in accordance with its customer's designs which ultimately will be branded by its customer for sale
"POS"	electronic funds transfer system at point of sale
"RMS"	retail management system
"Same Store Sales Growth"	refers to the difference in the value of retail sales generated by company's existing outlets that had been in operation for at least 12 months prior to the beginning of a fiscal year as compared to the value of retail sales for previous year
"SKU"	stock-keeping unit, a unique identifier for each distinct product, as distinguished by style, size and color, that can be purchased
"WMS"	warehouse management system

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to the Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section.

In this document, statements of or references to our intentions or those of the Directors are made as of the date of this document. Any such information may change in light of future developments.

In addition to other information in this document, you should carefully consider the following risk factors, which may not be typically associated with investing in equity securities of companies from other jurisdictions, before making any investment decision in relation to the* [REDACTED]. *Any of the following risks, as well as other risks and uncertainties that are not yet identified or that we currently think are immaterial, may materially and adversely affect our business, financial condition or results of operations, or otherwise cause a decrease in the trading price of the* [REDACTED] *and cause you to lose part or all of the value of your investment in the* [REDACTED]. *You should pay particular attention to the fact that we are a company incorporated in the Cayman Islands and most of our operations are conducted in the PRC, which is governed by a legal and regulatory regime that may differ significantly from that of other jurisdictions. For more information concerning the Cayman Islands, the PRC and certain related matters discussed below, please see "Regulations", "Appendix III — Summary of the Constitution of our Company and Cayman Companies Law" and "Appendix IV — Statutory and General Information."

RISKS RELATING TO OUR INDUSTRY AND BUSINESS

We may not be able to compete effectively in the highly competitive intimate wear industry.

We operate in a highly competitive and fragmented industry. We compete with a broad range of intimate wear companies. According to the Frost & Sullivan Report, there were over 3,000 market players in this industry, with the top five players accounting for only 5.6% market share in terms of total retail sales in 2013.

We face a variety of competitive challenges, which include:

- the ability to establish broad retail network coverage;
- the ability to maintain mass market oriented product positioning;
- the ability to maintain direct control over retail network;
- the ability to maintain efficient supply chain management; and
- the ability to recruit and retain an experienced and committed management team.

Some of our competitors may possess stronger brand recognition, larger consumer bases, or greater financial, marketing and/or other resources than us. Our competitors may be acquired by, receive investment from or enter into strategic relationships with larger, more established and better capitalized companies or investors. Some of our competitors may be able to secure merchandise from suppliers on more favorable terms, devote greater resources to marketing and brand promotion, adopt more aggressive pricing or inventory availability policies, or devote substantially more resources to online portals, e-commerce and system development than us. In particular, although we have established our own e-commerce platform to facilitate consumer purchases of our products via the Internet, we may lose sales to competitors that provide more advanced and efficient on-line shopping platforms and door-to-door delivery services than us. There is also a risk that other intimate wear companies which focus on the high-end market may decide to enter the mass market of China's intimate wear industry and develop new products

that are more popular with our consumers. Increased competition could result in price reductions, increased marketing expenditures and loss of market share, any of which could have a material adverse effect on our results of operations and financial condition. There can be no assurance that we will be able to address these challenges and compete successfully against current and future competitors, and those competitive pressures may have a material adverse effect on our business, growth prospects, financial condition and results of operations.

We are dependent on our brands.

Brand image is a key factor in consumer purchase decisions. We believe our brand image has contributed significantly to the success of our business, and, therefore, maintaining and enhancing the recognition and image of brands is critical to our ability to differentiate our products and services and to compete effectively. Our brand image, however, could be jeopardized if we fail to maintain high product quality, keep up with evolving fashion trends, timely fulfill orders for popular items. In addition, any negative publicity or disputes regarding our products, services, or our Group or management could also materially harm our brand image.

In order to capture business opportunities in different segments of the fast growing market, in addition to our core brand Cosmo Lady (都市•儷人), we market our products under three sub-brands, namely Cosmo Elegance (都市•絲語), Cosmo Blossom (都市•繽紛派) and Cosmo Esquire (都市•鋒尚), to appeal to different consumer groups. Each of the core brand and sub-brands has its own unique design, features and characteristics to fit the target consumers' tastes and needs. Our brand image may be negatively affected if our products offered under any brands are unable to meet consumer expectations with respect to quality or style. Failure to successfully promote and maintain the image of any of our core brand or sub-brands, damage to our reputation or loss of consumer confidence for any of the above or other reasons could have a material adverse effect on our results of operations and financial condition as well as require additional resources to rebuild our reputation. See "— Unauthorized use of our brand names by third parties, and the expenses incurred in developing and preserving the value of our brand names, may adversely affect our business."

We may suffer losses if we are unable to accurately predict fashion trends or respond to consumer demands in a timely manner.

The intimate wear industry is affected by rapidly changing fashion trends and consumer preferences, which are often difficult to predict. Our business is particularly sensitive to fashion tastes of consumers of different ages, genders and consumption propensity. Consequently, our success depends on our ability to accurately identify fashion trends and take into account such trends during our product planning process. This requires a combination of various elements, including, timely collection of consumer feedback, accurate analysis and prediction of market trends, strong design capability and flexible production. We typically begin product planning one year in advance of product launch. Although we conduct extensive research into consumer preferences, we cannot guarantee that we will be able to make products that reflect such preferences in an accurate and timely fashion. If we are unable to successfully anticipate, identify or timely react to changing styles or trends or if we misjudge the market for our products, our sales may be adversely affected, potentially resulting in significant amounts of unsold inventory. In response, we may be forced to increase our marketing promotions or price markdowns. These risks could have a material adverse effect on our brand image as well as our business, financial condition, results of operations and cash flows.

We may not be able to continue to successfully expand our brand portfolio and product offerings.

Since our inception, a significant portion of our revenue has been generated from sales of bras. Over the years, we have gradually expanded our product offerings to include other product categories, such as sleepwear and loungewear, thermal clothes, leggings and tights, men's intimate wear and accessories. Going forward, to enhance our growth, we plan to establish and acquire new sub-brands and new product categories to diversify our brand portfolio and explore synergy and cross-selling opportunities between the brands. However, any new sub-brands or new product categories that we may launch may not achieve anticipated sales targets. To support our product expansion plan, we will need to recruit more personnel with expertise in managing different brands and product categories, and to enhance our operational and financial systems, procedures and controls, including an upgrade of our information technology system. Moreover, we will need to devote significant financial and managerial resources to the research and development of new brands or sub-brands and products. We will also need to engage suitable OEM suppliers to manufacture new brands or sub-brands and products and develop new marketing strategies to promote new brands or sub-brands and products. All of these endeavors involve risks, and require substantial planning, skillful execution, and significant expenditures. We may also not be able to successfully integrate new brands or sub-brands or new product categories into our existing brand or sub-brands and product portfolio. We cannot assure you that we will be able to anticipate and respond quickly to evolving consumer product requirements or that our new products will be launched on time, or at all, or gain market acceptance. In addition, we cannot guarantee that any new brands or sub-brands or product category that we may launch will be able to generate a positive cash flows.

We may not be able to successfully expand our retail network by increasing the number of our retail outlets.

Our extensive retail network has been a critical factor in driving our business growth and achieving strong operating results. As of December 31, 2013, we had 5,790 retail outlets covering more than 330 prefecture-level cities in all provinces as well as municipalities and autonomous regions across China, of which 5,069 are franchised outlets and 721 are self-managed outlets. To further increase our market share, we plan to continue to expand our geographic coverage and deepen our market penetration. To this end, we intend to increase the number of both our self-managed outlets and franchised outlets and we will also explore the possibilities of establishing overseas presence in Hong Kong and Taiwan. However, we cannot assure you that we will be able to increase the number of outlets or to successfully operate and manage overseas outlets as planned. We might not be able to identify and secure attractive locations for new outlets at commercially acceptable terms, secure enough production capacity from our OEM suppliers on a timely basis at competitive prices, attract and retain skilled personnel, or engage quality, cost-efficient logistics service providers to support our expansion plan. In addition, the expansion of our retail network will put pressure on our managerial, financial, operational and other resources. We may not be able to effectively integrate any new outlets into our existing operations. If we are unable to effectively manage our expansion or control rising costs associated with our expansion, our growth potential and profitability could be materially and adversely affected.

We or our franchisees may not be able to renew current leases or locate desirable alternatives for our leased regional logistics centers, regional sales offices, self-managed outlets or franchised outlets.

Our regional logistics center in Tianjin, regional sales offices in Shenzhen, Shanghai, and Beijing, and the majority of our self-managed outlets and franchised outlets across China are presently located on leased premises. Most of the leases for our premises are renewable every three years. We and our franchisees' ability to renew existing leases upon their expiry is crucial to our operations and profitability, especially for outlets in locations of high volume of pedestrian traffic. At the end of each lease term, we and our franchisees may not be able to negotiate an extension of the lease and may therefore be forced to move to a less favorable location. Due to rapid rental increases in the PRC, particularly in larger cities, we and our franchisees may not be able to renew our existing leases at reasonable prices or on commercially acceptable terms and conditions that are acceptable to us. In addition, we compete with other businesses, including our competitors, for premises at desirable locations and/or of desirable sizes. Therefore, we may not be able to obtain new leases at desirable locations or renew our existing leases on acceptable terms, in a timely fashion or at all, which could materially and adversely affect our business and results of operations.

Changes in consumer spending patterns could materially affect our growth and profitability.

We operate in an industry in which changes in economic conditions affect the level of consumer spending on our products. Consumer spending patterns are affected by, among other factors, general and local economic conditions, interest rates, inflation, taxation, government austerity measures, uncertainties about future economic prospects and shifts in discretionary spending toward other goods and services. Consumer preferences and spending habits and economic conditions may differ or change from time to time in the market in which we operate. We cannot guarantee that we will be able to maintain our historical growth rates of revenue and profit, or remain profitable, particularly if the retail environment is stagnant or retail sales decline in the event of a recession or low growth in the general economy.

Failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales, either of which could have a material adverse effect on our business, financial condition and results of operations.

Maintaining an optimal level of inventory is critical to the success of our business. In 2011, 2012 and 2013, our inventory turnover days were 44.4, 59.0 and 72.3, respectively. Our adjusted inventory turnover days of our self-managed outlets were 109.4, 143.5 and 132.5, respectively. Although we have achieved a high turnover rate of our inventory as a result of our tight control over our value chain, we are exposed to increased inventory risks as a result of a variety of factors beyond our control, including, changing fashion trends and consumer needs, uncertainty of success of product launches, extreme weather conditions and seasonality. Although we actively supervise the operation of our franchised outlets, including their inventory level, we cannot assure you that there will not be under or over-stocking at these outlets. Moreover, we generally estimate demand for our products ahead of production and the actual time of sale. We cannot assure you that we can accurately predict these trends and events and avoid under or over-stocking inventory. A sudden decrease in the market demand for our

products and the corresponding unanticipated drop in the sales of our products could cause our inventory to accumulate, and we may be forced to rely on markdowns or promotional activities to dispose unsold items, sometimes at prices below cost, which in turn may adversely affect our financial condition and results of operations. On the other hand, if we under-stock inventory, we may lose sales and our results of operations may be adversely affected.

Our business relies on the proper operation of our information technology systems, any malfunction of which for extended periods could materially and adversely affect our business.

Our business relies on the proper functioning of our information technology systems. We use our advanced information technology platform, which seamlessly integrates ERP, RMS and WMS systems, to enable us to quickly and efficiently retrieve and analyze our operational, including procurement, sales, inventory, consumer, logistics and financial, data and information of our self-managed outlets and our franchised outlets on a daily basis. We use our information technology platform to assist us in planning and managing our product design, research, development and production, budgeting, human resources, inventory control, financial management and retail management. As a result, our information technology system is critical for us in monitoring the inventory and sales levels and results of operation of our outlets and for our outlets to place orders with us. We need to constantly upgrade and improve our information technology systems to keep up with the continuous growth of our operations and business. Although we did not experience any information technology system breakdown during the Track Record Period, we cannot assure you that our information technology system will always operate without interruption. We do not carry any business interruption insurance. Moreover, we cannot guarantee that the information security measures we currently maintain are adequate or that our information technology system can withstand intrusions from or prevent improper usage by third parties.

As our retail network is highly integrated, any malfunction to a particular part of our information technology system may result in a breakdown throughout our network and our ability to continue our operations smoothly may be negatively affected, which in turn could adversely affect our results of operations. In addition, we may not always be successful in developing, installing, running or implementing new software or advanced information technology systems as required by our business development. Even if we are successful in this regard, significant capital expenditure may be required, and we may not be able to benefit from the investment immediately. All of these may have a material adverse impact on our profitability.

We may not be successful in sustaining growth in our financial performance and we may experience earnings declines or losses in the future.

We cannot assure you that we can sustain profitability or avoid losses in the future. Although we have experienced significant revenue and profit growth during the Track Record Period, such measures may decrease in the future. In addition, our profitability depends on our ability to control costs and operating expenses, which may increase as our business expands. Furthermore, in order to enhance our brand recognition, we may continue to expend significant resources on marketing. This may negatively impact our short-term profitability. For example, although our revenue increased from RMB1,655.8 million in 2011 to RMB2,257.6 million in

2012, representing a year-on-year growth rate of approximately 36.3%, our net profit only increased from RMB168.6 million in 2011 to RMB192.7 million in 2012, representing a year-on-year growth rate of approximately 14.3%. This was primarily due to an increase in our marketing and promotion expenses, an increase in operating lease rentals in respect of land and buildings and an increase in employee benefit expenses. We plan to increase our marketing efforts to enhance our brand recognition, which will lead to increased selling and marketing expenses. If our marketing efforts prove ineffective, however, and we fail to increase sales, or if our cost of sales and operating expenses grow faster than our sales, our business, financial condition and results of operations may be negatively affected.

Our business is susceptible to seasonal fluctuations and extreme weather conditions.

Substantially all our business operations are in the PRC and substantially all of our revenue is derived from our operations in the PRC. The performance of our retail outlets is sensitive to local consumer spending patterns in the areas where our retail outlets are located. Local spending behaviors are usually stable during a financial year, but may be affected by holidays. We typically achieve, and expect to continue to achieve, a higher proportion of sales around these periods. Accordingly, any decrease in sales during such periods may affect our results of operations and financial condition. Seasonal fluctuations also affect our cash and inventory levels, since we usually place orders with the OEM suppliers in advance of the peak selling periods. If we are not successful in selling inventory in those periods, we may have to sell the inventory at significantly reduced prices, if at all, which could have a material adverse effect on our results of operations, financial condition and cash flows.

Our business is also susceptible to extreme or unexpected changes in weather conditions. For example, extended periods of unusually warm temperatures during the winter season or cool weather during the summer season could render a portion of our inventory obsolete, particularly seasonal products such as sleepwear and loungewear, thermal clothes and leggings. These extreme or unusual weather conditions could have an adverse effect on our inventory surplus, business and results of operations.

We rely heavily on our selected OEM suppliers for production of our products and any shortage or delay of supply by the OEM supplies or instability of product quality of their products could materially and adversely affect our business.

We outsource the production of substantially all of our products to selected domestic OEM suppliers while we only manufacture a small portion of our products, mainly our high-end lingerie collections as well as prototypes of our products, at our Dongguan facility. For the years ended December 31, 2011, 2012 and 2013, purchase value from our outsourced suppliers accounted for 98.6%, 98.4% and 98.4% of our total purchase cost, respectively. Most of our OEM suppliers are located in Guangdong Province. Their operations are particularly vulnerable to business interruptions, which can be caused by natural disasters or other catastrophic events, such as storms, fires, floods, earthquakes, typhoons, power failures and shortages, water shortages, hardware failures, terrorist attacks, wars or such other reasons which may or may not be foreseeable or otherwise within their control. The occurrence of any such natural disaster or catastrophic event could cause shortages or delay of supply of products by our OEM suppliers. For example, the operations of some of our OEM suppliers located in Shantou City (including Chaoyang District), Guangdong Province were temporarily interrupted by floods resulting from

a typhoon in August 2013. This event caused some supply shortage for certain of our products. The negative effect of such one-off event has partially contributed to lower sales in the fourth quarter of 2013 by 11.1%, as compared with the prior quarter. In addition, although we strictly control the quality of our operations, we may not be able to monitor the production quality of the OEM suppliers as directly and effectively as with our own production. If the OEM suppliers fail to supply products in accordance with our delivery schedule, quality standards or product specifications, we may be forced to provide these products on a delayed basis or cancel our product offering, either of which could harm our reputation and our relationships with customers and consumers and potentially expose us to litigation and damage claims. If we fail to maintain our product quality, our brand and our business could be adversely affected. Moreover, our reputation, brand image and sales may be negatively affected if we become the target of any negative publicity as a result of actions taken by our OEM suppliers, such as their violations of any laws and regulations applicable to their business operations, including intellectual property right and labor protection laws.

We may not be able to maintain our current relationships with our OEM suppliers or to find replacements for our OEM suppliers in a timely matter.

Although we believe that we can engage alternative OEM suppliers within a short period of time to replace any existing ones because there are a large number of apparel manufacturers available in the PRC, qualified OEM suppliers within our budget may not always be readily available when we experience significant increases in demand or need to replace a significant number of our OEM suppliers. For the years ended December 31, 2011, 2012 and 2013, purchases from our five largest OEM suppliers in aggregate accounted for approximately 16.5%, 15.6% and 16.2% of our purchase cost, respectively, while purchases from our largest OEM supplier accounted for approximately 5.0%, 4.0% and 3.7% of our total purchase cost for the respective periods. If we are unable to retain our current major OEM suppliers or contract new qualified OEM suppliers at reasonable costs in a timely manner, or at all, our business and financial results could be impaired.

We may incur significant costs on marketing efforts, and some marketing campaigns may not be effective in attracting or retaining consumers.

We intend to continuously invest in our brand to increase our brand recognition and acceptance. We rely on different marketing efforts tailored to our target consumer groups to increase our sales. We market our brands across a wide variety of media, ranging from traditional channels such as print and television media, to promotional events, exhibitions, and various sponsorships. In recent years, as part of our efforts to expand our brand awareness and enhance our corporate image, we have undertaken several branding initiatives, including, without limitation, the engagement of famous models and actors/actresses as image spokespersons and the sponsorship of product fairs. For the years ended December 31, 2011, 2012 and 2013, our marketing and promotion expenses amounted to RMB9.9 million, RMB58.7 million and RMB61.4 million, respectively, representing approximately 7.5%, 19.9% and 10.4%, respectively, of the total selling and marketing expenses. However, we cannot guarantee that our marketing efforts will be well-received by consumers and result in higher levels of sales. In addition, marketing approaches and tools in the consumer products market in China are evolving, which requires us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and consumer preferences. Failure

to refine our marketing approaches or to adopt new, more cost-effective marketing techniques could negatively affect our business, growth prospects and results of operations.

We plan to continue to engage celebrities to promote our brands and products. However, we cannot give assurance that any of our image spokespersons' endorsements or advertisements will remain effective, that any of these spokespersons will remain popular or any of their images will remain positive and compatible with the messages that our brands and products aim to convey. Furthermore, we cannot give assurance that we can successfully find suitable celebrities to replace any of our existing spokespersons if any of them loses popularity or is not able or willing to continue to act as our spokespersons, and termination of such engagements may have a significant impact on our brand images and subsequently the sales of our products. If any of these situations occurs, our business, financial condition and results of operations could be adversely affected.

Our extensive retail network consists primarily of franchised outlets that are operated by independent third parties. We may not be able to effectively monitor the operations and inventory level of these outlets or maintain our current relationship with the franchisees.

As of December 31, 2011, 2012 and 2013, we had 3,412, 4,429 and 5,069 franchised outlets, respectively, accounting for 97.7%, 95.5% and 87.5% of our total outlets as of the respective dates. For the years ended December 31, 2011, 2012 and 2013, revenue generated from these franchised outlets totaled RMB1,592.4 million, RMB2,069.7 million and RMB2,240.4 million, respectively, accounting for approximately 96.2%, 91.7% and 76.8% of our total revenue for the respective periods. Although we have developed a franchise management system to supervise and control the operation of franchised outlets, we may not be able to monitor their operations as directly and effectively as with our self-managed outlets. For example, we rely on franchisees to implement our strategic initiatives and marketing programs. If any of our franchisees does not comply with our retail policies or operating procedures, such as unilaterally changing the store design, appearance, decoration or layout or product display, unilaterally engaging in promotions and discounts, or offering inferior consumer services, our reputation and brand image may be negatively affected. Furthermore, we currently use an advanced ordering system for seasonal products and the inventory level of each franchised outlet is largely determined by the franchisees, which might not correspond to the actual market demand and could lead to overstocking at the franchised outlets. Therefore, although we monitor the inventory level of our franchised outlets, we cannot assure you that there will not be under or over-stocking at these outlets.

Although we maintained long-term relationships with the majority of our franchisees, we cannot assure you that our franchisees will continue their business relationships with us by renewing the franchise agreements upon their expiry on terms acceptable to us, or at all. If any of our franchisees terminates or does not renew its franchise agreement with us, we may not be able to replace such franchisee with a new and effective franchisee in a timely manner, on terms acceptable to us, or at all. Further, we cannot assure you that our franchisees will continue to purchase our products at historical levels in the future. In the event that a significant number of our franchisees substantially reduce their volume of purchases or fail to fulfill their obligations under the franchise agreements, or if we lose a significant number of our franchisees and are unable to effectively replace them in a timely fashion, our business, financial condition and results of operations could be materially and adversely affected.

Unauthorized use of our brand names by third parties, and the expenses incurred in developing and preserving the value of our brand names, may adversely affect our business.

Our brand names are critical to our success. As of the Latest Practicable Date, we had 174 trademarks registered with the PRC Trademark Office of the State Administration for Industry and Commerce, one registered trademark in Hong Kong and 12 trademarks registered in other countries and had also filed applications for registration of 40 and eight trademarks in the PRC and Hong Kong, respectively. Unauthorized use of our brand names by third parties may adversely affect our business and reputation, including the perceived quality and reliability of our products. We rely on trademark law, company brand name protection policies and agreements with our employees, franchisees, OEM suppliers, business partners and others to protect the value of our brand name. Despite the precautions we have taken, we cannot assure you that those procedures will provide effective prevention for unauthorized third party use of our brand name. In addition, we currently own the exclusive right to use 66 domain names containing or relating to our company name and brands. We may be unable to prevent third parties from acquiring and maintaining domain names that infringe or otherwise decrease the value of our brand name, trademarks and other proprietary rights. Failure to protect our domain names could adversely affect our reputation and brand, and make it more difficult for users to find our websites. Enforceability, scope and validity of protection of trademarks in the PRC are uncertain and still evolving, and we may not be successful in prosecuting unauthorized third party use. Future litigation could also result in substantial costs and diversion of our resources, and could adversely affect our business, financial condition and results of operations.

If our trademarks, trade names, copyrights, patents and other intellectual property rights do not adequately protect our product design or trade secrets, we may lose market share to our competitors and be unable to operate our business profitably.

We rely on a combination of trademark, trade name, copyrights, patents, and other intellectual property laws as well as confidentiality agreements with our employees, OEM suppliers, franchisees and others to protect our trademarks, trade names, copyrights, product designs and other intellectual property rights. Details of our intellectual property rights are set out in "Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of the Group" in Appendix IV. We submitted an application for registration of the logo under Class 16 in Hong Kong on April 1, 2014 proposing to use the logo on the front and back covers of the document. The application has been accepted by the Trade Marks Registry and published for a statutory period of three months opposition. During the period, we may be unable to prevent the logo to be used by other parties on printed materials. As of the Latest Practicable Date, we were not aware of any material violations or infringements of our trademarks, trade names, copyrights, patents or any other intellectual property rights.

Implementation of PRC intellectual property-related laws has historically been lacking, primarily because of ambiguities in the PRC laws and difficulties in enforcement. Accordingly, intellectual property rights and confidentiality protections in China may not be as effective as those in Hong Kong, the United States or other countries. Policing unauthorized use of proprietary technology is difficult and costly, and we may need to resort to litigation to enforce or defend patents issued to us or to determine the enforceability, scope and validity of our proprietary rights or those of others. Any such litigation may require significant expenditure of financial and managerial resources and could have a material adverse impact on our business,

financial condition and results of operations. An adverse determination in any such litigation will impair our intellectual property rights and may harm our business, prospects and reputation. In addition, given that the enforceability and scope of protection of proprietary rights in China are uncertain and still evolving, we may choose not to litigate or spend significant resources in litigation to enforce our intellectual property rights or to defend our patents against unauthorized use by third parties.

We rely on third party logistics service providers to deliver our products.

We deliver our products directly from our logistics centers to each outlet by land transportation through independent third party logistics service providers. As of December 31, 2011, 2012 and 2013, we engaged 34, 23 and 24 logistics service providers, respectively. Disputes with or a termination in our contractual relationships with one or more of our logistics service providers could result in delayed delivery of products or increased costs. There can be no assurance that we can continue or extend relationships with our current logistics service providers on terms acceptable to us, or that we will be able to establish relationships with new logistics service providers to ensure accurate, timely and cost-efficient delivery services. If we are unable to maintain or develop good relationships with logistics service providers, it may inhibit our ability to offer products in sufficient quantities, on a timely basis, or at prices acceptable to our consumers. If there is any breakdown in our relationships with our preferred logistics service providers, we cannot guarantee that no interruptions would occur or that they would not materially and adversely affect our business, prospects and results of operations.

As we do not have any direct control over these logistics service providers, we cannot guarantee their quality of services. If there is any delay in delivery, damage to products or any other issue, we may lose consumers and sales and our brand image may be tarnished. In addition, our OEM suppliers sometimes deliver products to us by land transportation through engaging independent third party logistics service providers. Delays in delivery due to transportation shortages, infrastructure congestion or other factors could adversely impact our OEM suppliers' ability to timely deliver products to us.

Our results of operations may be adversely affected by an increase in the cost of raw materials, labor, transportation or energy.

We determine prices of our products by reference to production costs and expected profit margins, while also taking into account other important factors, such as the prices set by our competitors, market trends, complexity in design and manufacturing, level of sales and consumer consumption propensity. Although we typically do not directly purchase raw materials required for our outsourced production, the cost of raw materials still directly affect the purchase cost of our outsourced products. Our supply agreement typically covers periods of one year, and permits the OEM supplier to raise prices six months after the prices are originally agreed, and the prices that we pay for such outsourced products may increase consistent with these terms after such six-month period due to increased raw material or labor costs as a result of greater demand or insufficient supply. These factors may also cause the prices we pay for outsourced products to rise when we renew or enter into new supply agreements. Fluctuations in energy costs may also result in an increase in transportation costs, utility costs for our retail outlets and raw material costs. If we are unable to reduce the costs of our own production, or pass on such increases to our consumers, our profitability may be materially and adversely affected.

We may be involved in legal or other proceedings arising out of our operations, including product liability claims, from time to time and may face significant liabilities as a result.

We may be involved from time to time in disputes with various parties involved in our business operations, including but not limited to our franchisees, OEM suppliers, employees, logistics service providers, consumers, insurers and banks. These disputes may lead to legal or other proceedings, which may result in damages to our reputation, substantial costs and diversion of our resources and management's attention. In addition, we may encounter additional compliance issues in the course of our operations, which may subject us to administrative proceedings and unfavorable results, and result in liabilities and delays relating to our production or product launch schedules. We cannot assure you as to the outcome of such legal proceedings, and any negative outcome may materially and adversely affect our business, financial condition and results of operations.

We are also exposed to potential product liability claims in the event that there is any damage caused by defective products. A successful product liability claim against us could require us to pay for substantial damages. Product liability claims against us, whether or not successful, are costly and time-consuming to defend. Also, in the event that our products prove to be defective, we may be required to redesign or recall such products. We do not have any product liability insurance to cover potential liability arising from the use of our products. In addition, product liability insurance available in the PRC offers limited coverage compared to coverage offered in many other countries. We cannot assure you that a product liability claim will not be brought against us in the future. A product liability claim, with or without merit, could result in significant adverse publicity against us, and could have a material adverse effect on the marketability of our products and our reputation, which in turn, could have a material adverse effect on our business, financial condition and results of operations.

Part of our leased properties in the PRC may be subject to legal irregularities.

As of the Latest Practicable Date, some of our lease agreements for our leased properties were not registered with the competent authorities. Substantially all of these leased properties were being used as our self-managed outlets. As advised by our PRC legal advisors, for lease agreements that are not registered with the competent authorities, we may be subject to a fine ranging from RMB1,000 to RMB10,000 per non-registration or an aggregate fine ranging from RMB182,000 to RMB1,820,000 for all these non-registrations. As advised by our PRC legal advisors, the non-registration does not affect the validity of the lease agreements.

In addition, as of the Latest Practicable Date, some lessors of our leased properties failed to provide valid ownership certificates or other ownership documents. All of these leased properties were being used as our self-managed outlets. Any dispute or claim in relation to the titles of the properties that we occupy, including any litigation involving allegations of illegal or unauthorized use of these properties, could require us to relocate our self-managed outlets occupying these properties. If any of our leases are terminated or voided as a result of challenges from third parties or the government or if the lease is otherwise not renewed by our landlords upon expiration, we would need to seek alternative premises and incur relocation costs. Any relocation could disrupt our operations and adversely affect our business, financial condition, results of operations and growth prospects. Based on information currently available to us, if we were required to relocate all our operations that are located on these leased

properties, we estimate that the total relocation costs would be approximately RMB6.5 million. We believe that it generally takes less than one month for us to relocate self-managed outlet to a new site. In addition, there can be no assurance that the PRC government will not amend or revise existing property laws, rules or regulations to require additional approvals, licenses or permits, or impose stricter requirements on us to obtain or maintain relevant title certificates for the properties that we use. Our Directors believe that these legal irregularities individually or collectively would not materially affect our business and results of operations. For more details of these legal irregularities, see "Business — Properties — Leased Properties" and "Business — Licenses, Regulatory Approvals and Compliance — Non-compliance".

Future strategic alliances or acquisitions could expose us to risks that may have a material and adverse effect on our business, reputation and results of operations.

As part of our strategy to further expand our retail network in the PRC, we plan to form strategic alliances with other companies in the apparel sector, in particular, manufacturers of intimate wear or raw material suppliers. We believe that alliances with strategic partners could strengthen our control over the entire industry value chain, thereby enhancing our competitiveness and market position. Strategic alliances with third parties could expose us to certain risks, including risks associated with sharing information and non-performance or breach of strategic alliance agreements, any of which may adversely affect our business. In addition, if our strategic partner suffers any negative publicity or harm to their reputation due to events unrelated to us, such as poor product quality or violations of applicable laws and regulations, we may also suffer negative publicity or sustain harm to our reputation.

In the future, we may acquire additional businesses, brands or stores that complement our existing businesses and expand our business scale. In addition, our management will also explore the possibilities of establishing overseas presence in Hong Kong and Taiwan. The integration of new businesses, brands, stores or overseas presence may prove to be an expensive and time-consuming procedure. We can offer no assurance that we will be able to successfully integrate the newly acquired businesses, brands, stores and overseas presence or operate the acquired businesses in a profitable manner. Our failure to locate an appropriate acquisition target, to successfully integrate and operate acquired businesses, brands and stores, and to identify substantial liabilities associated with acquired businesses, may materially and adversely impact our operations and profits.

We may require additional funding to finance our operations, which may not be available on terms acceptable to us or at all, and if we are able to raise funds, the value of your investment in us may be negatively impacted.

We believe that our current cash and cash equivalents and the anticipated cash flows from operations will be sufficient to meet our anticipated cash needs for the next 12 months. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. To the extent that our funding requirements exceed our financial resources, we will be required to seek additional financing or to defer planned expenditures. There can be no assurance that we can obtain additional funds on terms acceptable to us, or at all. In addition, our ability to raise

additional funds in the future is subject to a variety of uncertainties, including, but not limited to:

- our future financial condition, results of operations and cash flows;
- general market conditions for capital raising and debt financing activities; and
- economic, political and other conditions in China and elsewhere.

Furthermore, if we raise additional funds through equity or equity-linked financings, your equity interest in our Company may be diluted. Alternatively, if we raise additional funds by incurring debt obligations, we may be subject to various covenants under the relevant debt instruments that may, among other things, restrict our ability to pay dividends or obtain additional financing. Servicing such debt obligations could also be burdensome to our operations. If we fail to service such debt obligations or are unable to comply with any of these covenants, we could be in default under such debt obligations and our liquidity and financial condition could be adversely affected.

Any change in the regulations governing the use of personal data in China, which are still under development, and any data leakage or unauthorized use of data by third parties could adversely affect our ability to use our consumer data.

We believe that our ability to compile and analyze sales data and consumer data is critical to our success. Over the years, leveraging our extensive retail network and our information technology system, we have built a large consumer database. We collect consumer data through both our outlets and our websites. As of the Latest Practicable Date, through our membership program, we had accumulated more than 26 million members, among which approximately seven million were active members who have made more than one purchase at one of our outlets within the six-month period before the Latest Practicable Date. When a user visits our websites, we use technologies, including cookies, to collect information such as the user's browsing history, advertisements delivered by us that have been previously viewed by the user and responses by the user to those advertisements, as well as any data reported by the user such as gender, age or profession. In order to optimize production planning and promptly react to market trends and consumer demand, we need to access and analyze consumer data. Concerns about our practices with regard to the collection, use or disclosure of personal information or other privacy-related matters, even if unfounded, could damage our reputation. Furthermore, any actual or alleged leakage or unauthorized use of our consumer data could result in a decrease in the visiting frequency of our website or the number of our online members, either of which could have an adverse effect on our reputation. Chinese regulations governing the use of personal data are still under development and currently do not impose any mandatory restrictions on internal use of such data by us. Any change in the regulations governing the use of such personal data could adversely affect our ability to use such data or discourage consumers from using our websites, either of which could also have an adverse effect on our business.

Our success depends on our ability to retain our senior management team and to recruit, train and retain qualified personnel.

The talent, experience and leadership of our senior management team are critical to the success of our business. In particular, our co-founders, Mr. Zheng, Mr. Zhang, Mr. Lin and Mr. Cheng have been pivotal to our success. In addition, other members of our senior management

team also have substantial experience and expertise in our business and have made significant contributions to our growth and success. The unexpected loss of services of one or more of these individuals could also have a material adverse effect on us.

Our future success also depends substantially on our ability to recruit, train and retain qualified management, designers and other qualified personnel. For example, our business is dependent on talented designers to create appealing, fashionable apparel. We are especially reliant on skilled product managers who are responsible for bras, underpants, sleepwear and loungewear and thermal clothes while we are developing various product categories and sub-brands. The departure of any of these individuals could have an adverse effect on our business and prospects. Competition for talent in some areas of the PRC retail industry is intense and qualified individuals can be difficult to recruit. Consequently, we may not be able to easily or quickly replace lost personnel and we may incur additional expenses to recruit, train and retain new hires. Significant increases in employee turnover rates, which is generally high in the PRC retail industry, or significant increases in labor costs, due to competition for talents or changes in labor and healthcare laws, could have a material adverse effect on our results of operations and financial condition.

Moreover, if any of our executive officers or key employees joins a competitor or forms a competing company, we may lose consumers, suppliers, know-how and key professionals and staff members. Although all of our executive Directors, executive officers and senior managers have entered into employment agreements with us, which contains non-compete and confidentiality provisions, if any dispute arises between our executive officers or managers and us, we cannot assure you that we would be able to enforce these non-compete provisions in China in light of uncertainties with China's legal system. See "— Risks Relating to Doing Business in the PRC — Uncertainties with respect to the PRC legal system could limit the legal protections available to you and us."

RISKS RELATING TO DOING BUSINESS IN THE PRC

The economic, political and social conditions in China, as well as government policies, laws and regulations, could affect our business, financial condition and results of operations.

Substantially all our business operations are in the PRC and substantially all of our revenue is derived from our operations in the PRC. Accordingly, our results of operations and prospects are, to a significant degree, subject to economic, political and legal developments in China. The economy of China differs from the economies of most developed countries in many respects, including the extent of government involvement, its level of development, its growth rate and its control over foreign exchange. China's economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC Government has implemented measures emphasizing market forces for economic reform, the reduction of State ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a portion of productive assets in China is still owned by the PRC Government. The PRC Government continues to play a significant role in regulating industrial development. It also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. All of these factors could affect the economic conditions in China and, in turn, our business.

While the Chinese economy has experienced significant growth in the past 20 years, growth has been uneven across both geographic regions and the various sectors of the economy and that growth may not continue. We cannot predict whether our results of operations and financial condition could be materially and adversely affected by changes in economic conditions in China, or the PRC governmental monetary policies, interest rate policies, tax regulations or policies and regulations.

Uncertainties with respect to the PRC legal system could limit the legal protections available to you and us.

Our operating subsidiaries are incorporated under the laws of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, such as foreign investment, corporate organization and governance, commerce, taxation and trade. As substantially all of our businesses are conducted in China, our operations are principally governed by PRC laws and regulations. However, since the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us. Furthermore, intellectual property rights and confidentiality protections in China may not be as effective as in the United States or other countries. In addition, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries.

In utilizing the proceeds from the [**REDACTED**] or any further offering, as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by us to our wholly owned PRC subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be approved by the MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals, our ability to use the proceeds of the [**REDACTED**] and to capitalize our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

We rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.

We conduct all of our business through our combined subsidiaries incorporated in China. We rely on dividends paid by these combined subsidiaries for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities established in China is subject to limitations. Regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Each of our PRC subsidiaries is also required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. Our statutory reserves are not distributable as loans, advances or cash dividends. We anticipate that in the foreseeable future our PRC subsidiaries will need to continue to set aside 10% of their respective after-tax profits to their statutory reserves. In addition, if any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Any limitations on the ability of our PRC subsidiaries to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

In addition, under the Enterprise Income Tax Law, or EIT Law, the Notice of the State Administration of Taxation on Negotiated Reduction of Dividends and Interest Rates, or Notice 112, which was issued on January 29, 2008, the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, or the Double Taxation Arrangement (Hong Kong), which became effective on December 8, 2006, and the Notice of the State Administration of Taxation Regarding Interpretation and Recognition of Beneficial Owners under Tax Treaties, or Notice 601, which became effective on October 27, 2009, dividends from our PRC subsidiaries paid to us through our Hong Kong subsidiary may be subject to a withholding tax at a rate of 10%, or at a rate of 5% if our Hong Kong subsidiary is considered as a "beneficial owner" that is generally engaged in substantial business activities and entitled to treaty benefits under the Double Taxation Arrangement (Hong Kong). Furthermore, the ultimate tax rate will be determined by treaty between the PRC and the tax residence of the holder of the PRC subsidiary. We are actively monitoring the withholding tax and are evaluating appropriate organizational changes to minimize the corresponding tax impact.

We may be classified as a "resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our non-PRC shareholders.

The EIT Law provides that enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and are generally subject to the uniform 25% enterprise income tax rate on their worldwide income. In addition, a circular issued by the State Administration of Taxation on April 22, 2009 regarding the standards used to classify certain Chinese-invested enterprises controlled by Chinese enterprises or Chinese group enterprises and established outside of China as "resident enterprises" clarified that dividends and other income paid by such "resident enterprises" will

be considered to be PRC source income, subject to PRC withholding tax, currently at a rate of 10%, when recognized by non-PRC enterprise shareholders. This circular also subjects such "resident enterprises" to various reporting requirements with the PRC tax authorities. Under the implementation regulations to the enterprise income tax, a "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise. In addition, the circular mentioned above sets out criteria for determining whether "de facto management bodies" are located in China for overseas incorporated, domestically controlled enterprises. However, as this circular only applies to enterprises established outside of China that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of "de facto management bodies" for overseas incorporated enterprises that are controlled by individual PRC residents like us and some of our subsidiaries. Therefore, although substantially all of our management is currently located in the PRC, it remains unclear whether the PRC tax authorities would require or permit our overseas registered entities to be treated as PRC resident enterprises. We do not currently consider our Company to be a PRC resident enterprise. However, if the PRC tax authorities disagree with our assessment and determine that we are a "resident enterprise," we may be subject to enterprise income tax at a rate of 25% on our worldwide income and dividends paid by us to our non-PRC shareholders as well as capital gains recognized by them with respect to the sale of our Shares may be subject to a PRC withholding tax. This will have an impact on our effective tax rate, a material adverse effect on our net income and results of operations, and may require us to withhold tax on our non-PRC shareholders.

We face uncertainties with respect to indirect transfers of equity interests in our PRC subsidiaries by our non-PRC holding companies.

Under the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprise (Circular Guoshuihan [2009] No. 698), or Circular 698, issued by the SAT on December 10, 2009 with retroactive effect from January 1, 2008, except for the purchase and sale of equity interest through a public securities market, where a non-resident foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding company and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the foreign investor is required to report the indirect transfer to the competent tax authority of the PRC resident enterprise. If the PRC authorities were to adopt a "substance over form" approach, they could disregard the existence of the overseas holding company if it were to lack a reasonable commercial purpose and if it had been established for the purpose of avoiding PRC tax. As a result of the PRC tax authorities taking such an approach, any gains derived from such an indirect transfer might be subject to PRC withholding tax at a rate of up to 10%. In addition, Circular 698 provides that where a transfer of equity interests in a PRC resident enterprise from a non-PRC resident enterprise to its related parties is not conducted on an arm's length basis, the relevant tax authority has the authority to make a reasonable adjustment to the taxable income of the transaction.

There is considerable uncertainty as to how the PRC tax authorities will apply Circular 698. For example, while the term "indirect transfer" is not clearly defined, it is understood that the relevant PRC tax authorities purport to have jurisdiction to request information from a wide range of foreign entities having no direct contact with the PRC. Moreover, the relevant PRC

authority has not yet promulgated any formal provisions or made any formal declarations stating how to calculate the effective tax rates in foreign tax jurisdictions or how the process and format of reporting an indirect transfer to the competent tax authority of the relevant PRC resident enterprise should be carried out. In addition, no formal implementation guidance has been published with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to avoid PRC tax, or how and to what extent the PRC tax authority may adjust the taxable income of related party transfers. As a result, we face the risk of being taxed under Circular 698 in respect of any indirect transfer of equity interest in any of our PRC subsidiaries. If this were to occur, we may incur additional tax-related expenses or otherwise be required to allocate significant resources to comply with, or to establish that we should not be taxable under Circular 698. Any such outcome could have a material adverse effect on our business, financial condition, results of operations and prospects.

It may be difficult to effect service of process upon us or our Directors or executive officers who reside in China or to enforce against them in China any judgments obtained from non-PRC courts.

Most of our Directors and executive officers reside within China, and all of our assets and substantially all of the assets of those persons are located within China. It may not be possible for investors to effect service of process upon us or those persons inside China or to enforce against us or them in China any judgments obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in the United States, the United Kingdom, Japan or most other western countries. However, judgments rendered by Hong Kong courts may be recognized and enforced in China if the requirements set forth by the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of Mainland and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) are met. Therefore recognition and enforcement in China of judgments of a court in any of these jurisdictions other than Hong Kong in relation to any matter not subject to binding arbitration provisions may be difficult or impossible.

Fluctuations in the value of the Renminbi and the PRC government's control over foreign currency conversion may adversely affect our business and results of operations and our ability to remit dividends.

Substantially all of our revenue and expenditures are denominated in Renminbi, while the net proceeds from the [**REDACTED**] and any dividends we pay on our Shares will be in Hong Kong Dollars. Fluctuations in the exchange rates between the Renminbi and the Hong Kong Dollar or US Dollar will affect the relative purchasing power in Renminbi terms. Fluctuations in the exchange rates may also cause us to incur foreign exchange losses and affect the relative value of any dividend distributed by us. Currently, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve certain exchange rate targets and policy goals. From mid-2008 to mid-2010

the Renminbi traded within a narrow range against the US Dollar. In June 2010 the People's Bank of China announced the removal of the de facto peg. Following this announcement, the Renminbi has appreciated from approximately RMB6.38 per US Dollar to RMB6.23 per US Dollar as of March 22, 2014. We cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong Dollar or the US Dollar in the future.

In addition, conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, must be approved by or registered with the SAFE or its local branch. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business, may be materially and adversely affected.

SAFE regulations may limit our ability to finance our PRC subsidiaries effectively and affect the value of your investment and may make it more difficult for us to pursue growth through acquisitions.

If we finance our PRC subsidiaries through overseas shareholder loans or additional capital contributions, registration with and/or approval of PRC governmental authorities are required. Any overseas shareholder loans to our PRC subsidiaries must be registered with the local branch of SAFE as a procedural matter and such loans cannot exceed the difference between the total amount of investment our PRC subsidiaries are approved to make under the relevant PRC laws and their respective registered capital. In addition, the amounts of the capital contributions are subject to the approval of the MOFCOM or its local counterpart. On August 29, 2008, SAFE promulgated Circular 142, a notice regulating the conversion by a foreign-invested company of foreign currency-denominated capital contribution into Renminbi by restricting how the converted Renminbi may be used. The notice requires that Renminbi converted from the foreign currency-denominated capital contribution of a foreign-invested company may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments, nor, except in the case of foreign-invested real estate enterprises, can Renminbi be used for acquisition of property in the PRC not for self-use purposes unless otherwise provided by laws and regulations. In addition, SAFE strengthened its oversight of the flow and use of Renminbi funds converted from the foreign currency-denominated capital of a foreign-invested company. The use of such Renminbi may not be changed without approval from SAFE, and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used for purposes within the company's approved business scope. Violations of Circular 142 may result in severe penalties, including substantial fines as set forth in the Foreign Exchange Administration Regulations. We cannot assure you that we will be able to complete the necessary government registrations or obtain the

necessary government approvals on a timely basis, or at all, with respect to future loans or capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to contribute additional capital to fund our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

Failure by our Shareholders or beneficial owners who are PRC residents to make any required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from being able to distribute profits and could expose us and our PRC resident shareholders to liability under the PRC laws.

The Circular Concerning Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicles and Round-Trip Investment in the PRC by Domestic Residents (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) ("**SAFE Circular**") promulgated by the SAFE on October 21, 2005, which became effective on November 1, 2005, requires PRC residents with direct or indirect offshore investments, including overseas special purpose vehicles, to file a Registration Form of Overseas Investments Contributed by Domestic Individual Residents and register with the SAFE, and to update the SAFE's records within 30 days of any major changes in capital, including increases and decreases in capital, share transfers, share swaps, mergers or divisions. Failure to register may result in the prohibition of distributions or contributions from capital reductions, share transfers or liquidations from PRC entities to the relevant offshore entity in which the PRC resident has a direct or indirect investment. The SAFE subsequently issued a series of guidance letters to its local branches with respect to the procedures for SAFE registration under the SAFE Circular. These regulations require PRC residents and PRC corporate entities to register with competent local branches of the SAFE in connection with their direct or indirect offshore investment in offshore special purpose vehicles. These regulations may apply to our Shareholders who are PRC residents or have PRC residents as their beneficial owners and may apply to any offshore acquisitions that we make in the future.

Any failure by any of our Shareholders who is considered to be a PRC resident by the SAFE to make the registrations or amendments with the SAFE may result in the prohibition of distributions, share transfers, or liquidations of our PRC subsidiaries, and may affect our ownership structure, acquisition strategy, business operations and ability to make dividend payments to our Shareholders.

Failure to comply with PRC regulations regarding the registration requirements for stock incentive plans may subject the PRC citizen participants in such incentive plans or us to fines and other legal or administrative sanctions.

Under the SAFE regulations, PRC residents who participate in an employee stock ownership plan or stock option plan in an overseas publicly-listed company are required to register with the SAFE or its local branch and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of these participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with the stock options plans or awards. In addition, the PRC agent is required to

amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or any other material changes.

We and our PRC resident employees who may be granted any options under the Share Option Scheme may be subject to these regulations. If any options are granted under the Share Option Scheme and we or our PRC resident grantees fail to comply with these regulations, we or the relevant employees may be subject to fines and other legal or administrative sanctions and restrictions may be imposed on the execution of the Share Option Scheme. As of the Latest Practicable Date, no option had been granted or agreed to be granted by the Company pursuant to the Share Option Scheme.

Inflation in the PRC could negatively affect our profitability and growth.

Economic growth in the PRC has, during certain periods, been accompanied by periods of high inflation, and the PRC government has implemented various policies from time to time to control inflation. For example, the PRC government introduced measures in certain sectors to avoid overheating of the PRC economy, including increasing interest rates and capital reserve thresholds at PRC commercial banks. The effects of the stimulus measures implemented by the PRC government since the global economic crisis that commenced in 2008 and the continued growth in the overall economy since then have resulted in sustained inflationary pressures. If these inflationary pressures continue and are not mitigated by PRC government measures, our cost of sales will likely increase, and our profitability could be materially reduced, as there is no assurance that we would be able to pass any cost increases onto our customers. Measures adopted by the Chinese government to control inflation may also slow economic activity in the PRC and reduce demand for our products and decrease our revenue growth and adversely affect our results of operations.

We face risks of health epidemics and other natural disasters, which could severely disrupt our business operations.

Our business could be affected by the outbreak of H1N1, or the swine flu, avian influenza, severe acute respiratory syndrome, or SARS, or another epidemic. Beginning in 2013, there were reports of outbreaks of highly pathogenic avian flu, caused by the H7N9 virus, in various parts of the PRC. An outbreak of avian flu in the human population could result in a widespread health crisis that could adversely affect the economy and financial markets of China. Additionally, any recurrence of SARS, similar to the occurrence in 2003 which affected the PRC, Hong Kong, Taiwan, Singapore, Vietnam and certain other countries and regions, would also have similar adverse effects. Such disruptions could adversely affect our business operations and earnings.

Our operations are also vulnerable to natural disasters or other catastrophic events, including wars, terrorist attacks, snowstorms, earthquakes, typhoons, fire, floods, power failures and shortages, water shortages, hardware failures, computer viruses, and similar events which may or may not be foreseeable or otherwise within our control. In January and February of 2008, large portions of Southern and Central China were hit with a series of snowstorms, which caused extensive damage and transportation disruptions. If any natural disaster or catastrophic event were to strike in the future in China, especially in the areas where our

operations are located, we might suffer losses as a result of business interruptions and our business, financial condition and results of operations might be materially and adversely affected.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares.

Prior to the [**REDACTED**], there has not been a public market for our Shares. An active public market may not develop or be sustained after the [**REDACTED**]. The initial [**REDACTED**] range for our Shares was the result of, and the [**REDACTED**] will be the result of, negotiations among us and the Joint Global Coordinators on behalf of the Underwriters and may not be indicative of prices that will prevail in the trading market after the [**REDACTED**].

We have applied to list and deal in our Shares on the Stock Exchange. However, even if approved, being listed on the Stock Exchange does not guarantee that an active trading market for our Shares will develop or be sustained. If an active market for our Shares does not develop after the [**REDACTED**], the market price and liquidity of our Shares may be adversely affected. As a result, you may not be able to resell your Shares at prices equal to or greater than the price paid for the Shares in the [**REDACTED**].

The market price of our Shares may be volatile, which could result in substantial losses for investors purchasing Shares in the [REDACTED].

The market price of our Shares may fluctuate significantly and rapidly as a result of a variety of factors, many of which are beyond our control, including:

- actual and anticipated variations in our results of operations;
- changes in securities analysts' estimates or market perception of our financial performance;
- announcement by us of significant acquisitions, dispositions, strategic alliances or joint ventures;
- recruitment or loss of key personnel by us or our competitors;
- market developments affecting us or the intimate wear industry;
- regulatory or legal developments, including litigation;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control;
- fluctuations in trading volumes or the release of lock-up or other transfer restrictions on our outstanding Shares or sales of additional Shares by us; and
- general economic, political and stock market conditions in Hong Kong, China and elsewhere in the world.

Moreover, in recent years, stock markets in general have experienced significant price and volume fluctuations, some of which have been unrelated or disproportionate to the operating performance of the listed companies. These broad market and industry fluctuations may adversely affect the market price of our Shares.

Since there will be a gap of several days between [REDACTED] of our [REDACTED], the price of our [REDACTED] could fall below the [REDACTED] when the [REDACTED].

The [**REDACTED**] of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not [**REDACTED**] on the Stock Exchange until they are delivered, which is expected to be [four] Hong Kong business days after the pricing date. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall below the [**REDACTED**] when the [**REDACTED**] as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

Purchasers of Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

Based on the [**REDACTED**] range, the [**REDACTED**] is expected to be higher than the net tangible book value per Share prior to the [**REDACTED**]. Therefore, you will experience an immediate dilution in pro forma net tangible book value per Share. In addition, we may issue additional Shares or equity-related securities in the future under our Share Option Scheme or to raise additional funds, finance acquisitions or for other purposes. If we issue additional Shares or equity-related securities in the future, the percentage ownership of our existing Shareholders may be diluted. In addition, such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

You may not have the same protection of your shareholder rights under Cayman Islands law comparing to what you would have under Hong Kong law.

Our corporate affairs are governed by our Memorandum and Articles, the Companies Law, and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, the rights or minority shareholders to institute actions and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law. Decisions of the superior courts of England constitute persuasive authority in the Cayman Islands courts. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ from those under statues and judicial precedent in existence in Hong Kong and other jurisdictions. Such differences may mean that the remedies available to our minority shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. Please refer to "Summary of the Constitution of our Company and Cayman Islands Company Law — 3. Cayman Islands Company Law" in Appendix III for further information.

There can be no assurance if and when we will pay dividends in the future.

Distribution of dividends shall be formulated by our Board of Directors at their discretion and will be subject to shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under IFRS, our Articles of Association, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, and any other factors determined by our Board of Directors from time to time to be relevant to the declaration or suspension of dividend payments. As a result, although we have paid dividends in the past, there can be no assurance whether, when and in what form we will pay dividends in the future or that we will pay dividends in accordance with our dividend policy. See "Financial Information — Dividend Policy" for more details of our dividend policy.

Our Controlling Shareholders may exert substantial influence over our operation and may not act in the best interests of our independent Shareholders.

Immediately upon completion of the [**REDACTED**], our Controlling Shareholders will together own approximately [**REDACTED**] of our issued share capital, without taking into account of the Shares which may be issued upon the exercise of the Over-allotment Option. Therefore, they will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of our Group that would otherwise benefit our Shareholders. The interests of the Controlling Shareholders may not always coincide with our Company or your best interests. If the interests of the Controlling Shareholders conflict with the interests of our Company or our other Shareholders, or if the Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our Company or other Shareholders, our Company or those other Shareholders, including you, may be disadvantaged as a result.

Sale, or perceived sale, of substantial amounts of our Shares in the public market could adversely affect the prevailing market price of our Shares.

The Shares held by our existing Shareholders are subject to certain lock-up periods expiring six and 12 months after the date on which trading in our Shares commences on the Stock Exchange, details of which are set out in "Underwriting". Our existing Shareholders may dispose of Shares that they may own now or in the future. Sales of substantial amounts of our Shares in the public market, or the perception that these sales may occur, could materially and adversely affect the prevailing market price of our Shares.

Facts and statistics in this document relating to the PRC economy and the industry in which we operate may not be fully reliable.

Facts and statistics in this document relating to China and the industry in which we operate, including those relating to the PRC economy and the intimate wear industry in China, are derived from various publications of governmental agencies or independent third parties which we believe are reliable. We cannot guarantee, however, the quality or reliability of these materials. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any material fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers or any other party involved in the [**REDACTED**] and no representation is given as to its accuracy and completeness. Investors should not place undue reliance on such facts or statistics.

In preparation for the [**REDACTED**], our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong.

Since substantially all of our Company's business operations and management are located in the PRC, there is no business need to appoint executive Directors based in Hong Kong. As all of our executive Directors currently reside in the PRC, we do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for[, and the Stock Exchange has granted,] a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and us:

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules. The two authorized representatives are Mr. Zheng Yaonan, our Chairman and Mr. Yu Chun Kau, our chief financial officer and a joint company secretary. Both of the authorized representatives: (i) are, and will be, readily contactable by telephone, facsimile and/or email to deal promptly with any enquiries which may be made by the Stock Exchange; (ii) have the means to contact all the Directors (including the independent non-executive Directors) promptly at all times, as and when the Stock Exchange wishes to contact the Directors on any matters; and (iii) are to act at all times as the principal channel of communication between the Stock Exchange and us;

(b) we have retained CMB International Capital Limited to act as our compliance advisor for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules with respect to our financial results for the first full financial year commencing after the Listing Date. The compliance advisor will act as an additional channel of communication with the Stock Exchange;

(c) we will retain a Hong Kong legal advisor to advise us on the application of the Listing Rules and other applicable Hong Kong laws and regulations relating to securities after our Listing;

(d) our Directors who are not ordinarily resident in Hong Kong possess or will apply for valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and meet with the Stock Exchange upon reasonable notice; and

(e) we have provided to the Stock Exchange the contact information of each of the Directors including mobile phone numbers, office phone numbers, e-mail addresses and facsimile numbers.

WAIVER IN RELATION TO COMPANY SECRETARY

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the joint company secretaries of our Company must be individuals who, by virtue of their academic or professional qualifications or relevant experience, are, in the opinion of the Stock Exchange, capable of discharging the functions of company secretaries.

According to Note 1 of Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance).

Further, under Note 2 of Rule 3.28 of the Listing Rules, the Stock Exchange will consider the following factors of the individual in assessing "relevant experience":

(a) length of employment with the issuer and other issuers and the roles he played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules (i.e. taking no less than 15 hours of relevant professional training in each financial year of the Company); and

(d) professional qualifications in other jurisdictions.

We have appointed Mr. Wu Xiaobing as one of the joint company secretaries of the Company. Prior to that, Mr. Wu has served as the secretary to the board of Cosmo Lady Guangdong from July 2011 to July 2013. Mr. Wu is experienced in accountancy and administrative management. See "Directors and Senior Management" for details. However, Mr. Wu does not possess the qualifications as stipulated in the notes of Rule 3.28 of the Listing Rules and may not be able to solely fulfill the requirements of the Listing Rules. Nonetheless, the Company believes that, having regard to Mr. Wu's knowledge and past experience in handling our corporate matters, he has a thorough understanding of the operations of the Company and is able to perform his duties as a joint company secretary of the Company. Mr. Yu Chun Kau, another joint company secretary, will provide guidance and assistance to Mr. Wu for an initial period of three years from the Listing Date so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules. Further, Mr. Wu undertakes to take no less than 15 hours of relevant professional training in each financial year of the Company.

Mr. Yu will work closely with Mr. Wu to jointly discharge the duties and responsibilities as joint company secretaries and assist Mr. Wu to acquire the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. In addition, we will ensure Mr. Wu has access to relevant training and support to familiarize himself with the Listing Rules and the duties required for a joint company secretary of a Cayman Islands issuer listed on the Stock Exchange.

We have applied to the Stock Exchange for[, and the Stock Exchange has granted,] a waiver under and in respect of Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for

an initial period of three years from the Listing Date and will be revoked immediately if Mr. Yu ceases to provide assistance and guidance to Mr. Wu as our joint company secretary during the three years after the Listing Date or upon the expiry of the three-year period after the Listing, whichever occurs first. Upon the expiry of such three-year period, we will discuss with the Stock Exchange for them to re-evaluate the qualifications and experience of Mr. Wu to consider whether the requirements stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions which will constitute partially-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. Accordingly, we have applied to the Stock Exchange for[, and the Stock Exchange has granted,] waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. See "Connected Transactions" for further details.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. ZHENG Yaonan (鄭耀南)	Room 2101, Block 3 Hongxiang Garden Songyuan Road Luohu District Shenzhen Guangdong Province, PRC	PRC
Mr. ZHANG Shengfeng (張盛鋒)	Room 602, Block 6 Hongxiang Garden Songyuan Road Luohu District Shenzhen Guangdong Province, PRC	PRC
Mr. LIN Zonghong (林宗宏)	Room 3102, Block 6 Hongxiang Garden Songyuan Road Luohu District Shenzhen Guangdong Province, PRC	PRC
Mr. CHENG Zuming (程祖明)	House 98, Hujingqu Wolongshan Garden Fenggang Dongguan Guangdong Province, PRC	PRC
Ms. WU Xiaoli (吳小麗)	Room 2101, Block 3 Hongxiang Garden Songyuan Road Luohu District Shenzhen Guangdong Province, PRC	PRC

Name	Residential Address	Nationality
Non-executive Director		
Mr. WEN Baoma (溫保馬)	Flat B, 13/F, Block 4 Royal Pennisula Hung Hom, Kowloon Hong Kong	Hong Kong
Independent Non-executive Directors		
Mr. YAU Chi Ming (丘志明)	Flat 3, 18/F, Block A Ka Tin Court, Shatin New Territories Hong Kong	Hong Kong
Dr. DAI Yiyi (戴亦一)	Room 1702 Zunfu Neighborhood Xiangbin Road No. 75 Siming District Xiamen Fujian Province, PRC	PRC
Mr. CHEN Zhigang (陳志剛)	Room 17A, Block B Green View Plaza Shennan Avenue No. 6009 Futian District Shenzhen Guangdong Province, PRC	PRC

Please see "Directors and Senior Management" for details.

PARTIES INVOLVED

Joint Sponsors	Morgan Stanley Asia Limited (摩根士丹利亞洲有限公司) Level 46 International Commerce Centre 1 Austin Road West Kowloon Hong Kong China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司) 29/F, One International Finance Centre 1 Harbor View Street Central Hong Kong
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers	[**REDACTED**]
Reporting Accountant	PricewaterhouseCoopers *Certified Public Accountants* 22/F, Prince's Building Central Hong Kong
Legal Advisors to the Company	*As to Hong Kong and U.S. laws:* Simpson Thacher & Bartlett 35/F, ICBC Tower 3 Garden Road Hong Kong

	As to PRC laws: Jingtian & Gongcheng 34/F, Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing, PRC *As to Cayman Islands laws:* Appleby 2206–19, Jardine House 1 Connaught Place Central Hong Kong
Legal Advisors to the Joint Sponsors	*As to Hong Kong and U.S. laws:* Cleary Gottlieb Steen & Hamilton (Hong Kong) 37/F, Hysan Place 500 Hennessy Road Hong Kong *As to PRC laws:* Commerce & Finance Law Offices 6/F, NCI Tower A12 Jianguomenwai Avenue Chaoyang District Beijing, PRC
Industry Consultants	Frost & Sullivan Suite 2802–2803, Tower A Dawning Center 500 Hongbaoshi Road Shanghai, PRC
Receiving Banks	[**REDACTED**]
Compliance Advisor	CMB International Capital Limited Room 1803–4, 18/F Bank of America Tower 12 Harcourt Road Central Hong Kong

CORPORATE INFORMATION

Registered Office	Appleby Trust (Cayman) Ltd. Clifton House, 75 Fort Street P.O. Box 1350 Grand Cayman, KY-1108 Cayman Islands
Principal Place of Business and Head Office in China	Shi Shi Xia Shan Tang Wei, Fengdeling Village Fenggang Town Dongguan City Guangdong Province, PRC
Principal Place of Business in Hong Kong	Suite 2012, Tower 1 Times Square, 1 Matheson Street Causeway Bay Hong Kong
Company's Corporate Website	**www.cosmo-lady.com** *(The information on the website does not form part of this document)*
Joint Company Secretaries	Mr. YU Chun Kau *FCPA (Practising)* *FCCA, ACA, ACS, ACIS, SIFM* Flat E, 43/F, L Hiver, Les Saisons 28 Tai On Street Sai Wan Ho Hong Kong Mr. WU Xiaobing 19A, Hongtu Ge, Jiabaotian Garden Sungang Road Luohu District Shenzhen Guangdong Province, PRC
Authorized Representatives	Mr. ZHENG Yaonan Room 2101, Block 3 Hongxiang Garden Songyuan Road Luohu District Shenzhen Guangdong Province, PRC

	Mr. YU Chun Kau Flat E, 43/F, L Hiver, Les Saisons 28 Tai On Street Sai Wan Ho Hong Kong
Audit Committee	Mr. YAU Chi Ming *(Chairman)* Dr. DAI Yiyi Mr. CHEN Zhigang
Nomination Committee	Mr. ZHENG Yaonan *(Chairman)* Mr. YAU Chi Ming Mr. CHEN Zhigang
Remuneration Committee	Dr. DAI Yiyi *(Chairman)* Mr. CHEN Zhigang Mr. ZHANG Shengfeng
The Cayman Islands Principal Share Registrar and Transfer Office	[**REDACTED**]
Hong Kong Share Registrar	[**REDACTED**]
Compliance Advisor	CMB International Capital Limited Room 1803–4, 18/F Bank of America Tower 12 Harcourt Road Central Hong Kong
Principal Banks	Bank of China (Hong Kong) Limited 1 Garden Road Central Hong Kong

Industrial and Commercial Bank of China Limited, Fenggang Branch
11 Zhengtong Road
Fenggang Town
Dongguan City
Guangdong Province, PRC

Dongguan Rural Commercial Bank, Fenggang Branch
69 Yongsheng Street, Fenggang Town
Dongguan City
Guangdong Province, PRC

China Construction Bank Corporation, Yantian Branch
No. 1, Haihui Building
Yantian Village, Fenggang Town
Dongguan City
Guangdong Province, PRC

The information presented in this section is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us, unless otherwise indicated. We believe that the sources of the information are appropriate sources for the information and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Joint Sponsors, Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in the* [**REDACTED**] *and no representation is given as to its accuracy or completeness. The information and statistics may not be consistent with other information and statistics compiled within or outside of China.

SOURCE OF INFORMATION

In connection with the [**REDACTED**], we have commissioned Frost & Sullivan, an independent third party, to conduct an analysis of, and to report on China's intimate wear industry from 2009 to 2018. The report we commissioned, or the Frost & Sullivan Report, has been prepared by Frost & Sullivan independent of our influence. We paid Frost & Sullivan a fee of RMB860,000 for the preparation of the report, which we consider reflects the market rate. Founded in 1961, Frost & Sullivan has over 40 global offices with more than 18,000 industry consultants, market research analysts, technology analysts and economists. It offers industry research and market strategies and provides growth consulting and corporate training. Frost & Sullivan has been covering the Chinese market from its offices in China since the 1990's.

The Frost & Sullivan Report that we commissioned includes information on China's intimate wear industry and its sub-segments and other market and economic data, which have been quoted in this document. Frost & Sullivan's independent research was undertaken through (i) researching diverse markets in different life cycles; (ii) referencing to publications and reports; (iii) focusing on challenges, problems, and the needs of industry participants; (iv) relying on primary market research; (v) focusing on detailed, comprehensive, "bottom-up" data collection techniques; and (vi) utilizing systematic measurements. Projected data was obtained from historical data analysis plotted against macroeconomic data as well as specific industry-related drivers. In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions: (i) China's economy is likely to maintain a steady growth in the next decade; (ii) China's social, economic and political environment is likely to remain stable in the forecast period, which ensures the stable and healthy development of the intimate wear industry; and (iii) there will be no wars or large scale disasters during the forecast period.

Except as otherwise noted, all the data and forecast in this section are derived from the Frost & Sullivan Report.

RAPID GROWTH OF CHINA'S ECONOMY AND URBANIZATION

Driven by the expansion of domestic demand and consumption, China's nominal GDP is expected to sustain a long-term growth. The Frost & Sullivan Report estimates that China's nominal GDP will reach RMB85.5 trillion by the end of 2018, representing a CAGR of 8.5% from 2013 to 2018.

Due to the PRC's rapid economic development and the influx of migrants from rural areas to developed areas, its urban population has been steadily increasing. From 2009 to 2013, the total urban population in China increased by 86.0 million, and reached 731.1 million in

2013, accounting for 53.7% of the total population in China. Most of the urban population live in first, second and third-tier cities. It is expected that the urban population will further increase, reaching 57.9% of the total population in China by the end of 2018.

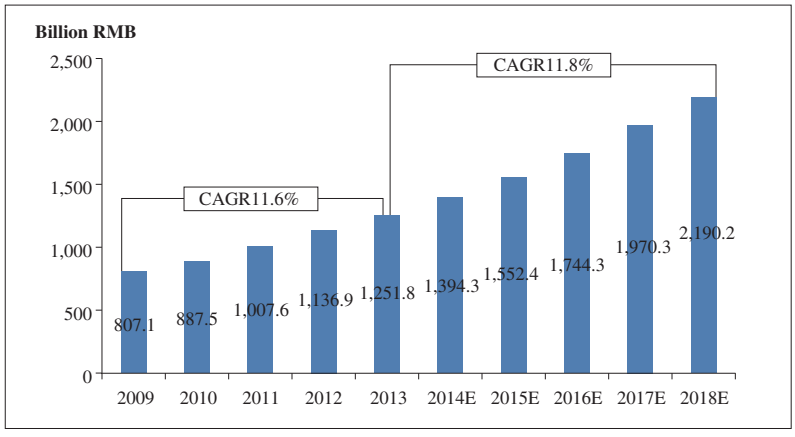
Together with rapid economic growth and urbanization per capita annual disposable income of urban households has also continuously increased in recent years. The per capita annual disposable income of urban households in China increased significantly from RMB17,170 in 2009 to RMB26,960 in 2013, representing a CAGR of 12.0% from 2009 to 2013. The per capita annual disposable income of urban households is expected to grow to RMB46,950 in 2018, representing a CAGR of 11.7% from 2013 to 2018. Similarly, the per capita consumption expenditure of urban households significantly increased from RMB12,270 in 2009 to RMB18,020 in 2013, representing a CAGR of 10.1%. The per capita consumption expenditure of urban households is expected to grow at a CAGR of 12.5% from 2013 to 2018, reaching RMB32,530 in 2018. Increasing per capita annual disposable income and consumption expenditure of urban households are expected to enhance Chinese residents' purchasing power.

Strong Growth of Commodity Goods in China

As a result of the rapid economic growth and the accelerated urbanization, the commodity goods market has expanded significantly in China during the past few years. From 2009 to 2013, the total retail sales of commodity goods nearly doubled from RMB10.5 trillion to RMB20.9 trillion, representing a CAGR of 18.7% from 2009 to 2013. Driven by the sustainable development of China's economy and per capita disposable income, retail sales of commodity goods is expected to reach RMB42.7 trillion in 2018, representing a CAGR of 15.3% from 2013 to 2018.

In particular, the clothing products segment demonstrated significant growth. From 2009 to 2013, retail sales of clothing products increased from RMB807.1 billion to RMB1,251.8 billion, representing a CAGR of 11.6% for the same period. As the clothing products industry has become more mature, the growth rate is expected to stay flat in the near future. Retail sales of clothing products are expected to reach RMB2,190.2 billion in 2018, representing a CAGR of 11.8% from 2013 to 2018. The chart below sets forth the growth of retail sales of clothing products in China from 2009 to 2018.

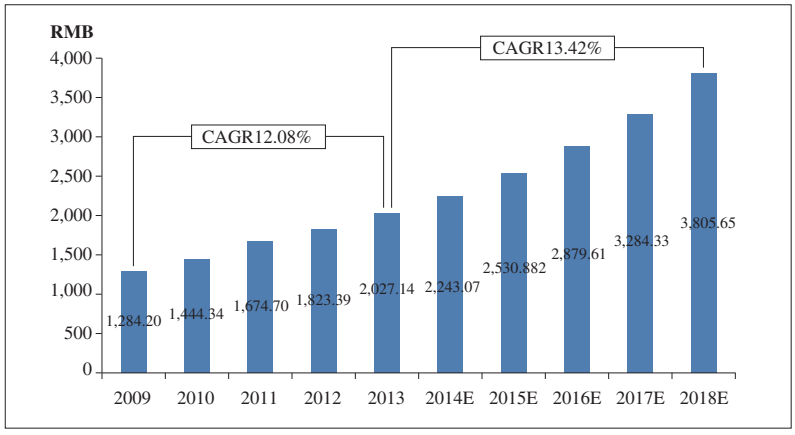
Retail Sales of Clothing Products in China, 2009–2018E



Source: Frost & Sullivan Report

Per capita expenditure on clothing products increased rapidly during the past few years. The chart below sets forth the growth of urban per capita consumption expenditure on clothing products in China from 2009 to 2018.

Urban Per Capita Consumption Expenditure on Clothing Products in China, 2009–2018E



Source: Frost & Sullivan Report

THE PRC INTIMATE WEAR INDUSTRY OVERVIEW

Intimate wear, also known as undergarment, refers to a kind of clothing that people wear close to skin or under other clothes. Intimate wear products can be divided into four major product segments, namely, bras, underpants, sleepwear and loungewear, and thermal clothes. The following table sets forth these four segments of intimate wear.

Major Product Segments of Intimate Wear

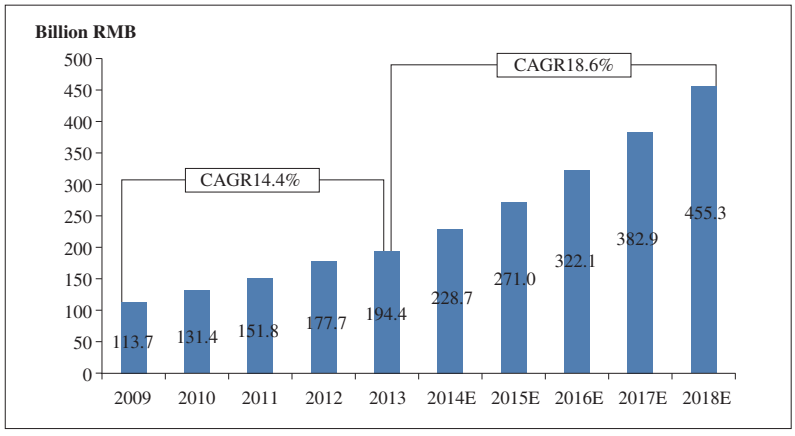
Categories of Intimate Wear	Definition
Bras	• Bras are commonly consisted of two cups, a chest band, and shoulder straps, and are made up with lace, embroidery, and other fabric. The products have functions of protecting, shielding, and lifting breast tissue, as well as modifying and beautifying breast shape, and increasing comfort and motility.
Underpants	• Refer to panties and men's underpants that protect and shield private parts below the waist, the style of underpants includes briefs, boxers, T-backs, etc.
Sleepwear and Loungewear	• Refer to all clothing products that relate to home life, including sleepwear in bedroom, loungewear for meeting visitors, and leisure wears for activities in neighborhood. These products are usually cozy, comfort and fashion.
Thermal Clothes	• Refer to underwear that have functions of preventing heat dissipation and keeping human body warm. The products include long-sleeve and short-sleeve tops, waistcoats, pants, etc.
Others	• Apart from above four basic categories, there are other types of intimate wear, including vests, hosiery, leggings, tights, socks, etc.

Source: Frost & Sullivan Report

The PRC intimate wear industry has experienced significant growth in the last decade and demonstrated a higher growth rate compared to developed markets. From 2009 to 2013, the total retail sales of intimate wear in China nearly doubled from RMB113.7 billion to RMB194.4 billion, representing a CAGR of 14.4% during the same period. The total retail sales of intimate

wear in China is expected to grow to RMB455.3 billion in 2018, representing a CAGR of 18.6% from 2013 to 2018. The continuously increasing purchasing frequency and replacement of intimate wear by consumers are expected to further drive the growth of retail sales of intimate wear in China. The chart below sets forth the growth of retail sales of intimate wear in China from 2009 to 2018.

Retail Sales of Intimate Wear in China, 2009–2018E



Source: Frost & Sullivan Report

As intimate wear companies are able to enjoy higher consumer loyalty than other apparel companies, brand awareness has become an important factor in influencing consumers' purchasing decisions. The total retail sales value of China's intimate wear industry as a percentage of total clothing products was 15.5% for the year ended December 31, 2013.

China's intimate wear industry is highly fragmented with over 3.000 market players. In 2013, we were the largest branded intimate wear company in China in terms of total retail sales with a market share of 2.8%. In comparison with China's intimate wear industry, the global intimate wear industries are more concentrated where industry leading companies generally represent a large market share of more than 10%. The leading brands such as Victoria Secret, Marks & Spencer and Wacoal have a market share of 19.1%, 20.8% and 17.8% in U.S., U.K. and Japan respectively, in terms of retail sales for the year ended December 31, 2013. Therefore, as China's intimate wear industry continue to develop, the leading brands are expected to enjoy large growth potential of market share considering the competitive landscape in developed markets.

The following table sets forth the market share of the top five market players in the intimate wear industry in China in 2013.

Ranking of Overall Intimate Wear Industry in China in 2013

No.	Company	Retail Sales (RMB billion)	Market Share
1	Our Group	5.4	2.8%
2	Embry	1.8	0.9%
3	Aimer	1.4	0.7%
4	Huijie	1.3	0.7%
5	Yoursun	1.0	0.5%
	Total Retail Sales	**10.9**	**5.6%**
	Overall Intimate Wear Market	**194.4**	**100.0%**

Source: Frost & Sullivan Report

The per capita consumption expenditure on intimate wear in China increased from US$12.47 in 2009 to US$23.01 in 2013 with a CAGR of 16.5% from 2009 to 2013 and is expected to grow at a CAGR of 16.8% from 2013 to 2018, demonstrating a fast growing trend compared to developed countries. The chart below sets forth the per capita consumption expenditure on intimate wear by country for the periods indicated.

Per Capita Consumption Expenditure on Intimate Wear by Country

USD	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E	2018E	2013-2018E CAGR
China	12.5	14.6	17.4	20.9	23.0	26.8	30.4	35.6	42.3	50.0	16.8%
U.S.A.	61.1	63.2	64.9	66.4	70.8	73.2	75.1	77.0	78.0	80.8	2.7%
Germany	75.5	74.4	74.8	72.4	72.9	74.4	76.3	78.7	79.9	82.8	2.6%
U.K.	90.7	89.4	84.4	83.7	85.5	88.2	91.2	94.0	96.1	98.3	2.8%
Italy	72.1	68.7	70.8	67.8	66.4	67.5	68.7	69.8	71.0	72.7	1.8%
France	84.6	82.5	83.3	83.5	82.8	84.5	86.4	89.1	90.9	92.5	2.3%

Source: Frost & Sullivan Report

According to the Frost & Sullivan Report, the following dynamics have contributed to the rapid development of the PRC intimate wear industry:

The Rising Urban Population and Urbanization

Compared to the rural population, urban residents have greater demand for commodity goods, including intimate wear. As an increasing number of people migrate to urban cities from rural areas, the consumption habits of these consumers are expected to shift towards the habits of urban consumers, which, in turn, is expected to increase overall intimate wear consumption. Driven by urbanization and increased disposable income in Tier Two Cities and other cities, in terms of total retail sales of intimate wear, the market share in Tier Two Cities and other cities is expected to increase from 26.9% and 36.4% in 2013 to 27.3% and 36.8% in 2018. The chart below sets forth the retail sales of intimate wear by geographic location for the periods indicated.

Retail Sales of Intimate Wear by Geographic Location in China

Source: Frost & Sullivan Report

Increasing Demand in Mass Intimate Wear Market

According to the Frost & Sullivan Report, the mass market is the largest market sub-segment in the intimate wear industry in China, which covers a large consumer base, and has a higher growth potential compared to the low or high-end markets in the intimate wear industry. From 2009 to 2013, in terms of total retail sales of intimate wear, the market share of the mass market significantly increased from 40.8% to 52.4% at a CAGR of 21.7% from 2009 to 2013. The mass market of China's intimate wear industry is expected to grow at a CAGR of 23.5% from 2013 to 2018, reaching a market share of 64.2% by the end of 2018. The chart below sets forth the total retail sales of intimate wear by target market for the periods indicated.

Retail Sales and Market Share of Intimate Wear by Target Market in China

Target Markets/RMB billions	2009	2013	2018E	2009–2013 CAGR	2013–2018E CAGR	Market Share as of December 31, 2013
Low-end Market	27.6	37.4	71.1	7.9%	13.7%	19.2%
Mass Market	46.4	101.8	292.1	21.7%	23.5%	52.4%
High-end Market	39.7	55.2	92.1	8.6%	10.8%	28.4%
Total Retail Sales	113.7	194.4	455.3	14.4%	18.6%	100.0%

Source: Frost & Sullivan Report

The Popularity of Mass Market Fashion Concept in China's Dynamic Intimate Wear Industry

The popularity of the mass market fashion concept also contributes to the increasing demand for intimate wear products in China due to the affordable prices and stylish design of mass market fashion brands. Consumers with different income levels tend to have different preferences and consumption patterns. According to the Frost & Sullivan Report, brand, price quality ratio and price, are the major factors that consumers consider when purchasing intimate wear. The major barriers to entry into the intimate wear industry in the PRC are the development of brand awareness, an efficient supply chain management system, an advanced information technology system, an effective sales channel management system and the strong research and development capabilities.

According to the Frost & Sullivan Report, the PRC intimate wear industry is at the growth period where there is a rapid increase in consumers and the number of products as well as competition among market players. The mass market of the PRC intimate wear industry will witness the fastest growth in this industry. As intimate wear companies are able to enjoy a higher consumer loyalty than other apparel companies, brand awareness has become an important factor influencing consumers' purchasing decisions.

THE PRC INTIMATE WEAR INDUSTRY BY KEY SEGMENT

Intimate wear products consist of four key segments, namely bras, underpants, sleepwear and loungewear and thermal clothes. In terms of total retail value, bras and underpants represent the two largest segments of the PRC intimate wear industry, accounting for 27.7% and 39.2%, respectively, of the PRC intimate wear industry in 2013. The sleepwear and loungewear segment represents the fastest growing segment in terms of the expected CAGR of total retail sales from 2013 to 2018. The table below sets forth the market size and CAGR of each of these four segments of the PRC intimate wear industry in terms of total retail sales for the periods indicated.

Retail Sales of Intimate Wear in China by Product Segment

RMB billions	2009	2013	2018E	2013–2018E CAGR
Bras	30.3	53.8	128.8	19.1%
Underpants	42.0	76.1	181.5	19.0%
Sleepwear and loungewear	11.6	21.5	58.4	22.2%
Thermal clothes	7.9	13.1	28.1	16.5%

Source: Frost & Sullivan Report

According to the Frost & Sullivan Report, we were the largest branded intimate wear enterprise in China in terms of total retail sales in 2013. The following table sets forth the competitive landscape of the top five players in each product segment of the PRC intimate wear industry for the period indicated.

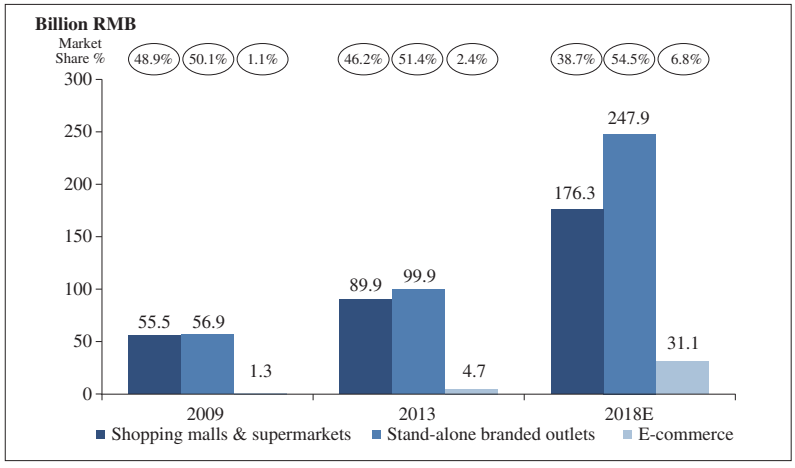
Retail Sales of the Top Five Players in China's Intimate Wear Industry by Product Segment in 2013

	Bras		Underpants		Sleepwear and Loungewear		Thermal Clothes	
Rank	Company Name	Market Share	Company Name	Market Share	Company Name	Market Share	Company Name	Market Share
1	Our Group	4.9%	Our Group	1.1%	Our Group	4.0%	Yoursun	7.3%
2	Embry	2.0%	Embry	0.7%	Xusang	1.9%	Threegun	5.8%
3	Aimer	1.0%	Aimer	0.6%	Isyfen	1.8%	Our Group	5.6%
4	Huijie	0.8%	Huijie	0.6%	Conlia	1.6%	Najiren	4.9%
5	Ordifen	0.4%	Jin Long	0.6%	Autumn Deer	1.4%	Tinsino	4.5%
	Total	**9.1%**		**3.6%**		**10.7%**		**28.1%**

Source: Frost & Sullivan Report

According to the Frost & Sullivan Report, the majority of consumers purchase intimate wear products in stand-alone branded outlets, and sales through stand-alone branded outlets have experienced steady growth. In terms of total retail sales, stand-alone branded outlets constituted 50.1% and 51.4%, respectively, of the PRC intimate wear industry in 2009 and in 2013. According to the Frost & Sullivan Report, stand-alone branded outlets will continue to be the major sales channel for intimate wear products in the PRC, and it is expected that stand-alone branded outlets will constitute 54.5% of the PRC intimate wear industry in terms of total retail sales by 2018. The chart below sets forth the total retail sales of intimate wear industry in China by sales channel for the periods indicated.

Retail Sales of Intimate Wear by Sales Channel in China



Source: Frost & Sullivan Report

The table below sets forth the total retail sales through stand-alone branded outlets by product segment for the periods indicated.

Retail Sales through Stand-alone Branded Outlets

RMB billions	2009	2013	2018E	2013–2018E CAGR
Bras	13.9	25.9	70.0	22.0%
Underpants	18.1	34.4	87.6	20.5%
Sleepwear and Loungewear	6.8	12.7	36.0	23.1%
Thermal Clothes	5.3	8.9	19.4	16.9%

Source: Frost & Sullivan Report

The second key sales channel for customers to purchase intimate wear in the PRC is shopping malls and supermarkets, which in aggregate constituted 46.2% of the PRC intimate wear industry in terms of total retail sales in 2013. However, with the increasing popularity of e-commerce, sales through this channel are expected to decline. The table below sets forth the retail sales through shopping malls and supermarkets by product segment for the periods indicated.

Retail Sales through Shopping Malls & Supermarkets

RMB billions	2009	2013	2018E	2013–2018E CAGR
Bras	16.1	26.5	52.0	14.4%
Underpants	23.9	40.3	82.4	15.4%
Sleepwear and Loungewear	4.6	8.1	17.0	15.9%
Thermal Clothes	2.4	3.8	6.4	11.1%

Source: Frost & Sullivan Report

E-commerce accounted for only 2.4% of the PRC intimate wear industry in terms of retail sales in 2013. However, as a result of the development of mobile internet and smartphone technology, it is expected that e-commerce will become an important sales channel for intimate wear products in the future, constituting 6.8% of the PRC intimate wear industry in terms of total retail sales in 2018. The table below sets forth the retail sales through e-commerce by product segment for the periods indicated.

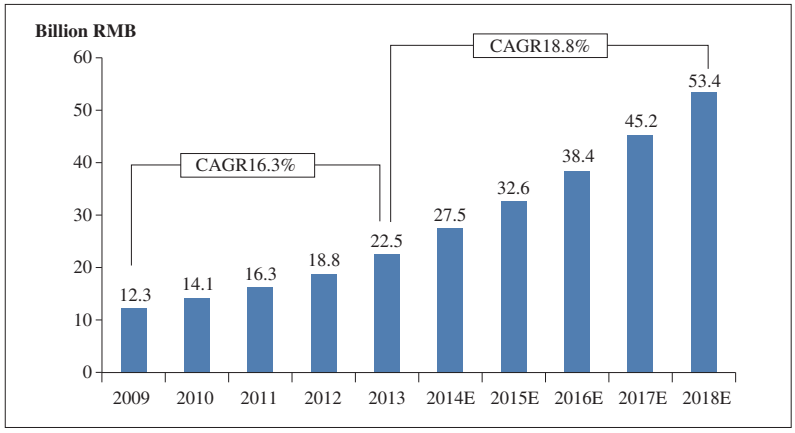
Retail Sales through E-commerce

RMB billions	2009	2013	2018E	2013–2018E CAGR
Bras	0.3	1.3	6.8	39.0%
Underpants	0.2	1.4	11.6	52.3%
Sleepwear and Loungewear	0.2	0.6	5.5	54.0%
Thermal Clothes	0.1	0.4	2.2	39.8%

Source: Frost & Sullivan Report

In particular, the total retail sales of men's underpants have witnessed a significant growth since 2009. The total retail sales of men's underpants in China increased from RMB12.3 billion in 2009 to RMB22.5 billion in 2013, representing a CAGR of 16.3% over the same period. Although the market size of men's underpants is much smaller than that of the women's panties, men's underpants market represents a significant growth potential as the market demand for men's underpants has become stronger over the years. The total retail sales of the men's underpants in China is expected to reach RMB53.4 billion in 2018, representing a CAGR of 18.8% from 2013 to 2018. The chart below sets forth the growth of retail sales of men's underpants in China for the periods indicated.

Retail Sales of Men's Underpants in China, 2009–2018E



Source: Frost & Sullivan Report

Consumers with different income levels tend to have different focuses upon making purchases of intimate wear. The purchase decisions of consumers with higher income levels have become increasingly driven less by price, and more by product quality and brand awareness. On the other hand, consumers with middle income levels, representing the majority of population in China, are more price-conscious and emphasize the price quality ratio. These consumers tend to choose affordable products with comparatively better quality. Consumers with lower income levels prefer products with competitive price and acceptable quality, and pay less attention to product style or design. We target at consumers with middle income levels and thus the price and quality ratio and competitive pricing are the key competitive factors for us to succeed in the intimate wear industry in China.

Key Success Factors in the PRC Intimate Wear Industry

According to the Frost & Sullivan Report, key success factors in the PRC intimate wear industry include:

- *Extensive product and consumers coverage*. It is important for intimate wear companies to provide extensive product offerings and cover a wider range of customers in order to satisfy different segments of customers in the industry.
- *Extensive retail network*. The ability to provide target customer with convenient and efficient purchase experiences is an important success factor for intimate wear companies.
- *Application of new technologies.* Advanced manufacturing technologies and higher quality materials have led to the improvement of product quality, allowing intimate wear companies to expand their market share and increase their gross profit margins, and further driving demand for intimate wear in China.
- *Fashionable design.* Customization, diversification and trendy fashion are important to the market acceptance and popularity of intimate wear in China. In the development of intimate wear, designers have to take into consideration a number of factors, including, but not limited to, different body shapes and sizes of different targeted consumers, fashion trends and comfort.

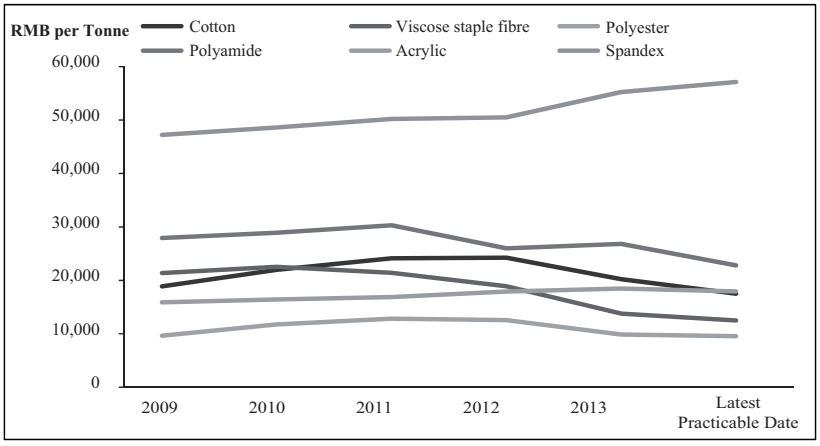
Our Competitive Advantages

For our competitive advantages, please see "Business — Our Competitive Strengths" for more details.

RAW MATERIALS

The principal raw materials for intimate wear include cotton, viscose staple fiber, polyester, polyamide, acrylic and spandex. The fluctuation of cost of raw materials directly affects intimate wear companies' cost structure and product pricing. According to the Frost & Sullivan Report, raw material costs for intimate wear will see much less fluctuations in the future as a result of a stable supply and demand of these raw materials.

Major raw materials of intimate wear in China, 2009 – Latest Practicable Date



Source: Frost & Sullivan Report; Info.texnet.com.cn

The price of cotton, a major raw material for intimate wear, increased from RMB18,730 per tonne in 2009 to nearly RMB20,042 per tonne in 2013 primarily due to the supply shortage resulting from the PRC government's policy to reduce the number of small cotton producers. From 2012 to 2013, as large cotton producers have continued to increase their production volume, the price of cotton has decreased slightly and is expected to remain relatively stable in the future. Up to the Latest Practicable Date, the average price of cotton decreased to RMB17,402 per tonne.

Polyester is another major raw material for intimate wear. Polyester prices fluctuated between RMB9,760 per tonne and RMB9,972 per tonne during 2009 to 2013, mainly as a result of oil price fluctuations. Up to the Latest Practicable Date, the average price of polyester decreased to RMB9,670 per tonne. Polyester price is expected to slightly increase in the future.

The price of viscose staple fiber is closely correlated with the price of dissolving pulp, which is largely imported from overseas. Due to over-supply since 2010, the price of viscose stable fiber decreased from RMB22,300 per tonne in 2010 to RMB13,784 per tonne in 2013. With viscose stable fiber reaching a balance between supply and demand, the price of viscose stable fiber is expected to moderate and remain stable. Up to the Latest Practicable Date, the average price of viscose decreased to RMB12,540 per tonne.

The price of polyamide decreased from RMB29,850 per tonne in 2011 to RMB26,465 per tonne in 2013 due to weak demand for polyamide. Up to the Latest Practicable Date, the average price of polyamide decreased to RMB22,565 per tonne. The price of polyamide is expected to remain stable in the next five years.

The price of acrylic experienced a stable increase from RMB15,830 per tonne in 2009 to RMB18,340 per tonne in 2013. The price of acrylic is expected to be on a stable upward trend in the future. Up to the Latest Practicable Date, the average price of acrylic was 17,825 per tonne.

The price of spandex slightly increased from RMB46,300 per tonne in 2009 to RMB54,105 per tonne in 2013. Up to the Latest Practicable Date, the average price of spandex decreased to RMB55,944 per tonne. The price of spandex is expected to be on a stable upward trend in the future.

Set out below are summaries of certain aspects of the PRC laws and regulations which are relevant to the operation and business of the Company.

Laws and Regulations Relating to Foreign Investment in Commercial Fields

The principal legal provisions governing foreign investment in the commercial sector are set out in the Measures for Administration on Foreign Investment in Commercial Fields (外商投資商業領域管理辦法) (the "Measures of Administration") which were promulgated on April 16, 2004 and came into effect on June 1, 2004. Pursuant to the Measures of Administration, foreign investors are permitted to engage in the operation of distribution services on a wholly foreign-owned basis. Foreign-invested commercial enterprises can undertake the following business activities:

(i) commission agency: agents, brokers, auctioneers or other wholesalers of goods who sell goods owned by others and provide relevant attachment services through the collection of fees on the basis of contract;

(ii) wholesale: the selling of goods to retailers, customers of industry, commerce and organizations, or to other wholesalers or providing relevant auxiliary services;

(iii) retail: the selling of goods for consumption and use by individuals or groups or providing relevant attachment services in fixed places or through television, telephone, mail order, internet, and automats; and

(iv) franchising: vesting other people with the right of use of a given trademark, trade firm or mode of management through the signing of a contract in order to collect remunerations or franchising fees.

Foreign investors can apply to set up both commercial enterprises and stores at the same time in accordance with certain procedures and guidelines set out in the Measures of Administration. The procedures for establishing a foreign-invested commercial enterprise involve the submission of an application, including a project proposal, feasibility study and other required documents, to the relevant provincial commerce department or the MOFCOM for approval.

Pursuant to the Notice of the Ministry of Commerce on Transferring Approval Rights of Foreign-invested Commercial Enterprises (商務部關於下放外商投資商業企業審批事項的通知) issued by the MOFCOM on September 12, 2008, the provincial commerce department shall be the approval authority of the establishment and modification of foreign-invested commercial enterprises, except for those that engage in sales by television, telephone, mail order, internet, or vending machine, those that engage in the wholesale of audiovisual products and those that engage in the sale of books, newspapers and magazines.

Laws and Regulations Relating to Commercial Franchise

The Regulations for the Administration of Commercial Franchises (商業特許經營管理條例) (the "Franchise Regulations") are promulgated by the State Council on February 6, 2007 and became effective on May 1, 2007. In addition to the Franchise Regulations, the Ministry of Commerce has promulgated two implementing regulations, the Administrative Measures for Archival Filing of Commercial Franchises (商業特許經營備案管理辦法) (the "Archival Filing

Measures") and the Administrative Measures on Information Disclosure Requirements for Commercial Franchises (商業特許經營信息披露管理辦法) (the "Disclosure Measures"), which are also effective from May 1, 2007 and later were separately amended on December 12, 2011 and February 23, 2012, effective from February 1, 2012 and April 1, 2012. The Franchise Regulations, Archival Filing Measures and Disclosure Measures form the basic legal framework for the regulation of PRC franchise operations, and address the requirements, fees, qualifications, administrative reporting and compliance procedures and other issues related to franchising.

The MOFCOM shall be responsible for supervising and managing commercial franchises across the country in accordance with these Regulations. The departments in charge of commerce of the provinces, autonomous regions, or municipalities directly under the central government and the departments in charge of commerce of the people's government of the cities with district division shall be responsible for supervising and managing the commercial franchises within their respective jurisdiction pursuant to these Regulations.

Any franchiser that intends to engage in commercial franchising shall have a well-established operation model, be able to provide the franchisee with long-term management guidance, technical support, business training, and other services, and have at least two direct sales stores with more than one year's operation.

A franchiser shall, within 15 days upon the conclusion of its first commercial franchises contract, report to the department in charge of commerce for filing in accordance with these Regulations. Any franchiser to engage in any commercial franchises activities in any province, autonomous region, or municipality directly under the central government, shall file with the department in charge of commerce of the province, autonomous region or municipality directly under the central government. Any franchiser engaging in any commercial franchises activities in more than one province, autonomous region, or municipality directly under the central government, shall be filed with the MOFCOM.

Laws and Regulations Relating to Product Sale through the Internet

Pursuant to the Administrative Measures for Internet Information Services (互聯網信息服務管理辦法) which was promulgated and took effect on 25 September 2000 by the State Council, internet information services comprise commercial service and non-commercial services. The term of commercial internet information service refers to service activities such as provision for value to online subscribers through the internet of information or website production, etc. The term of non-commercial internet information service refers to the provision without compensation to online subscribers through the internet of information that is public and openly accessible. In order to engage in the provision of commercial internet information services, the applicant shall apply to the telecommunications administration authority of the province, autonomous region or municipality directly under the central government or the State Council's department (the "provincial telecommunications administration authority") for an Internet Information Services Value-added Telecommunications Service Operating Permit (the "Operating Permit"). In order to engage in the provision of non-commercial internet information services, the applicant shall carry out record-filing procedure with the provincial telecommunications administration authority. The one engaging in the provision of non-commercial internet information services without having

completed the record-filing procedures, or providing services beyond the scope of the services placed in the record, the provincial telecommunications administration authority shall order rectification within a limited period of time. If the violator refuses to rectify the violation, the provincial telecommunications administration authority shall order the website to be shut down.

The Measures for the Archival Administration of Non-Commercial Internet Information Services (非經營性互聯網信息服務備案管理辦法) which was promulgated on 8 February 2005 and took effect from 20 March 2005 by the Ministry of Information Technology (the predecessor of the Ministry of Industry and Information Technology) formulates more detailed procedural requirements of record-filing for non-commercial internet information services providers.

Pursuant to the Circular of the General Office of the Ministry of Commerce on Some Issues Concerning the Approval and Administration of Foreign Investment Projects of Sale through Internet and Automat (商務部辦公廳關於外商投資互聯網、自動售貨機方式銷售項目審批管理有關問題的通知) which was promulgated by the MOFCOM and took effect on 19 August 2010, foreign invested commercial enterprises is allowed to directly engage in internet sales business subject to requisite approvals and registrations in accordance with the laws. The application for the establishment of a foreign invested enterprises specialising in internet sale shall be submitted to the competent provincial commerce departments for approval, the competent provincial commerce departments shall conduct strict examination and approval in accordance with the Commercial Enterprises Measures and other relevant laws and regulations. Where a foreign invested enterprise provides network services for other dealing parties by taking advantage of its own network platform, it shall apply to the Ministry of Industry and Information Technology for value-added telecommunications business licence; where a foreign invested enterprise directly engages in commodity sale by using its own network platform, it shall file with the competent telecommunication administrative department.

Pursuant to Guiding Opinions of the Ministry of Commerce on Online Trading (for Tentative Implementation) (商務部關於網上交易的指導意見[暫行]), which was promulgated by the MOFCOM and took effect on March 6, 2007, the online trading service provider, which comprises online trading platform service provider and auxiliary online trading service providers, shall go through approval and registration formalities if required. The term of online trading platform service provider refers to the one who operates online trading platforms and provide the buyers and sellers with trading services. The term of auxiliary online trading service providers refers to the one who provides the buyers and the sellers with auxiliary services such as identity certification, credit evaluation, network advertisement publishing, network marketing, online payment, logistics distribution, trading insurance, etc. in order to optimise the online trading environment and to promote the online trading.

To summarise the approval or record-filing formalities in relation to online sale under the PRC laws and regulations, in the event that a person or an enterprise sell commodities or services by using its own online trading platform, it shall file with the competent telecommunication administrative department; in the event that a person or an enterprise sells commodities or services by using the online trading platform provided by others, it does not need to apply for the Value-added Operating Permit or conduct record-filing with the competent telecommunication administrative department, meanwhile the online trading platform provider shall apply for and hold the Value-added Operating Permit to operate the online trading platform.

Laws and Regulations Relating to Personal Information Protection

Pursuant to the Tort Law of the PRC (中華人民共和國侵權責任法) which was promulgated on 26 December 2009 and took effect from 1 July 2010 by the Standing Committee of the NPC, anyone who infringes on other persons' rights associated with his/her name or privacy should undertake tortuous liabilities.

The Tentative Measures for Administration of Online Commodity Trades and Related Services (網絡商品交易及有關服務行為管理暫行辦法), which was promulgated on 31 May 2010 and took effect from 1 July 2010 by State Administration for Industry and Commerce, applies to online commodity providers and online service providers in respect of online commodity trades and relevant services within the PRC. Pursuant to the tentative measures, online commodity providers and online service providers are obliged to keep safe, rationally use, hold for a limited time period and properly destroy consumers' information they have collected; and shall not collect information irrelevant to the provision of commodities and services, shall not misuse the information, or publicise, lease or sell the information, unless otherwise provided for by laws and regulations. Warning shall be given to violations of infringing on consumers' private information, and violators shall be ordered to make corrections within the limited time period, and to pay a fine of less than RMB10,000 if the violators fail to make corrections within the limited time period.

The Guidelines for Personal Information Protection in Information Safety Technology Public and Commercial Service Information System (信息安全技術公共及商用服務信息系統個人信息保護指南), which became effective on 1 February 2013, applies to any organisations and entities other than government agencies responsible for public administration as a technical instruction instead of a legally binding regulation. Pursuant to the guidelines, personal information comprises sensitive personal information and general personal information. The term of sensitive personal information refers to the information once revealed or modified may have a negative effect on the subject of the information, such as identity no., mobile phone no., race, political viewpoint, religious belief, genes and fingerprint, etc. Other information can be deemed as general personal information. The sensitive personal information of each industry shall be determined according to the willingness of the subject accepting services and the respective industry characters. The sensitive personal information cannot be collected or used without the expressed authorisation of the subject, while the general personal information can be utilised based on the tacit consent of the subject.

Laws and Regulations Relating to Anti-Unfair Competition

The principal legal provisions governing market competition are set out in the Anti-Unfair Competition Law of the PRC (中華人民共和國反不正當競爭法), which was promulgated on September 2, 1993 and came into effect on December 1, 1993.

The Anti-Unfair Competition Law of the PRC provides that business operators shall not undermine their competitors by engaging in any of the following improper market activities:

(i) passing off the registered trademarks of others;

(ii) using, without authorization, the names, packaging or decoration peculiar to well-known goods or using names, packaging or decoration similar to those of

well-known goods so that their goods are confused with the well-known goods of others, causing buyers to mistake them for the well-known goods of others;

(iii) using, without authorization, the enterprise names or personal names of others on their own goods, leading purchasers to mistake them for the goods of others; and

(iv) forging or falsely using, on their goods, symbols of quality such as symbols of authentication and symbols of famous and high-quality goods, falsifying the origin of their goods, and making false representations which are misleading as to the quality of the goods.

Operators shall not practice bribery by using money, valuables or other means to sell or buy goods except by paying a kickback entered in the book factually. Where Operators give a discount to the other party or pay a commission to the middlemen, it must enter the items in the book factually. The party accepting a discount or commission must enter it in the book factually as well. Operators shall not use advertisement or other means to give false, misleading information on the quality, composition, performance, use, manufacturer, useful life, origin, etc. of the goods. Operators shall not sell merchandise at a price lower than the cost to edge out competitors. However, below-cost pricing in the situations of handling overstocked merchandise, seasonal price reduction or sales of merchandise at a reduced price because of settlement of indebtedness, change of business or close of business, is not considered inappropriate competitive behavior.

Any operator who commits any of the illegitimate acts listed in the Anti-unfair Competition Law shall be ordered to desist from the illegal act, dispel the bad influence or compensate for the damages of the injured party, his illegal gains shall be confiscated and he may also be fined; if the circumstances are serious, his business license shall be revoked or even he shall be prosecute for his criminal responsibility.

Laws and Regulations Relating to Product Quality and Consumer Protection

Product Quality

Pursuant to the Product Quality Law of the PRC (中華人民共和國產品質量法), which was promulgated on February 22, 1993, became effective on September 1, 1993, and was subsequently amended on July 8, 2000, producers are liable for the quality of the products they produce. Where anyone produces or sells products that do not comply with the relevant national or industrial standards safeguarding the health and safety of persons and property, the relevant authority will order such person to suspend the production or sales, confiscate the products, impose a fine of an amount higher than the value of the products and less than three times of the value of the products, confiscate illegal gains (if any) as well as revoke the business license in severe cases. Where the activities constitute a crime, the offender will be prosecuted.

Product Liabilities

Manufacturers and distributors of defective products in the PRC may incur liability for losses and injuries caused by such products. Under the General Principles of the Civil Laws of the PRC (中華人民共和國民法通則), which became effective on January 1, 1987, and the Law on the Protection of Consumer Rights and Interests of the PRC (中華人民共和國消費者權益保

護法), which was promulgated on October 31, 1993, became effective on January 1, 1994 and was amended on August 27, 1999 and October 25, 2013, the manufacturers and distributors will be held liable for losses and damages suffered by consumers caused by the defective products manufactured or distributed by them.

Under the above-mentioned laws and regulations, it is required to ensure that the products which we produce and sell meet the requirements for safeguarding human health and ensuring human and property safety. Failing to do so will lead to a series of penalties, including the suspension of production and sale, confiscation of the products and earnings, imposition of fines, revocation of business licenses, and/or even criminal liabilities. In addition, if the products cause personal injuries or other form of torts, lawsuits and liabilities in tort would be brought in.

Laws and Regulations Relating to Environmental Protection

According to the Environmental Protection Law of the PRC (中華人民共和國環境保護法), which was promulgated and became effective on December 26, 1989, entities that cause environmental pollution and other public hazards must incorporate environmental protection work into their plans, establish an environmental protection responsibility system, and adopt effective measures to prevent and control pollution and other environmental harms caused by waste gases, wastewater, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of the production, construction or other activities. In addition, entities that discharge pollutants must register with the relevant environmental protection authorities.

On November 29, 1998, the State Council promulgated the Regulations on the Administration of Environmental Protection of Construction Project (建設項目環境保護管理條例). On October 28, 2002, the Standing Committee approved the Law on Appraising of Environment Impact of the PRC (中華人民共和國環境影響評價法), which became effective on September 1, 2003. According to the aforesaid laws, the construction units responsible for the construction projects must submit corresponding environmental impact appraisal documents to the relevant administrative departments of environmental protection for examination and approval and obtain approvals from such administrative departments of environmental protection before they commence construction. Environmental protection facilities shall be designed, built and commissioned together with the whole construction project. No permission shall be given for a construction project to be commissioned until its environmental protection facilities have been examined and assessed and determined to be up to standard by the relevant department of the environmental protection administration that is responsible for examining and approving the environmental impact statement of the applicant.

Laws and Regulations Relating to Property

The Land Administration Law of the PRC (中華人民共和國土地管理法) was promulgated by the Standing Committee on June 25, 1986, became effective on January 1, 1987 and was amended on December 29, 1988, August 29, 1998 and August 28, 2004. The Regulations for the Implementation of the Land Administration Law of the PRC (中華人民共和國土地管理法實施條例) were promulgated by the State Council on December 27, 1998 and became effective on January 1, 1999 (collectively, the "Land Administration Law"). Under the

Land Administration Law, the national government implements a land registration and certification system. Lawfully registered land ownership and land use rights are protected by law and may not be infringed upon by any units or individuals.

Employment Contracts

Pursuant to the Labor Law of the PRC (中華人民共和國勞動法), which was promulgated on July 5, 1994 and became effective on January 1, 1995, and the Labor Contract Law of the PRC (中華人民共和國勞動合同法), which became effective on January 1, 2008 and was amended on December 28, 2012, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or entities on one hand and the laborers on the other hand.

Employee Benefits

As required under the Regulation of Insurance for Labor Injury (工傷保險條例), implemented on January 1, 2004, the Provisional Measures for Maternity Insurance of Employees of Corporations (企業職工生育保險試行辦法), implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Old-Aged Pension Insurance of the State Council (國務院關於建立統一的企業職工基本養老保險制度的決定), issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (國務院關於建立城鎮職工基本醫療保險制度的決定), promulgated on December 14, 1998, the Unemployment Insurance Measures (失業保險條例), promulgated on January 22, 1999, and the Social Insurance Law of the PRC (中華人民共和國社會保險法), implemented on July 1, 2011, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. Enterprises must apply for social insurance registration with local social insurance agencies and pay premiums for their employees. If an enterprise fails to pay the required premiums on time or in full amount, the authorities in charge will demand the enterprise to settle the overdue amount within a stipulated time period and impose a 0.05% overdue fine. If the overdue amount is still not settled within the stipulated time period, an additional fine with an amount of three to five times of the overdue amount will be imposed.

According to the Regulation on Management of Housing Fund (住房公積金管理條例), which was promulgated by the State Council on April 3, 1999, became effective on the same day and was amended on March 24, 2002, enterprises must register with the competent managing center for housing funds and, upon the examination by such managing center of housing fund, complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Employers are required to contribute, on behalf of their employees, to housing funds. The payment is required to be made to local administrative authorities. Any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

Laws and Regulations Relating to Occupation Safety

The Production Safety Law of the PRC (中華人民共和國安全生產法) (the "Production Safety Law"), which was promulgated by the Standing Committee on June 29, 2002, became

effective on November 1, 2002 and amended on August 27, 2009, requires production entities to meet the relevant legal requirements, such as providing their staff with training and handbooks on production safety, and providing safe working conditions in compliance with relevant laws, rules and regulations.

Trademark

The Trademark Law of the PRC (中華人民共和國商標法) was promulgated on August 23, 1982 and came into effect on March 1, 1983 and was subsequently amended on February 22, 1993, October 27, 2001 and August 30, 2013 respectively. The Latest amendments to the Trademark Law of the PRC will come into effect on May 1, 2014.

Pursuant to the Trademark Law of the PRC, the right to exclusive use of a registered trademark shall be limited to the trademark which has been registered and to commodities on which the use of a trademark has been approved. The period of validity of a registered trademark shall be ten years commencing from the day the registration is approved. If a registrant needs to continue to use the registered trademark after the period of validity, an application for renewal of registration shall be made within twelve months before the expiration. The period of validity for each renewal of registration shall be ten years.

Any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark: (a) using a trademark which is identical with a registered trademark on the same kind of commodities without a license from the registrant of the registered trademark; (b) using a trademark which is similar to a registered trademark on the same kind of commodities, or using a trademark that is identical with or similar to the registered trademark on similar goods without a license from the registrant of the registered trademark, which is likely to cause confusion; (c) selling commodities that infringe upon the right to exclusive use of a registered trademark; (d) counterfeit or unauthorized production of the label of another's registered trademark, or sale of any such label that is counterfeited or produced without authorization; (e) changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of the registered trademark; (f) providing, intentionally, convenience for activities infringing upon others' exclusive right of trademark use, and facilitating others to commit infringement on the exclusive right of trademark use; or (g) causing other damage to the right to exclusive use of a holder of a registered trademark.

Where a dispute arises from infringing upon the exclusive rights of the registrant of a registered trademark, the parties involved shall settle the dispute through negotiation. If any party refuses to negotiate or the negotiation has failed, the registrant of the registered trademark or the interested parties may bring a suit before a people's court or request the Administration for Industry and Commerce to handle the issue. The registrant of a registered trademark may license others to use its registered trademark through the trademark license agreement. The licensor shall supervise the quality of the goods in respect of which the licensee uses his registered trademark, and the licensee shall assure the quality of the goods in respect of which he uses the registered trademark. Where the registered trademark is licensed, the name of the licensee and manufacturing location shall be indicated on the product with the licensed registered trademark. The trademark license agreement shall be filed with the State Trademark Office for record.

Patent

Pursuant to the Patent Law of the PRC (中華人民共和國專利法) which was promulgated on March 12, 1984 and came into effect on April 1, 1985 and was subsequently amended on September 4, 1992, August 25, 2000 and December 27, 2008, respectively, patent protection is divided into three categories: invention patent, utility model patent and design patent. According to the Patent Law of the PRC, after the grant of the patent right for an invention or utility model, except where otherwise provided for in the Patent Law, no entity or individual may, without the authorisation of the patent owner, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process, for production or business purposes. And after a patent right is granted for a design, no entity or individual shall, without the permission of the patent owner, exploit the patent, that is, for production or business purposes, manufacture, offer to sell, sell, or import any product containing the patented design. Where the infringement of patent is decided, the infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

Domain Name

Pursuant to the Measures for the Administration of Internet Domain Names of China (中國互聯網域名管理辦法), which was promulgated on November 5, 2004 and with effect from December 20, 2004, "domain name" shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of that computer. And the principle of "first come, first serve" is followed for the domain name registration service. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/it. Furthermore, the holder shall pay operation fees for registered domain names on schedule. If the domain name holder fails to pay the corresponding fees as required, the original domain name registrar shall write it off and notify the holder of the domain name in written form.

Laws and Regulations Relating to Taxation

Enterprise Income Tax

On March 16, 2007, the National People's Congress enacted the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法), which became effective as of January 1, 2008. On December 6, 2007, the State Council enacted the Implementation Rules for the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法實施條例), which also became effective as of January 1, 2008 (collectively, the "EIT Law"). According to the EIT Law, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control entity is within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but (i) have entities or premises in China, or (ii) have no entities or premises but have income generated from China. According to the EIT Law, foreign invested enterprises in the PRC are subject to enterprise income tax at a uniform rate of 25%. A non-resident enterprise that has an establishment or premises within the PRC shall pay enterprise income tax at a rate of 25% on its income that is derived from such establishment or premises inside the

PRC and that is sourced outside the PRC but is actually connected with the said establishment or premises. A non-resident enterprise that has no establishment or premises within the PRC but has income from the PRC, and a non-resident enterprise that has establishment or premises in the PRC but its income has no actual connection to such establishment or premises in the PRC, shall be subject to PRC withholding tax at the rate of 10% on its income sourced from the PRC.

According to the EIT Law, dividends paid to foreign investors of foreign-invested companies are subject to withholding tax at a rate of 10%, unless otherwise provided in the relevant tax agreements entered into with the central government of the PRC. The PRC and Hong Kong governments entered into the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排) (the "Arrangement") on August 21, 2006. According to the Arrangement, the withholding tax rate on dividends paid by a PRC company to a Hong Kong resident entity is 5% if such Hong Kong resident entity directly holds at least 25% of the equity interest in the PRC company, and 10% if the Hong Kong resident entity holds less than 25% of the equity interest in the PRC company.

Dividend Tax

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (國家税務總局關於執行税收協定股息條款有關問題的通知), which was promulgated by the State Administration of Taxation (the "SAT") and became effective on February 20, 2009, all of the following requirements shall be satisfied in order to enjoy the preferential tax rates provided under the tax agreements: (i) the tax resident that receives dividends should be a company as provided in the tax agreement; (ii) the equity interests and voting shares of the PRC resident company directly owned by the tax resident reaches the percentages specified in the tax agreement; and (iii) the equity interests of the Chinese resident company directly owned by such tax resident at any time during the twelve months prior to receiving the dividends reach a percentage specified in the tax agreement.

According to the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) (非居民享受税收協定待遇管理辦法(試行)), which came into force on October 1, 2009, if a non-resident enterprise (as defined under the PRC tax laws) that receives dividends from a PRC resident enterprise wishes to enjoy the preferential tax treatments under the tax agreements, it shall submit an application for approval to the competent tax authority.

Value-Added Tax

Provisional Regulations of the PRC on Value-added Tax (中華人民共和國增值税暫行條例) were promulgated by the State Council on December 13, 1993 and came into effect on January 1, 1994. The Provisional Regulations were amended on November 10, 2008 and the amended Provisional Regulations came into effect on January 1, 2009. The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (Revised in 2011) (中華人民共和國增值税暫行條例實施細則(2011年修訂)) were promulgated by the Ministry of Finance (財政部) and the SAT on December 15, 2008 and were amended and came

into effect on November 1, 2011 (collectively, the "VAT Law"). According to the VAT Law, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC must pay value-added tax.

Laws and Regulations Relating to Foreign Exchange

Under the Foreign Currency Administration Rules of the PRC (中華人民共和國外匯管理條例) which was promulgated in 1996 and amended in 1997 and 2008, and various regulations issued by the State Administration of Foreign Exchange of the PRC (the "SAFE"), RMB may be converted into foreign currencies without approval for the purpose of current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. Conversion of RMB into other currencies for capital account items, such as direct investments, loans, security investments and repatriation of investment, however, is still subject to the approval of SAFE or its competent local branches. Under the Foreign Currency Administration Rules of the PRC, enterprises may only buy, sell or remit foreign currencies at those banks authorized to conduct foreign exchange business after providing valid commercial documents and relevant supporting documents and, in the case of capital account item transactions, obtaining approval from SAFE or its competent local branches. Capital investments by enterprises outside of the PRC are also subject to limitations, which include approvals by MOFCOM, SAFE and NDRC, or their respective competent local branches.

Pursuant to the Circular of the SAFE on Relevant Issues concerning Foreign Exchange Administration of Financing and Return Investments Undertaken by Domestic Residents through Overseas Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (the "SAFE Circular No. 75"), promulgated on October 21, 2005 and effective on November 1, 2005, (a) a PRC individual resident (a "PRC Resident") must register with the local SAFE branch before he or she establishes or controls an overseas special purpose vehicle (the "SPV") for the purpose of conducting overseas equity financing; (b) when a PRC Resident contributes assets or equity interests in an overseas SPV, or engages in overseas financing after contributing assets or equity interests in a domestic enterprise to an overseas SPV, such PRC Resident must register his or her interest in the overseas SPV or any change to his or her interest in the overseas SPV with the local SAFE branch; and (c) when the overseas SPV undergoes a material change in capital outside the PRC, such as capital increase or reduction, equity transfer or swap, merger or division, long-term equity or debt investment, provision of security to a third party, etc. which do not involve reverse investment, the PRC Resident shall, within 30 days after the occurrence of such event, register such change with the local SAFE branch. Pursuant to SAFE Circular No. 75, failure to comply with these registration procedures may result in penalties, including the imposition of restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute any dividends to the overseas SPV. Since May 2007, the SAFE has issued guidance to its local branches from time to time with respect to the procedures for SAFE registration under Circular 75. Such guidance included Notice on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (關於進一步改進和調整直接投資外匯管理政策的通知) (the "Circular 59") issued on November 19, 2012 and came into effect from December 17, 2012. The Circular 59 further clarifies issues concerning the implementation and application of Circular 75 and simplifies the operational procedures for Circular 75.

Any failure by PRC Shareholders to register with the SAFE their interest in the SPV or any changes to such interest may result in restrictions on distribution or contributions from capital reductions, share transfers or liquidations of the PRC subsidiaries and may affect the ownership structure, acquisition strategy, business operations and ability to make dividend payments to the Shareholders.

Material Changes

The establishment, operation and management of corporate entities in the PRC are governed by the Company Law of the PRC (中華人民共和國公司法, the "Company law"), which was promulgated by the Standing Committee of the NPC on December 29, 1993 and became effective on July 1, 1994. It was subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013 respectively.

The latest amendment shall take effect from March 1, 2014, according to which, there is no longer a prescribed timeframe for the shareholders of companies to make full capital contribution, except in situations where there are requirements in other relevant laws and regulations, instead, shareholders are only required to state the capital amount that they commit to subscribe in the articles of association of the company. Under the latest amendment, the initial payment of the companies' registered capital will no longer be subject to the minimum payment amount of the registered capital and the business licenses of the companies will not show the paid-up capital. In addition, shareholders' contribution of the registered capital will no longer be required to be verified by capital verification institutions.

HISTORY

Overview

We are the largest branded intimate wear enterprise in China. Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on January 28, 2014 and is the holding company of our Group.

The Four Co-founders were our Controlling Shareholders acting in a consensual manner throughout the Track Record Period and as part of the Reorganization, they consolidated their interests into Harmonious Composition, which held 80.31% of the total issued share capital of our Company as of the Latest Practicable Date.

Business Milestones

The following table sets forth the key milestones in our history:

Year	Event
1998	• The "Cosmo Lady" brand was launched by Mr. Zheng.
2002	• Mr. Zheng introduced "one-stop shopping" marketing model into our operation.
2009	• Cosmo Lady Guangdong was established.
2010	• The headquarters of Cosmo Lady Guangdong was relocated to the City Beauty Wind Industrial Park and our first sorting machine was introduced. • The centralized ERP system enabled us to quickly and efficiently retrieve and analyze our operational data and information on a real time basis. • The WMS system was established, which utilizes automatic identification and data collection technology and advanced warehouse control system to automatically sort, pack and deliver our products to each outlet. • Capital Today Investment invested in Cosmo Lady Guangdong, and Cosmo Lady Guangdong was converted into a Sino-foreign joint venture company. • Cosmo Lady Guangdong received the "China Enterprise Marketing Innovation Award — The Best Channel Model Innovation Award of the Year" ("中國企業行銷創新單項獎 — 年度最佳渠道模式創新獎") from the 2010 China Marketing Gala.
2011	• Cosmo Lady Guangdong was accredited as one of the "Dongguan Top 50 Private Industrial Enterprises for the Year of 2009 to 2010" ("2009–2010年度東莞市50強民營工業企業").
2012	• Cosmo Lady Guangdong implemented SAP, which seamlessly integrates sales and consumer management, supply chain management, inventory management and financial accounting management. • Cosmo Lady Guangdong's Research & Development Center was officially launched in Shenzhen. • A famous model Ms. Lin Chi-ling (林志玲) became the image spokesperson for our female intimate wear.

Year	Event
	• Cosmo Lady Guangdong started to be accredited as one of the "Dongguan Top Five Tax Payers (Private Manufacturing Enterprises)" ("東莞市納稅前五名(製造業民營企業)").
	• Cosmo Lady Guangdong was recognized as one of the Dongguan Headquarter Enterprises (東莞總部企業).
2013	• We started to build our new central logistics center in Dongguan.
	• A famous actor Mr. Huang Xiaoming (黃曉明) became the image spokesperson for our male intimate wear.
	• Cosmo Lady Guangdong ranked 13th out of the "2012 Guangdong Top 50 Chain Enterprises" ("2012年度東莞市50強連鎖企業").
	• Cosmo Lady Guangdong was accredited as one of the "Dongguan Top 50 Private Enterprises for the Year of 2011 to 2012" ("2011–2012年度東莞市50強民營企業").
2014	• Our Company was established in the Cayman Islands on January 28, 2014.
	• We introduced Cosmic Vanguard as a strategic investor.
	• The Reorganization was completed.

Early history

The history of our intimate wear business can be traced back to 1998, when Mr. Zheng started his intimate wear business and launched the "Cosmo Lady" brand with his personal savings. In 2002, Mr. Zheng introduced "one-stop shopping" marketing model into our operation and the retailers started to sell intimate wear in street shops. Mr. Zheng's business expanded swiftly and Mr. Cheng joined Mr. Zheng's business in 2004.

Mr. Zheng, together with Mr. Cheng, established Shenzhen City Beauty Fashion Co., Ltd. on March 1, 2005. In 2007, Mr. Zhang and Mr. Lin, who used to be the suppliers of the intimate wear business led by Mr. Zheng, joined Mr. Zheng and Mr. Cheng. With a view to consolidating our core business, Cosmo Lady Guangdong was established on September 29, 2009 and the intimate wear business of our Four Co-founders was injected into Cosmo Lady Guangdong. Shenzhen City Beauty Fashion Co., Ltd. was subsequently deregistered.

Cosmo Lady Guangdong

On September 29, 2009, Cosmo Lady Guangdong, our primary PRC operating subsidiary, was established by the Four Co-founders, namely Mr. Zheng, Mr. Zhang, Mr. Lin and Mr. Cheng, who held 62.4%, 19.2%, 14.4% and 4.0% equity interest in Cosmo Lady Guangdong, respectively, upon its incorporation.

Under the management of our Four Co-founders who possess strong execution capability and in-depth knowledge of the intimate wear industry, the business of Cosmo Lady Guangdong grew rapidly, leading to a demand for equity financing. From 2010 to 2012, new capital was injected into Cosmo Lady Guangdong by, among others, our Four Co-founders and our investor. After the capital increase and equity transfer as elaborated below, Shenzhen Boshi Investment and Tianjin Daming, which were established by Mr. Zheng, Mr. Zhang and Mr. Lin and were

subsequently held by our employees, became the shareholders of Cosmo Lady Guangdong and held 0.5% and 2.0% of the equity interest in Cosmo Lady Guangdong, respectively. During the same period, Capital Today Investment made two rounds of equity investment in Cosmo Lady Guangdong, and held 12.69% of the equity interest in Cosmo Lady Guangdong following the completion of such investment. See "— Pre-IPO Investment" for details. As a result of these transactions, the shareholdings of Mr. Zheng, Mr. Zhang, Mr. Lin and Mr. Cheng in Cosmo Lady Guangdong were adjusted to 52.662%, 16.377%, 12.282% and 3.489%, respectively.

Capital increase by our Four Co-founders and Shenzhen Boshi Investment

On May 10, 2010, a resolution was passed by the shareholders' meeting of Cosmo Lady Guangdong, pursuant to which the Four Co-founders agreed to subscribe for RMB33.0 million in aggregate (on a pro rata basis) in the increased registered capital in Cosmo Lady Guangdong, each at a consideration equal to the amount of the corresponding registered capital. Subsequent to the subscription, the shareholdings of Mr. Zheng, Mr. Zhang, Mr. Lin and Mr. Cheng in Cosmo Lady Guangdong were 62.4%, 19.2%, 14.4% and 4.0%, respectively. On September 25, 2010, another resolution was passed by the shareholders' meeting of Cosmo Lady Guangdong, pursuant to which a new shareholder, Shenzhen Boshi Investment agreed to subscribe for RMB2.5 million and the Four Co-founders agreed to subscribe for RMB57.5 million in aggregate (on a non-pro rata basis) in the increased registered capital in Cosmo Lady Guangdong, each at a consideration equal to the amount of the corresponding registered capital. As a result of the subscription, the shareholdings of Mr. Zheng, Mr. Zhang, Mr. Lin, Mr. Cheng and Shenzhen Boshi Investment in Cosmo Lady Guangdong were 60.43%, 18.79%, 14.09%, 4.00% and 2.69%, respectively.

Pursuant to a resolution by the board of directors of Cosmo Lady Guangdong passed on August 15, 2011, Shenzhen Boshi Investment subscribed for RMB79,000 in the increased registered capital of Cosmo Lady Guangdong at a consideration of approximately RMB3.4 million, with reference to the market value of Cosmo Lady Guangdong.

After these two rounds of capital injection (and the investment by Capital Today Investment), Shenzhen Boshi Investment held 2.5% of the equity interest in Cosmo Lady Guangdong.

Equity transfer between Shenzhen Boshi Investment and Tianjin Daming

On November 10, 2012, an equity transfer agreement was entered into between Shenzhen Boshi Investment and Tianjin Daming, pursuant to which Shenzhen Boshi Investment agreed to transfer 2.0% equity interest in Cosmo Lady Guangdong, representing RMB2,063,200 of the registered capital in Cosmo Lady Guangdong, to Tianjin Daming at a consideration equal to the amount of the corresponding registered capital.

Expansion of our retail network and establishment of our subsidiaries

From 2010 to 2013, to further expand our retail network, Cosmo Lady Guangdong established 18 wholly-owned subsidiaries in the PRC and one wholly-owned subsidiary in Hong Kong. These subsidiaries play an important role in the management of our self-managed outlets and franchised outlets in different areas across China and in the establishment of our Tianjin logistics center and proposed establishment of our Chongqing logistics center.

PRE-IPO INVESTMENT

Investment by Capital Today Investment

Pursuant to an investment agreement dated January 26, 2010, an equity transfer and capital increase agreement dated October 20, 2010 and a joint venture agreement dated October 20, 2010, entered into by, among others, the Four Co-founders and Capital Today Investment, Capital Today Investment agreed to purchase in aggregate an approximate 3.22% equity interest in Cosmo Lady Guangdong at a consideration of RMB63.0 million from the Four Co-founders. In addition, Capital Today Investment agreed to subscribe for the increased registered capital of RMB7.0 million of Cosmo Lady Guangdong at a consideration of RMB147.0 million. Upon the completion of the investment, Capital Today Investment held 10.0% of the equity interest in Cosmo Lady Guangdong.

Subsequent to the first round of equity investment from Capital Today Investment, on November 15, 2010, Cosmo Lady Guangdong was converted into a Sino-foreign joint venture company pursuant to the approval from the Department of Foreign Trade and Economic Cooperation of Guangdong Province (廣東省對外貿易經濟合作廳).

Pursuant to an investment agreement and a supplemental joint venture agreement entered into by, among others, the Four Co-founders, Shenzhen Boshi Investment and Capital Today Investment on August 15, 2011, Capital Today Investment subscribed for RMB3,092,800 in the increased registered capital of Cosmo Lady Guangdong at a consideration of RMB135.0 million. Upon the completion of the second round investment, Capital Today Investment held 12.69% of the equity interest in Cosmo Lady Guangdong.

Details of the two rounds of investment by Capital Today Investment are set forth below:

Date of investment agreement	Amount of consideration paid	Payment date	Cost per share[1]	Discount to the [REDACTED][2]	Use of proceeds (fully utilized)	Shareholding in the Company immediately after the investment	Shareholding in the Company upon Listing	Strategic benefits to the Company
	(RMB million)		(RMB)					
October 20, 2010	210.0	January 19, 2011	22,000 (before the Capitalization Issue) 1.47 (after the Capitalization Issue)	[**REDACTED**]		10.0%		
August 15, 2011	135.0	November 3, 2011	45,000 (before the Capitalization Issue) 3.00 (after the Capitalization Issue)	[**REDACTED**]	Retail network expansion and logistics center establishment	12.69%	[**REDACTED**]	Knowledge and experience in the development of business strategy

Notes:

(1) As part of the Reorganization, the interest held by Capital Today Investment in Cosmo Lady Guangdong was converted into the interest in our Company. See "— Reorganization" for details.

(2) Assuming the [**REDACTED**] is fixed at HK$[**REDACTED**], being the midpoint of the indicative [**REDACTED**] range.

The purchase and subscription price and the percentage of shareholdings allotted to Capital Today Investment were determined on an arm's length basis as a result of negotiations among the parties having made reference to the forecast financial results of Cosmo Lady Guangdong and the prior rounds of equity fund raising by Cosmo Lady Guangdong.

Pursuant to the above-mentioned agreements entered into by, among others, the Four Co-founders and Capital Today Investment, Capital Today Investment was granted a number of special rights in relation to Cosmo Lady Guangdong. As a result of the Reorganization, Capital Today Investment ceased to be a shareholder of Cosmo Lady Guangdong and these special rights have been reflected in the amended and restated shareholders agreement in relation to our Company. See "— Special Rights of the Pre-IPO Investors" for details.

Investment by Cosmic Vanguard

Share Subscription by Cosmic Vanguard

On February 25, 2014, our Company entered into a share subscription agreement (the "**Cosmic Vanguard Share Subscription Agreement**") with Cosmic Vanguard and the Four Co-founders, pursuant to which our Company agreed to allot and issue to Cosmic Vanguard, and Cosmic Vanguard agreed to subscribe for 4,500 Shares (the "**Subscription Shares**") for a consideration of US$38,473,554 (equivalent to RMB234,000,000) (the "**Consideration**") in the Company. Details of the share subscription by Cosmic Vanguard are set out below.

Date of investment agreement	Amount of consideration paid	Payment date	Cost per share	Discount to the [REDACTED][(1)]	Use of proceeds (fully utilized)	Shareholding in the Company immediately after the investment	Shareholding in the Company upon Listing	Strategic benefits to the Company
	(RMB million equivalent)		(RMB)					
February 25, 2014	234.0	February 27, 2014	52,000 (before the Capitalization Issue) 3.47 (after the Capitalization Issue)	[**REDACTED**]	Acquisition of our onshore subsidiaries	4.5%	[**REDACTED**]	Knowledge and experience in the development of business strategy

Note:

(1) Assuming the [**REDACTED**] is fixed at HK$[**REDACTED**], being the midpoint of the indicative [**REDACTED**] range.

Issue of Exchangeable Note by Harmonious Composition

On February 25, 2014, Cosmic Vanguard as investor entered into an exchangeable note purchase agreement (the "**Cosmic Vanguard Note Purchase Agreement**") with Harmonious Composition, pursuant to which, Harmonious Composition agreed to issue and Cosmic Vanguard agreed to purchase an exchangeable note due on the last day of a 364-day period starting from February 25, 2014 in the principal amount of US$23,347,199 (equivalent to

RMB142,000,000) exchangeable into Shares in our Company held by Harmonious Composition (the "**Exchangeable Note**"). Details of the Exchangeable Note are set out below.

Date of investment agreement	Principal amount	Payment date	Initial number of Shares to be exchanged upon full exchange of the Convertible Instrument	Cost per share	Premium to the [REDACTED](1)	Use of proceeds (fully utilized)	Shareholding in the Company immediately upon the exchange (if exchanged)	Shareholding in the Company upon Listing (if exchanged)	Strategic benefits to the Company
	(RMB million equivalent)			(RMB)					
February 25, 2014	142.0	February 27, 2014	680	208,824 (before the Capitalization Issue) 13.92 (after the Capitalization Issue)	[**REDACTED**]	Acquisition of our onshore subsidiaries	0.68%	[**REDACTED**]	knowledge and experience in the development of business strategy

Note:

(1) Assuming the [**REDACTED**] is fixed at HK$[**REDACTED**], being the midpoint of the indicative [**REDACTED**] range.

Set forth below is a summary of the remaining principal terms and conditions of the Exchangeable Note.

Interest Rate:

The Exchangeable Note bears interest at the simple rate of 8.0% per annum; provided that to the extent the WSJ prime rate is higher than 8.0% per annum (the "**Interest Rate Change Event**"), such WSJ prime rate shall apply from the date when the Interest Rate Change Event occurs.

Payment of Interest:

Starting from April 2014 through the month immediately before the month when the Exchangeable Note has been fully repaid, redeemed or the Share Charge (as defined below) has been exercised, Harmonious Composition shall pay US$80,000 on the 5th day of each calendar month (or the next business day if the 5th day is not a business day) as a partial payment towards the interest accrued on the Exchangeable Note during the immediate preceding month, with all the remaining amount of accrued and unpaid interest paid in arrears on the following basis:

(a) upon exchange of the Exchangeable Note, up to and in arrears on the exchange date; or

(b) upon redemption of the Exchangeable Note, up to and in arrears on the date of redemption.

Exchange Right:	• Cosmic Vanguard may at any time during the Exchange Period (as defined below) exchange any portion or all of the principal amount and accrued but unpaid interest of the Exchangeable Note for Shares in our Company held by Harmonious Composition. "**Exchange Period**" means the period commencing from the date of issue of the Exchangeable Note and expiring on the date on which the Exchangeable Note have been redeemed in full by the Company and the redemption amount and any interest accrued thereon shall be paid in full by the Company. • The number of Shares into which the Exchangeable Note is exchangeable will be determined by dividing (i) the aggregate outstanding principal amount of the Note to be exchanged plus any accrued but unpaid interest by (ii) the Exchange Price in effect on the exchange date (subject to customary adjustments such as dividend, subdivision, combination or reclassification). "**Exchange Price**" means a per share price that will result in Cosmic Vanguard holding 0.68% of the issued and outstanding shares of the Company on a fully diluted basis.
Redemption:	Harmonious Composition shall redeem on the maturity date the note in an amount equal to the principal amount plus any accrued but unpaid interest. Further, Harmonious Composition may, without the consent of Cosmic Vanguard, redeem the Exchangeable Note at any time after its issuance without any penalty and extra interest other than those accrued through the date of redemption.
Payment on Events of Default:	Cosmic Vanguard may give notice to Harmonious Composition that the Exchangeable Note becomes immediately due and repayable in the amount equal to the principal amount if any of the events of default occurs. An event of default means, inter alia, any of the following events: (a) any representation or warranty made by or on behalf of the Four Co-founders or Harmonious Composition is untrue where Cosmic Vanguard has suffered a loss of RMB50.0 million or more as a result thereof; (b) Harmonious Composition fails to pay any principal of or interest on the Exchangeable Note on or prior to the maturity date;

(c) Harmonious Composition fails to deliver Shares as and when such Shares are required to be delivered following the exchange of the Exchangeable Note;

(d) save for paragraphs (b) and (c) above, breach of Harmonious Composition or the Four Co-founders of its/their obligations in the Exchangeable Note in a material respect where Cosmic Vanguard has suffered a loss in excess of RMB50.0 million as a result thereof, and such default is incapable of remedy or, if in the reasonable opinion of Cosmic Vanguard, is capable of remedy, but is not remedied within 15 business days after written notice of such default has been given to the relevant party by Cosmic Vanguard;

(e) Harmonious Composition, the Company or any of the Material Group Companies (as defined below) (i) defaults in making payment of principal of or interest on any indebtedness on the scheduled or original due date with respect thereto beyond the period of grace, if any, provided in the instrument or agreement under which such indebtedness was created, to the extent that the aggregate of such principal and interest amounts in default are at least RMB50.0 million; or (ii) defaults in the observance or performance of any other material agreement, term, covenant or condition relating to any such indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto to the extent that the aggregate of such principal and interest amounts in default are at least RMB50.0 million, or (iii) any other event occurs or condition exists, to the extent that the aggregate of such principal and interest amounts in default are at least RMB50.0 million, the effect of which default or other event or condition is to cause such indebtedness to become due prior to its stated maturity or to become payable, and in each case of (i)-(iii) above, Harmonious Composition has failed to make the accelerated payment within 60 days after written notice of such default given to the relevant party by Cosmic Vanguard; "**Material Group Companies**" means any of our subsidiaries the revenue of which constituted more than 10.0% of the consolidated revenue of our Group in 2013.

(f) (i) Harmonious Composition, the Company or any of the Material Group Companies commences any case, proceeding or other action under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets; or

(ii) there is commenced against Harmonious Composition, the Company or any of the Material Group Companies any case, proceeding or other action of a nature referred to in (i) above that results in the entry of an order for relief or any such adjudication or appointment or remains undismissed, undischarged or unbonded for a period of 30 days; or

(iii) Harmonious Composition, the Company or any of the Material Group Companies makes a general assignment for the benefit of its creditors, or admits its inability to pay its debts when they become due;

(g) one or more judgments or decrees are entered against Harmonious Composition, the Company or any of the Material Group Companies involving, in the aggregate, a liability (to the extent not paid or fully covered by insurance) of RMB50.0 million or more, and such judgments or decrees have not been vacated, discharged, stayed or bonded pending appeal within 30 days after the entry thereof, or any action are taken by a judgment creditor to levy upon assets or properties of Harmonious Composition, the Company or any of the material group companies to enforce any such judgment, and Harmonious Composition has failed to make the accelerated payment within 30 day after written notice of such default given to the relevant party by Cosmic Vanguard;

(h) the Share Charge is unenforceable or invalid or for any reason ceases to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by Harmonious Composition;

(i) Harmonious Composition and/or the Company or any group companies violates the requirements concerning the use of proceeds provisions; or

(j) any change of control event occurs.

10,920 Shares, representing 10.92% of our total issued share capital were charged to Cosmic Vanguard as security on February 25, 2014 in connection with the Exchangeable Note (the "**Share Charge**"). Cosmic Vanguard's rights and Harmonious Composition's obligations under the Exchangeable Note, including, among other things, the giving of notice upon the occurrence of an event of default, the exchange of the Exchangeable Note and the enforcement of the Share Charge will be subject to the relevant laws and rules (including the Listing Rules).

Cosmic Vanguard's investment price for the share subscription was determined on an arm's length basis as a result of negotiations among the parties having made reference to the forecast financial results of the Company and the prior rounds of equity fund raising by the Group.

Cosmic Vanguard's investment price for the Exchangeable Note was determined as a result of arm's length negotiations with reference to a multiple of the valuation of the Company.

Special Rights of the Pre-IPO Investors

The Four Co-founders, Harmonious Composition, Great Ray, Capital Today Investment, Cosmic Vanguard and the Company entered into an amended and restated shareholders agreement on February 25, 2014 (the "**Shareholders Agreement**"). Pursuant to the Shareholders Agreement and the Cosmic Vanguard Share Subscription Agreement, Capital Today Investment and Cosmic Vanguard were granted a number of special rights in relation to our Company. Set forth below is a summary of the principal special rights granted to Capital Today Investment and Cosmic Vanguard. All of the following special rights of the pre-IPO investors (except for the net profit after tax guarantee) will lapse upon the Listing.

Nomination of Director and recommendation of the chief financial officer:	Capital Today Investment shall have the right to nominate one Director and recommend the chief financial officer
Veto Power of the Director Nominated by Capital Today Investment:	The Director nominated by Capital Today Investment has veto power on certain matters, including but not limited to, mergers and acquisitions, disposal of over 30% of the assets, changes to or expansion of the scope of business, approval of the annual financial budget, approval of the listing plan of the Company or any of its subsidiaries and appointment of auditors.
Anti-dilution Protection:	If the Company issues new equity capital at a price below RMB45,000 per Share (adjusted to RMB3.00 per Share after the Capitalization Issue) (as to the protection for Capital Today Investment) or below RMB52,000 per Share (adjusted to RMB3.47 per Share after the Capitalization Issue) (as to the protection for Cosmic Vanguard), subject to adjustment in the event of share subdivision or share consolidation, Capital Today Investment or Cosmic Vanguard (as the case may be) shall be entitled to compensation to be provided by the Four Co-founders.

Exit Rights:	Capital Today Investment has an option to sell all the Shares it then holds in our Company to the Four Co-founders and Harmonious Composition if a listing does not take place by December 31, 2016. Cosmic Vanguard has an option to sell all the Subscription Shares it then holds in our Company to the Four Co-founders and Harmonious Composition if a Qualified IPO (as defined below) is not achieved within four (4) years after the Completion Date. "**Qualified IPO**" means an initial public offering sponsored by a reputable investment bank(s) reasonably acceptable to Cosmic Vanguard involving a listing of Shares of the Company on a qualified exchange (including the Stock Exchange) where to the extent permissible under applicable law and subject to any post listing lock-up period as may be required by the sponsor(s)/underwriters or under applicable law, the Shares then held by Cosmic Vanguard and its permitted transferees shall be fully and freely tradable. Cosmic Vanguard has confirmed that the [**REDACTED**] is a Qualified IPO.
Tag-along Rights:	Capital Today Investment and Cosmic Vanguard enjoy customary tag-along rights if any of the Four Co-founders sells his interest in our Company.
Information and Inspection Rights:	Capital Today Investment and Cosmic Vanguard are entitled to receive from the Company periodic financial information.
Rights of first offer:	Capital Today Investment and Cosmic Vanguard enjoy customary rights of first offer.

Net Profit After Tax Guarantee:	In the event that the 2014 Audited NPAT (as defined below) is less than RMB400.0 million, Cosmic Vanguard shall be entitled to a compensation in the amount calculated based on the following formula, which shall be payable in cash by the founders on a pro rata basis by referring to their respective direct or indirect shareholding in the Company: Investor's compensation amount = Consideration × (1 – 2014 Audited NPAT/RMB400.0 million) "**2014 Audited NPAT**" means the amount of the consolidated net profit after tax as determined based on the information contained in the 2014 audited financials, excluding (1) any exceptional gains or losses that are required to be disclosed in the face of the income statement under IFRS, (2) costs incurred in connection with or for the preparation of (a) an initial public offering, (b) the restructuring, and (c) the transactions contemplated under the Cosmic Vanguard Share Subscription Agreement, (3) realized and unrealized exchange gains or losses arising on the proceeds raised from an initial public offering, (4) the charges in relation to any employee share and option incentive schemes, (5) any adjustments made in relation to any previous financial year(s), and (6) any fair value adjustments.

Bonus to the Four Co-founders

In the event that the 2014 Audited NPAT is more than RMB400.0 million, Cosmic Vanguard may pay a discretionary bonus to the Four Co-founders up to the aggregate amount calculated based on the following formula:

Amount of bonus = Consideration × [(2014 Audited NPAT/RMB400.0 million) – 1].

Information regarding the Pre-IPO Investors

Capital Today Investment is wholly owned by Capital Today Investment XVIII Limited, which is an exempted company incorporated in the British Virgin Islands. Capital Today China Growth Fund, LP, an exempted limited partnership registered in the Cayman Islands, holds 99.58% shareholding interest in Capital Today Investment XVIII Limited. The sole general partner of Capital Today China Growth Fund, LP is Capital Today China Growth GenPar, LTD, an exempted company registered in the Cayman Islands.

Cosmic Vanguard is a company incorporated under the laws of the BVI and wholly owned by CICC Growth Capital Fund I, L.P. The general partner of CICC Growth Capital Fund I, L.P. is CICC Growth Capital Fund GP, L.P., and the general partner of CICC Growth Capital Fund GP, L.P. is CICC Growth Capital Fund GP, Ltd., which is indirectly wholly owned by China International Capital Corporation Limited.

Lock-up and public float

As neither Capital Today Investment nor Cosmic Vanguard is a connected person (as defined in Rule 1.01 of the Listing Rules) of the Company, Shares held by Capital Today Investment and Cosmic Vanguard will be counted towards the public float after the Listing.

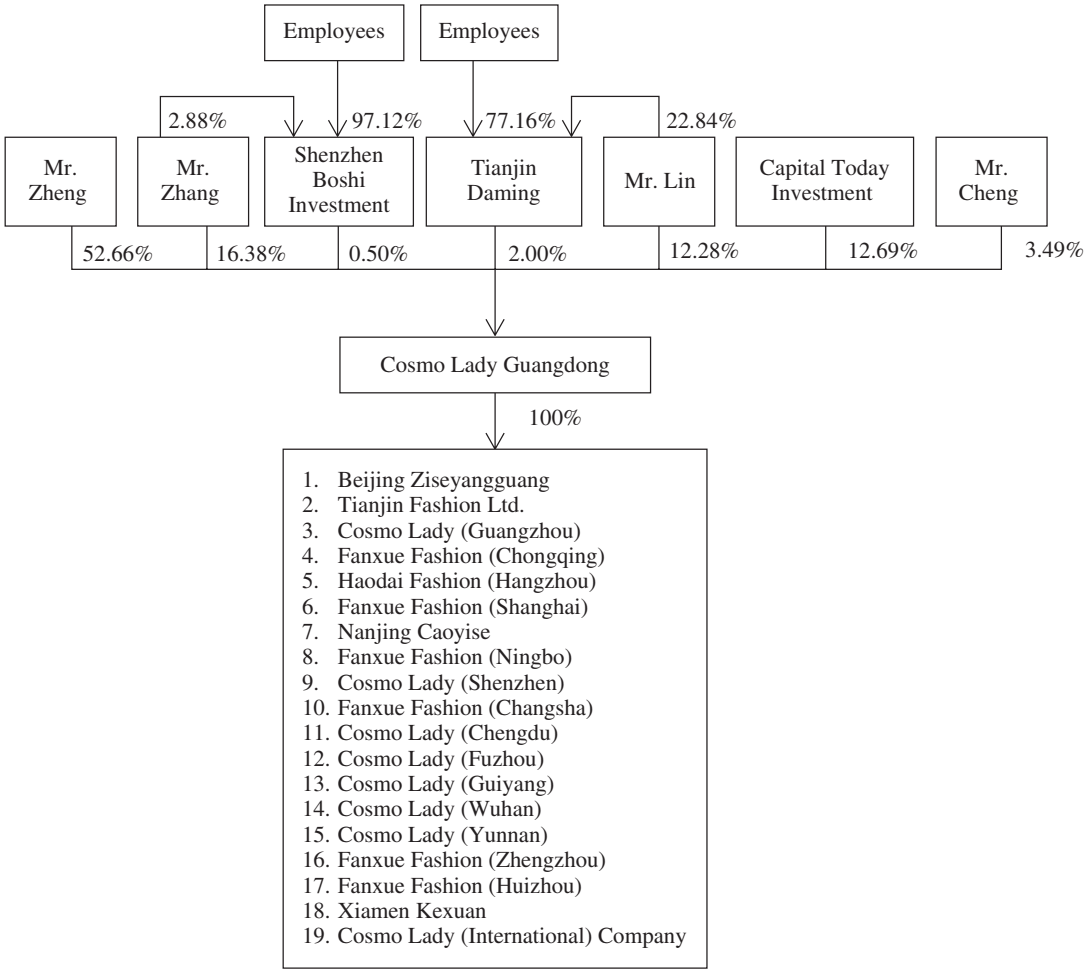
Each of Capital Today Investment and Cosmic Vanguard has agreed that, it will not, at any time during the period of six months following the Listing Date, dispose of any of its Shares.

Compliance with Interim Guidance

The Joint Sponsors have determined that the terms of the pre-IPO investment by Capital Today Investment and Cosmic Vanguard are in compliance with the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange on October 13, 2010 as the consideration for the pre-IPO investment was settled more than 28 clear days before the date of our first submission of the listing application form to the Listing Division of the Stock Exchange in relation to the Listing, the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 as the special rights granted to the relevant pre-IPO investors will terminate upon Listing, and the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 as no atypical rights will be outstanding immediately upon Listing and no new Shares will be issued in connection with the conversion of the Exchangeable Note.

REORGANIZATION

Set out below is the shareholding structure of our Group immediately prior to the Reorganization.



In anticipation of our Listing, we underwent the Reorganization pursuant to which our Company became the holding company and listing vehicle of our Group.

Establishing Offshore Holding Companies

Mr. Zheng, Mr. Zhang, Mr. Lin and Mr. Cheng, through their respective investment holding vehicles, together incorporated Harmonious Composition in the BVI on January 23, 2014 and have since then held approximately 62.1%, 19.3%, 14.5% and 4.1% in the issued share capital of Harmonious Composition, respectively. Mr. Zheng incorporated Great Ray in the BVI on January 22, 2014.

On January 28, 2014, our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with an authorized share capital of US$50,000, divided into 5,000,000 shares of a par value of US$0.01 each. Upon establishment, our Company was owned by Great Ray (as to 2.5%), Harmonious Composition (as to 84.81%) and Capital Today Investment (as to 12.69%).

Our Company established Cosmo Lady (International) Holdings in the British Virgin Islands on January 29, 2014, which in turn established Cosmo Lady (Hong Kong) Holdings in Hong Kong on February 12, 2014.

Subsequent Issue of Shares by the Company

On February 25, 2014, the Company allotted and issued 71,829 Shares, 2,250 Shares and 11,421 Shares to Harmonious Composition, Great Ray and Capital Today Investment, for a cash consideration equivalent to RMB130,682,482, RMB10,749,985 and RMB54,566,923, respectively, as determined after arm's length negotiation. On the same day, the Company allotted and issued 4,500 Shares to Cosmic Vanguard. See "— Pre-IPO Investment — Investment by Cosmic Vanguard." Immediately after the said issue, Harmonious Composition, Great Ray, Capital Today Investment and Cosmic Vanguard held 80.31%, 2.5%, 12.69% and 4.5% of the issued share capital of the Company.

Acquisition of Our Onshore Subsidiaries

According to a share transfer agreement dated February 13, 2014, each of Mr. Zheng, Mr. Zhang, Mr. Lin, Mr. Cheng, Tianjin Daming, Shenzhen Boshi Investment and Capital Today Investment transferred his/its entire equity interest in Cosmo Lady Guangdong to Cosmo Lady (Hong Kong) Holdings, our wholly-owned subsidiary, for a consideration of RMB225,916,556.97, RMB70,256,265.50, RMB52,688,981.67, RMB14,967,583.22, RMB8,579,870.00, RMB2,144,967.50 and RMB54,439,275.15, respectively, as determined with reference to an independent valuation.

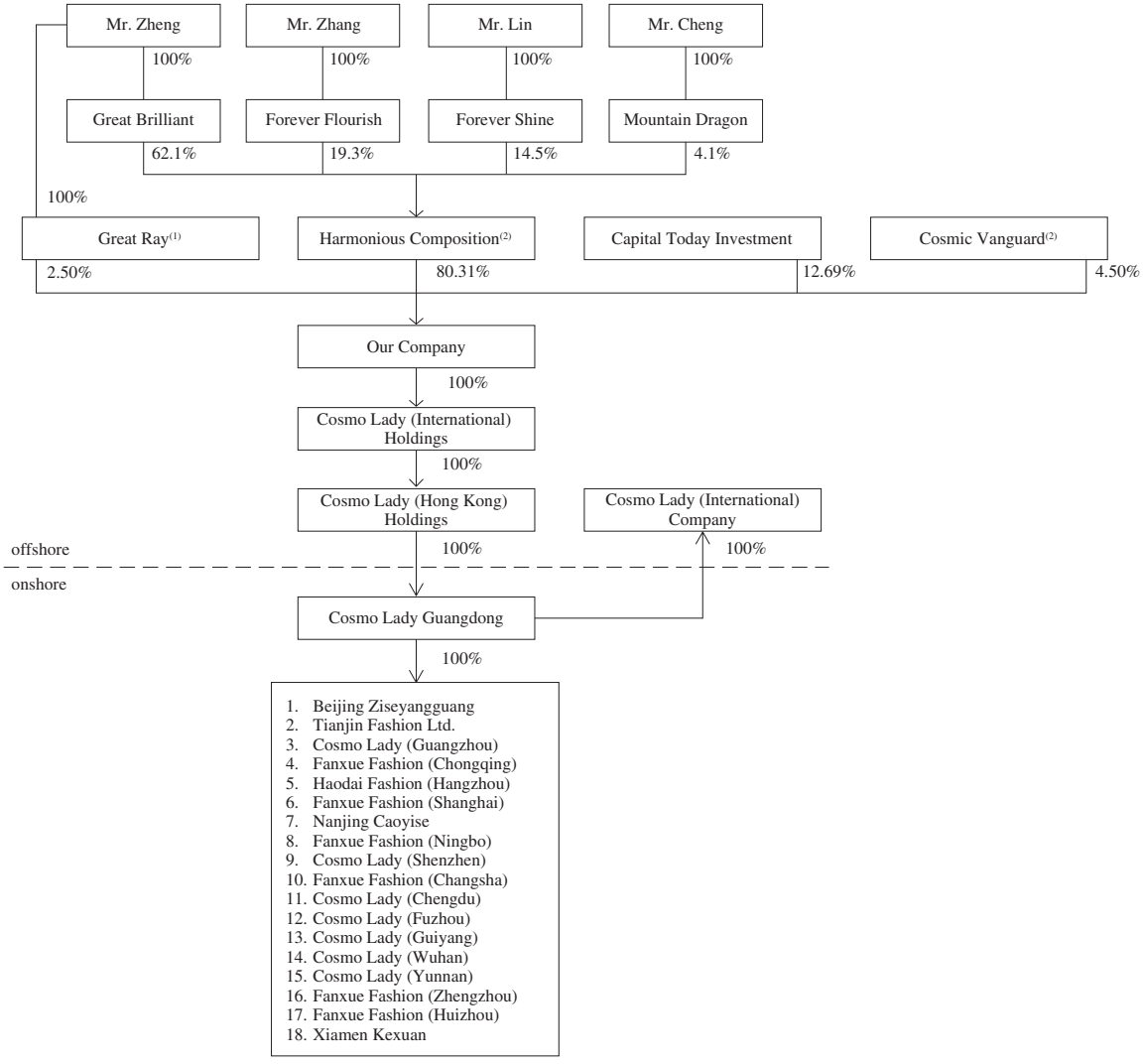
Agreement to Hold the Shares on Trust for the Employees

Great Ray has agreed that approximately 2.25% (before the [**REDACTED**]) interest held by it in our Company are held on trust for 95 employees of our Group. The relevant employees may, upon the fulfillment of certain conditions (including, among other things, being employed by our Group upon the Listing Date) request Great Ray to dispose of 35.0%, 35.0% and 30.0% of the Shares held by Great Ray after the first, second and third anniversary from the Listing Date, respectively. The relevant employees are entitled to the net proceeds from the disposal of such Shares.

CORPORATE STRUCTURE

Corporate structure as at the Latest Practicable Date

The following chart sets forth our corporate structure after the Reorganization and Cosmic Vanguard's investment, and as at the Latest Practicable Date:



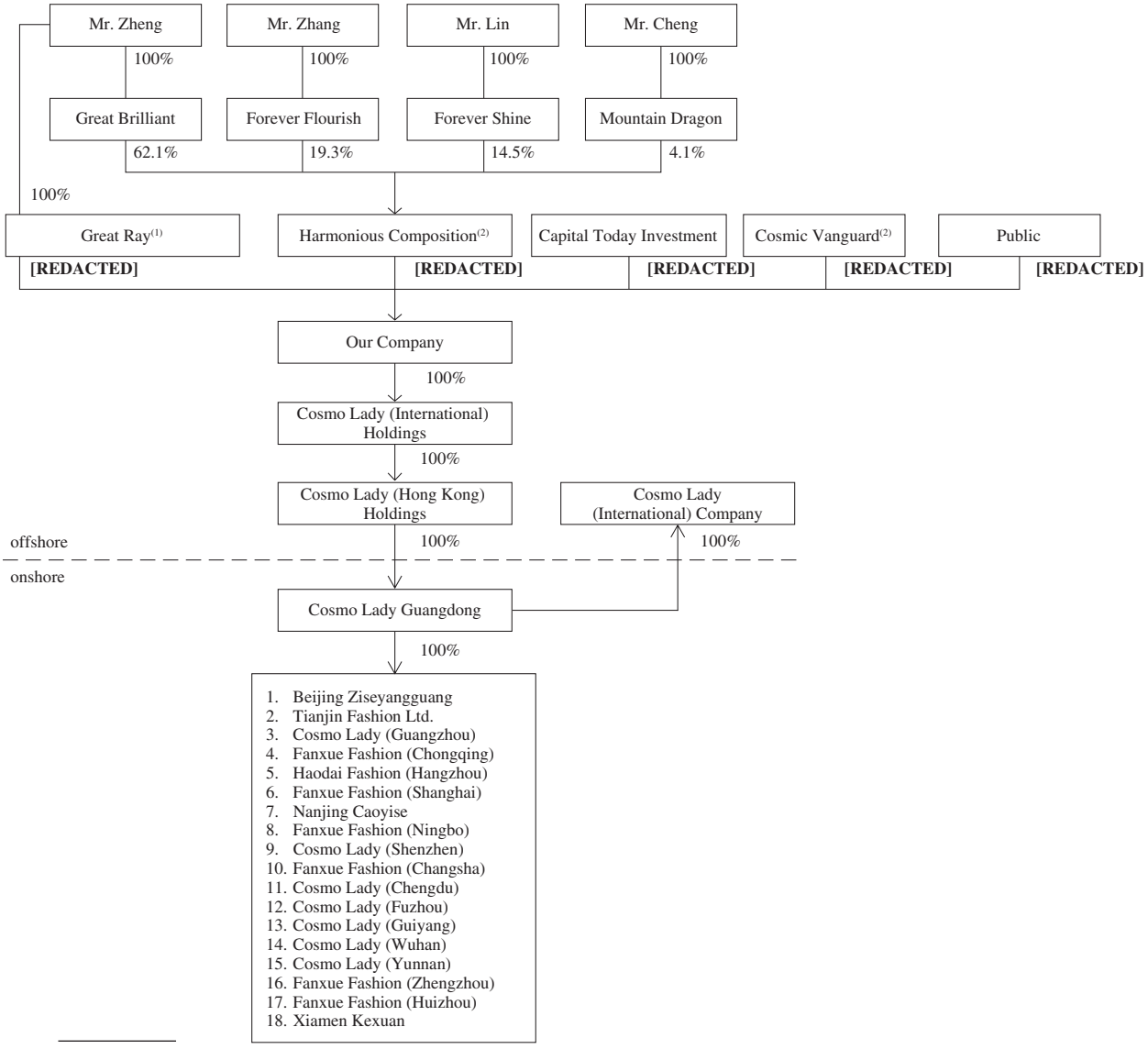
Notes:

(1) Approximately 2.25% of the interest in our Company are held by Great Ray as a trustee for 95 employees of our Group. See "— Reorganization — Agreement to Hold the Shares on Trust for the Employees."

(2) Upon the conversion of the Exchangeable Note, Cosmic Vanguard will hold another 0.68% in the total issued share capital of our Company which will be transferred from Harmonious Composition.

Corporate structure immediately following the [REDACTED]

The following chart sets forth our shareholding structure immediately after the completion of the [**REDACTED**], assuming the Over-allocation Option is not exercised:



Notes:

(1) Approximately [**REDACTED**]% of the interest in our Company are held by Great Ray as a trustee for 95 employees of our Group. See "— Reorganization — Agreement to Hold the Shares on Trust for the Employees."

(2) Upon the conversion of the Exchangeable Note, Cosmic Vanguard will hold another [**REDACTED**]% in the total issued share capital of our Company which will be transferred from Harmonious Composition.

COMPLIANCE WITH PRC LAWS

SAFE Circular No. 75

On October 21, 2005, the SAFE issued the SAFE Circular No. 75 which came into effect on November 1, 2005, requiring PRC residents who establish or control offshore companies and inject assets or equity interests in their PRC entities into offshore companies for the purposes of overseas equity financing (referred to as an "offshore special purpose company") to register with competent local SAFE branch. Our PRC legal advisors, Jingtian & Gongcheng, has advised that our shareholders who are PRC residents, namely, Mr. Zheng, Mr. Zhang, Mr. Lin and Mr. Cheng had completed initial registration under the SAFE Circular No. 75 on February 24, 2014 and the updated registration on March 26, 2014.

M&A Rules

On August 8, 2006, six PRC governmental and regulatory authorities, including the MOFCOM, the CSRC and the SAFE, jointly issued M&A Rules, which became effective on September 8, 2006 and was amended on June 22, 2009. The M&A Rules includes provisions which stipulate that an offshore special purpose vehicle formed for the purposes of an offshore listing and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the CSRC prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange. The M&A Rules is applicable if there is a "takeover of a domestic enterprise by a foreign investor", which has been defined in Article 2 of the M&A Rules as the situations where (i) a foreign investor purchases the equity interests of a domestic non-foreign-invested enterprise ("**domestic enterprise**") or subscribes for the increased capital of a domestic enterprise, and thus changes the domestic enterprise into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise, through which such foreign investor purchases the assets of a domestic enterprise and operates its assets; or (iii) a foreign investor purchases the assets of a domestic enterprise, and then uses such assets to invest in and establish a foreign-invested enterprise through which it operates the assets.

As advised by our PRC legal advisors, Jingtian & Gongcheng, the M&A Rules does not apply to our Reorganization, and the Listing does not require the approval of the CSRC or any other PRC government authorities under the current PRC laws, regulations and rules for the reason that Cosmo Lady Guangdong was converted into a Sino-foreign equity joint venture in 2010, therefore the acquisition of the equity interests in Cosmo Lady Guangdong by Cosmo Lady (Hong Kong) Holdings did not constitute a "takeover of a domestic enterprise by a foreign investor" as defined in the M&A Rules and shall be subject to Provisions for the Alteration of Investor's Equities in Foreign-funded Enterprises (外商投資企業投資者股權變更的若干規定) rather than M&A Rules.

Our PRC legal advisors have confirmed that the Reorganization and all the share transfers and increases in registered capital in respect of the PRC companies in our Group as described above have obtained all relevant approvals and permits and the procedures involved comply with PRC laws and regulations.

OVERVIEW

We are the largest branded intimate wear enterprise in China in terms of both total retail sales in 2013 and the number of retail outlets as of December 31, 2013, according to the Frost & Sullivan Report. As of December 31, 2013, our retail network covered 5,790 outlets in more than 330 prefecture-level cities in all provinces as well as province-level municipalities and autonomous regions in China. According to the same report, for the year ended December 31, 2013, we had a market share in the intimate wear industry of approximately 2.8% in terms of total retail sales, almost three times as large as that of the second largest player in China. We design and sell five major lines of intimate wear products (namely, bras, underpants, sleepwear and loungewear, thermal clothes and others, which includes leggings and tights, vests, hosiery and accessories) under our core brand Cosmo Lady (都市•儷人) and three sub-brands, namely Cosmo Elegance (都市•絲語), Cosmo Blossom (都市•繽紛派) and Cosmo Esquire (都市•鋒尚), which we use to attract consumers of different demographics. As of the Latest Practicable Date, through our membership program, we had accumulated more than 26 million members, among which approximately seven million were active members who have made more than one purchase at one of our outlets within the six-month period before the Latest Practicable Date.

China's intimate wear industry has grown and is expected to continue to grow rapidly. According to the Frost & Sullivan Report, China's intimate wear industry reached retail sales of approximately RMB194.4 billion in 2013, representing a CAGR of 14.4% from 2009 to 2013. China's intimate wear industry is expected to reach retail sales of approximately RMB455.3 billion by 2018, which would represent a CAGR of approximately 18.6% from 2013 to 2018, according to the Frost & Sullivan Report. We have focused on the mass market of the intimate wear industry in China, which is the largest market sub-segment in our industry according to the Frost & Sullivan Report. According to the same report, the mass market of China's intimate wear industry has the highest growth potential in the industry. From 2009 to 2013, the total retail sales of the mass market of China's intimate wear industry grew at a CAGR of 21.7%, reaching RMB101.8 billion in 2013. The mass market of China's intimate wear industry is expected to reach retail sales of approximately RMB292.1 billion by 2018, which would represent a CAGR of approximately 23.5% from 2013 to 2018.

We have devoted substantial resources in establishing and maintaining an effective retail network. Our extensive retail network consists primarily of franchised outlets, as well as self-managed outlets, and does not involve distributors or multiple layers of franchisees. Our business model embodies a robust system to directly control our retail network, allowing us to manage our franchised outlets in substantially the same way as our self-managed outlets. In addition, our highly efficient and responsive supply chain management system enables us to shorten our products' time to market and maintain an optimal inventory level, helping us remain competitive in a fast-paced industry. Our information technology platform, which seamlessly integrates ERP, RMS and WMS systems, provides us with daily sales and product tracking and reporting, enabling us to react rapidly to, and to synchronize our production with, changing market trends and consumer demand. Supported by our information technology platform, we are able to implement our retail policies and operating procedures consistently across our outlets in China.

We are committed to product design, research and development, and we have built a vast first-hand consumer database through our comprehensive information technology platform. We offer a wide range of intimate wear products, and target consumer groups of different age ranges, genders and consumption propensity. This enables us to continue to expand our product offerings to cater to the demands of consumer groups of different demographics. We believe that our high value-for-money products have enabled and will continue to enable us to build a high

consumer loyalty, reinforce our brand and maintain pricing competitiveness. We intend to continue to enhance our product offerings and strengthen our brand recognition to solidify our industry-leading position, with an aim to leading the fashion trend in China's intimate wear industry.

As a result of our solid consumer base with high loyalty, as well as our high value-for-money product offerings, strategic market positioning, extensive retail coverage and highly efficient and responsive supply chain management, we achieved significant revenue and profit growth during the Track Record Period, even when China's retail industry underwent a period of relatively slow growth in 2012 and 2013. Our revenue increased from RMB1,655.8 million for the year ended December 31, 2011, to RMB2,257.6 million for the year ended December 31, 2012, and further to RMB2,916.3 million for the year ended December 31, 2013, representing a CAGR of approximately 32.7% from 2011 to 2013. Our net profit increased from RMB168.6 million for the year ended December 31, 2011 to RMB192.7 million for the year ended December 31, 2012, and further to RMB275.5 million for the year ended December 31, 2013, representing a CAGR of approximately 27.8% from 2011 to 2013.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths differentiate us from other industry participants, have contributed to our success and will continue to enable us to increase our market share and capture future growth opportunities:

We are the largest branded intimate wear enterprise in China

We are the largest branded intimate wear enterprise in China based on both total retail sales in 2013 and the number of retail outlets as of December 31, 2013, according to the Frost & Sullivan Report. According to the same report, for the year ended December 31, 2013, we had a market share in the intimate wear industry of approximately 2.8% in terms of total retail sales, almost three times as large as that of the second largest player in China.

In addition, we have the largest retail network for branded intimate wear products in China in terms of the number of retail outlets, according to the Frost & Sullivan Report. We have been expanding our retail network rapidly in recent years. As of December 31, 2013, we had a total of 5,790 retail outlets stretching more than 330 prefecture-level cities in all provinces as well as province-level municipalities and autonomous regions across China. Our extensive retail network consists primarily of franchised outlets as well as self-managed outlets. The table below sets forth the number of our outlets, broken down by self-managed and franchised outlets, as of the dates indicated and the CAGR for the periods indicated.

	As of December 31,			CAGR from
	2011	2012	2013	2011 to 2013
Franchised outlets	3,412	4,429	5,069	21.9%
Self-managed outlets	82	209	721	196.5%

Our extensive retail network has enabled us to build a vast and loyal consumer base. As of the Latest Practicable Date, through our membership program, we had accumulated more than 26 million members, among which approximately seven million were active members who have made more than one purchase at one of our outlets within the six-month period before the Latest Practicable Date. We believe our solid consumer base positions us well to continue to grow our business.

Our brand and product positioning capture the largest market sub-segment with the highest growth

We have focused on the mass market of the intimate wear industry in China, which is the largest market sub-segment in our industry according to the Frost & Sullivan Report. We believe that our strong brand name and high value-for-money products have enabled us to build a vast and loyal consumer base to capture the attractive opportunities in this fast-growing market in China's intimate wear industry. The overall intimate wear industry in China has been growing rapidly. According to the Frost & Sullivan Report, China's intimate wear industry reached retail sales of approximately RMB194.4 billion in 2013, representing a CAGR of 14.4% from 2009 to 2013. According to the same report, the overall intimate wear industry in China is expected to reach total retail sales of approximately RMB455.3 billion by 2018, which would represent a CAGR of approximately 18.6% from 2013 to 2018. According to the same report, the total retail sales of men's intimate wear in China is expected to increase from approximately RMB43.6 billion in 2009 to approximately RMB127.5 billion in 2018, which would constitute approximately 28.0% of China's intimate wear industry.

According to the Frost & Sullivan Report, the mass market of China's intimate wear industry represented the largest and the fastest-growing market and has the highest growth potential in the industry. According to the same report, the total retail sales of the mass market of China's intimate wear industry increased from approximately RMB46.4 billion in 2009 to approximately RMB101.8 billion in 2013, representing a CAGR of 21.7% from 2009 to 2013. According to the same report, the mass market of China's intimate wear industry is expected to reach total retail sales of approximately RMB292.1 billion by the end of 2018, constituting 64.2% of China's intimate wear industry, which would represent a CAGR of approximately 23.5% from 2013 to 2018. Despite the continual growth of China's intimate wear industry, including the mass market, according to the Frost & Sullivan Report, the average per capita consumption expenditure on intimate wear in China in 2013 was only approximately US$23.0 which is still very low compared with approximately US$70.8 of U.S. and approximately US$85.6 of U.K. for the same period. This gap suggests a large potential for future growth in this industry in China.

Mass market consumers in China tend to prefer high value-for-money products. In order to fully capitalize on business opportunities presented in different consumer groups in the fast growing mass market, we provide a broad range of products at affordable prices under our core brand and different sub-brands to appeal to consumer groups of different age ranges, genders and consumption propensity. Each of our core brand and sub-brands has its own designs, features and characteristics to fit the target consumer group's tastes and needs. This market strategy allows us to diversify our business, broaden our consumer reach and generate a wider source of revenue, thereby maximizing our profitability.

Intimate wear consumers have a relatively high purchase frequency and their decision making is usually habit driven. Leveraging such purchasing behavior pattern, coupled with our reputation for high value-for-money products, we have been able to build a high consumer loyalty. We have further intensified this consumer loyalty by offering consumers convenient locations of our outlets close to where they live, work or study, and a broad range of related

products for one stop shopping. We believe that these factors enable us to expand our market share and maximize our growth potential.

We exercise a high degree of direct control over our retail network

We have devoted substantial resources in establishing and maintaining an effective retail network. Our business model embodies a robust system to directly control our retail network which consists primarily of franchised outlets as well as self-managed outlets. Our efficient retail network does not involve distributors or multiple layers of franchisees. We manage our franchised outlets in substantially the same way as our self-managed outlets. Our efficient franchise management system allows us to attract and retain franchisees and grow rapidly, while at the same time it enables us to actively supervise and largely control all critical aspects of our franchised outlets' operations to ensure that they strictly adhere to our retail policies and operating procedures. With the aid of our information technology platform, we are able to collect, compile and analyze the sales data, and monitor the inventory level, of our franchised and self-managed outlets on a daily basis, which in turn assists us in better understanding and timely responding to consumers' changing preferences and optimizing our production planning and inventory levels across our retail network. In addition, we maintain a disciplined inventory replenishment policy under which we oversee and regulate franchisees' orders to minimize overstocking and ensure the delivery of sufficient quantities of products to meet consumer demand in a timely fashion.

We have implemented a well-established franchise management system that helps our franchisees to achieve efficiency and receive operational support on every material aspect of store management, thereby minimizing their capital requirement and maximizing their profitability. These system features incentivize our franchisees to grow their businesses with us. As of December 31, 2013, 1,206 franchisees had been our franchisees since January 1, 2011 and they represented 54.6% of the total number of our franchisees as of December 31, 2013. In addition, as of December 31, 2013, we had 2,211 franchisees, among which 1,060 franchisees had two or more franchised outlets. These 1,060 franchisees together had 3,918 franchised outlets, which accounted for 77.3% of the total number of our franchised outlets as of December 31, 2013. We believe that our franchise business model provides an asset-light and cost-effective means that has enabled us to quickly expand our retail network, which in turn has resulted in a significant increase in revenue, market share, brand recognition and profitability during the Track Record Period.

We have a highly efficient and responsive supply chain management system

Our efficient and responsive supply chain management system differentiates us from our competitors. We believe that this system enables us to shorten our products' time to market and maintain an optimal inventory level, helping us remain competitive in a fast-paced industry. Our advanced information technology platform, which integrates ERP, RMS and WMS systems, provides us with daily sales and product tracking and reporting, enabling us to react rapidly to, and to synchronize our production with, changing market trends and consumer demand.

We closely coordinate product design and development, production, sales and logistics to optimize our inventory level so that we can swiftly respond to market changes. Leveraging our information technology platform, we have established an advanced and highly effective inventory management system to reduce the surplus and age of our inventory. Our information

technology platform has enabled us to adopt a real-time ordering system for all our products except seasonal products (including sleepwear and loungewear, thermal clothes and leggings), and we expect to complete the transition to real-time ordering for all our products in the foreseeable future. Under our real-time ordering system, our franchisees generally place electronic orders with us to replenish their inventory once or twice a week, which helps to optimize our inventory level requirements. Our information technology system also enables us to timely refine our products and develop new products to promptly respond to consumer feedback and commercialize creative ideas. We have a strong capability to manage time-to-market through our disciplined production plan.

As a result of our effective supply chain management, we were able to increase the percentage of our products which are ordered through our real-time ordering system in our total sales from 61.1% in 2011 to 65.1% in 2013, which helps shorten our products' time to market and maintain an optimal level, thereby maximizing our profitability.

We have rapid growth trajectory underpinned by the above-mentioned strengths

We have devoted substantial resources to, and been successful in, managing our growth effectively. We achieved significant revenue and profit growth during the Track Record Period, even when China's retail industry underwent a period of relatively slow growth in 2012 and 2013. Our revenue increased from RMB1,655.8 million for the year ended December 31, 2011, to RMB2,257.6 million for the year ended December 31, 2012, and further to RMB2,916.3 million for the year ended December 31, 2013, representing a CAGR of approximately 32.7% from 2011 to 2013. Our net profit increased from RMB168.6 million for the year ended December 31, 2011 to RMB192.7 million for the year ended December 31, 2012, and further to RMB275.5 million for the year ended December 31, 2013, representing a CAGR of approximately 27.8% from 2011 to 2013. In addition, as a result of our continuous efforts to improve our channel and product mix, further integrate our industry supply chain and enhance our economies of scale, our gross profit margin increased from 24.2% for the year ended December 31, 2011 to 27.3% for the year ended December 31, 2012, and further to 36.7% for the year ended December 31, 2013.

In addition to rapidly expanding our retail network and geographical coverage, we also maintained robust sales growth for our existing outlets. The table below sets forth the Same Store Sales Growth for the periods indicated as compared to the prior period.

	For the year ended December 31, 2012[(1)]	For the year ended December 31, 2013[(2)(3)]
Overall Same Store Sales Growth of our outlets	7.3%	4.9%

Notes:

(1) In calculating the overall Same Store Sales Growth, the sales value of our existing franchised and self-managed outlets that had been in operation for at least 12 months as of January 1, 2012 for the year ended December 31, 2012 were compared with the sales value for the prior year.

(2) In calculating the overall Same Store Sales Growth, the sales value of our existing franchised and self-managed outlets that had been in operation for at least 12 months as of January 1, 2013 for the year ended December 31, 2013 were compared with the sales value for the prior year.

(3) The overall Same Store Sales Growth of our outlets decreased from 7.3% for the year ended December 31, 2012 to 4.9% for the year ended December 31, 2013. Such decrease was largely attributable to the same factors affecting the intimate wear industry in China as well as the partial impact of the one-off supply shortage event caused by a typhoon in Shantou City (including Chaoyang District) in August 2013.

We have an experienced, competent and committed management team with proven track record

We have an experienced and committed management team with strong execution capability and in-depth knowledge of our industry. Our management team has a diversified and complementary background that focuses on the PRC retail industry. All four of our Company's founders have their respective expertise in different aspects of our industry, including Mr. Zheng in strategies and business management of intimate wear industry, Mr. Zhang in design, research and development of intimate wear products, Mr. Lin in production and logistics and Mr. Cheng in management of sales channels. All of our founders are also our shareholders and continue to take active management roles in the Company, which aligns their interests with those of our shareholders.

In addition, many of our senior management team have worked in multi-national consumer retail companies and have vast experiences in their respective areas of expertise. Our founders and other senior team members have spearheaded our rapid development into China's leading retailer of intimate wear. Their extensive knowledge and experience have been crucial to our success, as well as the development, execution and optimization of our vertically integrated business model. The efficiency and effectiveness of our management over the years is evidenced by the growth in our revenue, profits, and the scope and scale of our operations during the Track Record Period. From time to time, we have incentivized our employees with contribution to innovations, which supplements our management's knowledge and expertise.

OUR BUSINESS STRATEGIES

Our goal is to continue to strengthen our position as the industry-leading intimate wear enterprise in China and to become one of the leading players in the industry globally. We aim to achieve this by implementing the following strategies:

Expand our retail network

We believe that our success in establishing an extensive, well-managed retail network provides us with a solid foundation for future growth. To further expand our market share, in addition to continuing to increase the Same Store Sales Growth of comparable outlets, we plan to continue to expand our geographic coverage and deepen our market penetration using both our existing and new brands. We intend to achieve our goal through the following initiatives:

- *Increase self-managed outlets.* We intend to leverage our leadership position and our retail execution capabilities to secure more attractive locations and open new self-managed outlets in China's Tier One Cities, Tier Two Cities and other strategic locations. We will also selectively open flagship outlets in prime locations for brand promotional purposes. In addition, we are exploring the possibilities of establishing overseas presences in Hong Kong and Taiwan, however, as of the Latest Practicable Date, we had not identified any locations, or entered into any commitments, for such expansion. We plan to operate our self-managed outlets as model shops to enhance our brand recognition and attract potential franchisees. By adding additional self-managed outlets, we aim to keep up with the latest market trends and consumer demand, and offer better operational support to our franchised outlets.

- *Expand franchised outlets and increase their market penetration.* We also plan to expand our retail coverage by setting up additional franchised outlets in areas where we have a relatively lower market presence. To this end, we plan to strengthen our relationships with our key franchisee partners to tap their expertise, resources and knowledge in the opening and management of franchised outlets. We also plan to increase the level of control over our franchised outlets to increase their operational efficiency and improve their business performance. We intend to help our current franchisees to expand their network by providing them with greater training on both sales and marketing strategies. In areas where our current franchisees are unable to fully exploit, we also plan to engage additional franchisees to help deepen our market penetration.
- *Explore other sales channels.* We intend to actively expand our current e-commerce network as well as enhancing it into a comprehensive online shopping platform for intimate wear products. This online platform will be a complementary sales channel to our physical outlets to allow coherent multi-channel customer experience. In addition, we plan to further our cooperation with other well-recognized e-commerce operators through measures such as showcasing our products on business-to-customer platforms and participating in online marketing campaigns and applications.

In addition, we intend to introduce high margin and high value-added brands or sub-brands and/or new products, given the increasing wealth and consumption propensity of China's consumers. We plan to adopt different branding initiatives, marketing strategies and retail channels for these high-end brands or sub-brands and/or products. For example, we may open outlets for these brands and/or products in department stores, shopping malls and other large retail centers.

Increase our brand awareness

We intend to continue to strengthen our brand recognition to solidify our industry-leading position in China's intimate wear industry. Our planned initiatives include the following:

- *Continue to improve the consumer shopping experiences.* We believe that the ambience and design of our retail outlets strongly influences the purchasing behaviors of our consumers. Therefore, we aim to provide consumers with relaxing and comfortable shopping experiences. To this end, we will continue to upgrade our information technology platform, and engage market studies and roll out marketing plans that include revamping or upgrading the design, layout and window displays of our retail outlets.
- *Increase media exposure.* We intend to enhance our profile by selectively utilizing traditional media such as television and print media, including fashion magazines. We also plan to expand our marketing efforts through online media by placing advertisements with fashion websites and to promote our brand awareness through social networking websites and discussion forums and organizing online group promotional activities.

- *Sponsor cultural or other events.* We engage famous models and actors/actresses as image spokespersons and sponsor product fairs to present a trendy brand image and generate positive press and media coverage. We believe these activities can augment our industry-leading position in China's intimate wear industry and increase our brand profile. Accordingly, we plan to increase our image campaigning and sponsorship in the future.

Continue to enhance product offerings and our product design and development capabilities to keep pace with the latest market trends

We believe that continuously enhancing our product offerings and regularly bringing to market a wide variety of product designs that appeal to consumers is essential to retaining our competitive advantage. Our planned initiatives include the following:

- *Expand our product offerings.* We plan to expand our product offerings and introduce new product categories and expand our brand portfolio by introducing new brands or sub-brands. For example, our sales of men's intimate wear have been increasing rapidly during the Track Record Period and we intend to further expand our range of men's intimate wear. Furthermore, we launched a new brand Secret of Cosmo Lady (都市儷人的秘密) with a price range of RMB150 to RMB350 in 2014, and we plan to launch another new brand Forever's Destiny (百分百緣分) with a price range of RMB100 to RMB300. We also plan to launch intimate wear for juvenile and kids in the second half of 2014 to further deepen our market penetration in the Chinese intimate market. In addition, we will continue to conduct market research on the apparel industry, to analyze the latest fashion trends with an aim to developing and bringing to market new "hit" products that will influence industry trends in China and boost our sales.
- *Increase investments and recruit new talents.* We seek to strengthen our existing research and development capabilities by establishing an additional design, research and development center, investing in a new computerized design system and other equipment and recruiting talented, industry-leading designers to bolster our existing design team. We also plan to enhance our training programs to improve the knowledge, skill level and quality of our employees. We will continue to encourage our design team to attend various trade exhibitions to keep them informed of the latest fashion trends.
- *Collaborate with leading international design houses and designers.* We plan to collaborate with leading international design houses and designers to enhance our design capabilities. For example, we collaborated with Sanrio Group and plan to introduce a new line of Hello Kitty intimate wear products in the second half of 2014.

Enhance our supply chain and logistics management capabilities

Continuously enhancing our supply chain and logistics management capabilities is key to maintaining our competitive position. We plan to enhance our supply chain and logistics management capabilities to optimize product replenishment, shipment coordination and inventory and quality control. Our planned initiatives in this area include the following:

- *Further integrate our supply chain.* We plan to continue to devote resources to supply chain management to further integrate our suppliers into our industry value chain. For example, to better control the quality of raw materials and

control raw material costs, we are in the process of developing and implementing a designated raw material suppliers system under which our OEM suppliers are only allowed to purchase raw materials from our designated raw material suppliers who have passed our quality and reliability assessment.

- *Establish additional regional logistics centers.* In response to the rapid expansion of our retail network, we intend to enhance our logistics and delivery capabilities to further shorten our products' time to market. We are in the process of establishing three new regional logistics centers in Dongguan, Tianjin and Chongqing.
- *Procure other logistics-related ancillary equipment.* We plan to procure additional warehouse control equipment, such as sorters and conveyor systems, to increase our level of automation, reduce our labor costs, increase order processing accuracy and improve our logistics efficiency.

Enhance information and human resources management systems

We believe that a comprehensive information technology platform is important to improving our efficiency in product design and development, supply chain management, financial management, inventory and quality control, logistics and sales. Accordingly, we will continue to invest in our information technology infrastructure. We have continually upgraded our information technology infrastructure to support our business expansion. The upgrade project will mainly focus on the refinement of our retail management and supply chain management systems to enable us to enhance the management of our self-managed and franchised outlets as well as optimizing our production planning and inventory levels.

In addition, we plan to upgrade our information technology platform to enhance our human resources management ability so that we can gradually implement programs to adjust our outlet staff working hours and allocate manpower based on consumer traffic patterns, while at the same time maintaining our outlet's operational efficiency. We are in the process of implementing our upgraded inventory system software to enable automatic stock replenishment monitoring for both our self-managed and franchised outlets. Once completed, each of our outlets will be able to automatically calculate a safe inventory level based on current inventory, sales and product life cycle data, and provide alert whenever the stock volume falls under that prescribed level.

Selectively pursue acquisitions of businesses, brands or products and further develop strategic alliances

To complement our business, we intend to selectively acquire businesses in the intimate wear industry to get access to attractive locations through our franchisees or other third parties. We also plan to selectively pursue strategic acquisitions of other brands to diversify our brand portfolio to target a broader range of consumer groups. In addition, we plan to expand our product offerings under our core brand and different sub-brands to explore brand synergies and cross-selling opportunities by leveraging our industry-leading position in China's intimate wear

industry. For example, we just launched several new accessories such as hair accessories under our core brand Cosmo Lady (都市•儷人) and three sub-brands in September 2013 which were well accepted by our consumers and intend to further expand our product offerings to enhance our consumers' one-stop shopping experience. We believe our good relationships with industry participants and our knowledge of, and experience in, the intimate wear industry allow us to well understand industry trends, competition and market potential, which will assist us in making decisions regarding these acquisitions and alliances.

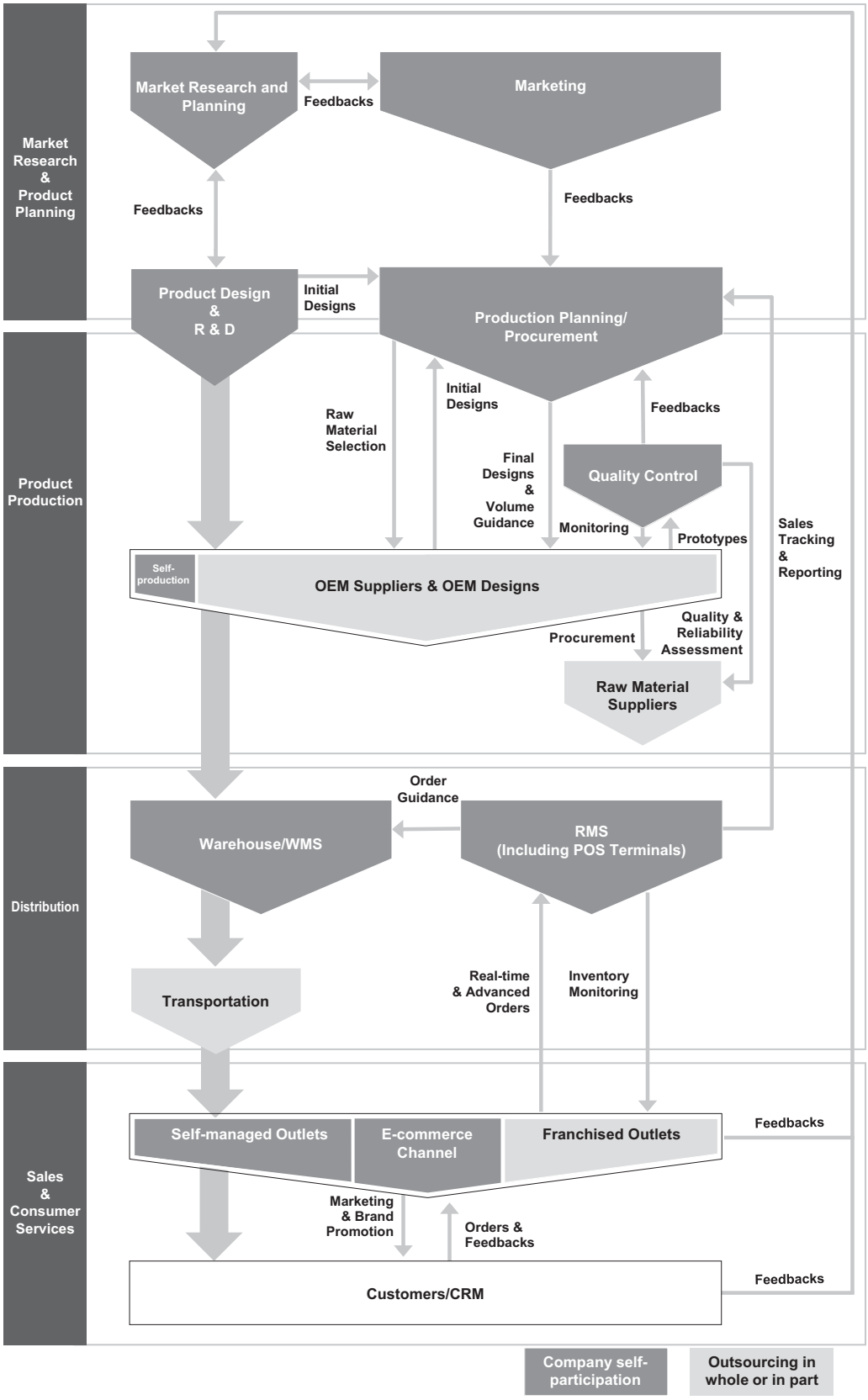
As part of our strategy to further expand our retail network in China, we plan to form strategic alliances with other companies in the apparel sector, in particular intimate wear manufacturers and raw material suppliers. We believe that alliances with strategic partners could improve our product quality and strengthen our control over critical stages of the upstream industry value chain, which could help enhance our competitiveness and market position. We will carefully consider and evaluate the synergies between us and our potential partners.

OUR BUSINESS MODEL

We are the largest branded intimate wear in China in terms of both total retail sales in 2013 and the number of retail outlets as of December 31, 2013, according to the Frost & Sullivan Report. We are principally engaged in the design, research, development and sale of our own branded intimate wear, while outsourcing substantially all of our production to selected domestic OEM suppliers. We sell our products through an extensive, well-managed retail network which covered 5,790 outlets in more than 330 prefecture-level cities across China as of December 31, 2013, among which 5,069 were franchised outlets and 721 were self-managed outlets. We operate a highly integrated business model, which enables us to exercise substantial control over critical stages of the industry value chain to ensure flexible production, optimal inventory level and timely delivery of products to the market.

Our business model embodies a robust system to directly control our retail network, allowing us to manage our franchised outlets in substantially the same way as our self-managed outlets. Our efficient franchise management system allows us to attract and retain franchisees and grow rapidly, while at the same time enabling us to actively supervise and largely control all critical aspects of our franchised outlets' operations to ensure that they strictly adhere to our retail policies and operating procedures. This business model has provided strong support to our rapid retail network growth.

Our business model is illustrated in the following diagram.

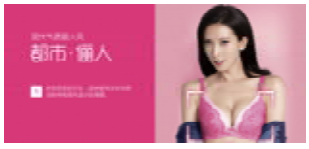
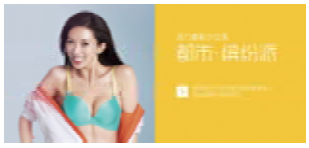
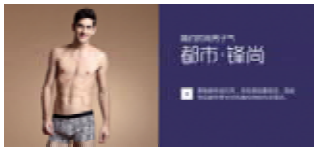


OUR BRANDS AND PRODUCTS

Brands

We offer a wide range of intimate wear products through our core brand Cosmo Lady (都市•儷人) and three sub-brands targeting at consumer groups of different age ranges, genders and consumption propensity. Our comprehensive brand portfolio aims to cover a broad range of consumer groups by offering products with a retail price ranged broadly from less than RMB10 to more than RMB300. Each of our core brand and sub-brands has its own designs, features and characteristics to fit the target consumer group's tastes and needs.

The following table sets forth certain information regarding our core brand and three sub-brands, including their target consumers, demographics and product offerings.

Brands	Targeted Customers	Demographics	Key Product Offerings
Cosmo Lady 都市•儷人 	Fashion-conscious women consumers	Women aged between 25 to 35	Bras, underpants, sleepwear and loungewear, thermal clothes and others
Cosmo Elegance 都市•絲語 	Affluent women consumers	Women aged between 35 to 45	Bras, underpants, sleepwear and loungewear, thermal clothes and others
Cosmo Blossom 都市•繽紛派 	Young women consumers	Women aged between 14 to 25	Bras, underpants, sleepwear, loungewear and others
Cosmo Esquire 都市•鋒尚 	Male consumers	Men aged between 18 to 45	Underpants, sleepwear and loungewear, thermal clothes and others

The table below shows a breakdown of our revenue by brand for the periods indicated.

	Year Ended December 31,					
	2011		2012		2013	
Brands	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
	(RMB'000 except percentages)					
Cosmo Lady (都市•儷人)	1,102,028	66.6	1,063,015	47.1	1,255,530	43.1
Cosmo Elegance (都市•絲語)	288,720	17.4	640,432	28.4	922,403	31.6
Cosmo Blossom (都市•繽紛派)	64,442	3.9	206,321	9.1	382,868	13.1
Cosmo Esquire (都市•鋒尚)	185,190	11.2	299,879	13.3	310,881	10.7
Others[(1)]	15,423	0.9	47,979	2.1	44,584	1.5
Total	**1,655,803**	**100.0**	**2,257,626**	**100.0**	**2,916,266**	**100.0**

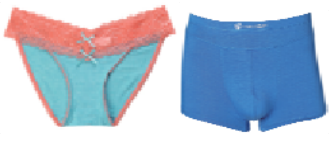
Note:

(1) Refers to branded products not within our core products, including shopping bags, hangers and etc.

Product Portfolio

Our products can be grouped into five categories: (1) bras; (2) sleepwear and loungewear; (3) underpants; (4) thermal clothes; and (5) others (including leggings and tights, vests, hosiery and accessories). We aim to continue to optimize our product offerings and expand our product categories.

The following table sets forth certain information about our current product categories, including product pictures, brands, approximate price range and approximate number of SKUs as of December 31, 2013.

	Pictures	Brands	Approximate Price Range	Approximate Number of SKUs[(1)]
			(RMB)	
Bras		Cosmo Lady (都市•儷人) Cosmo Elegance (都市•絲語) Cosmo Blossom (都市•繽紛派)	15 to 219	3,688
Underpants		Cosmo Lady (都市•儷人) Cosmo Elegance (都市•絲語) Cosmo Blossom (都市•繽紛派) Cosmo Esquire (都市•鋒尚)	6 to 58	2,134

	Pictures	Brands	Approximate Price Range (RMB)	Approximate Number of SKUs[1]
Sleepwear and loungewear		Cosmo Lady (都市•儷人) Cosmo Elegance (都市•絲語) Cosmo Blossom (都市•繽紛派) Cosmo Esquire (都市•鋒尚)	29 to 295	2,626
Thermal clothes		Cosmo Lady (都市•儷人) Cosmo Elegance (都市•絲語) Cosmo Esquire (都市•鋒尚)	49 to 319	1,991
Others		Cosmo Lady (都市•儷人) Cosmo Elegance (都市•絲語) Cosmo Blossom (都市•繽紛派) Cosmo Esquire (都市•鋒尚)	4 to 259	1,567

Note:
(1) SKUs in intimate wear industry in general are in mutliples of product offerings as a result of the variety of different colors and sizes for the product.

The table below shows a breakdown of our revenue by product category for the periods indicated.

	Year Ended December 31,					
	2011		2012		2013	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
	(RMB'000 except percentages)					
Bras	667,016	40.3	966,278	42.8	1,386,163	47.5
Underpants	277,304	16.7	301,756	13.4	437,041	15.0
Sleepwear and loungewear	242,982	14.7	332,722	14.7	443,308	15.2
Thermal clothes	288,713	17.4	471,247	20.9	381,422	13.1
Others[1]	179,788	10.9	185,623	8.2	268,332	9.2
Total	**1,655,803**	**100.0**	**2,257,626**	**100.0**	**2,916,266**	**100.0**

Note:
(1) Includes leggings and tights, vests, hosiery and accessories.

Our products can also be grouped into "all-season" products and "seasonal" products. All-season products refer to those products whose sales are typically not subject to seasonal fluctuations, including bras, underpants, vests and accessories. Seasonal products refer to those products whose sales are subject to seasonal fluctuations, including sleepwear and loungewear, thermal clothes and leggings. We have adopted the real-time ordering system for our all-season products and the advanced ordering system for our seasonal products. We anticipate changing to use the real-time ordering system for all our products in the foreseeable future. For details of these two types of ordering systems, see "— Sales and Distribution — Our Outlets — Franchised Outlets — Two Types of Product Ordering by Franchisees." In addition, the intimate wear industry is affected by rapidly changing fashion trends and consumer preferences, which are generally different from region to region. Therefore, outlets in different geographic locations tend to order different products from us.

Our sales of men's intimate wear have been increasing rapidly during the Track Record Period and we intend to further expand our range of men's intimate wear products. Our revenue generated from sales of men's intimate wear increased from RMB219.9 million for the year ended December 31, 2011, to RMB312.8 million for the year ended December 31, 2012, and further to RMB320.7 million for the year ended December 31, 2013, representing a CAGR of approximately 20.8% from 2011 to 2013.

Pricing Strategies

We adopt a uniform suggested retail price for each product across the PRC market. The suggested retail price is applicable to both our franchised and self-managed outlets. We adopt a market-oriented pricing approach. We determine prices of our products by reference to a number of factors, including the following:

- results of market research and analysis (including consumption propensity of our target consumers and market trends);
- our historical sales data;
- production costs such as cost of raw materials;
- purchase costs from our OEM suppliers;
- complexity of design and manufacturing;
- our expected profit margins; and
- product prices set by our competitors.

Our headquarters determines all product promotional discount policies and programs applicable to both our franchised and self-managed outlets. Upon analysis of sales data, we conduct promotional sales from time to time to minimize end-of-season or aged inventories and maximize profitability.

PRODUCT DESIGN, RESEARCH AND DEVELOPMENT

We are in a business where sensitivity to fashion trends and consumer feedback is important to the market acceptance and popularity of our products. Accordingly, we have devoted substantial financial and managerial resources to product design, research and development. We believe that our focus on product design, research and development is key to our past and future successes.

Our design philosophy is to provide our consumers with stylish and trendy fashions and high value-for-money products. We employ a dedicated product design, research and development team for each of our major product categories. This arrangement ensures greater specialization of each brand while simultaneously allowing for the cross-pollination of ideas and skill sets among design, research and development teams of different product categories. As of the Latest Practicable Date, our in-house design, research and development department comprised approximately 60 designers and design assistants. Our design, research and development department is headed by our design director who has more than 20 years of experience in this industry. The size of each product category's design, research and development team depends on the targeted number of designs of that product category. Our designers have extensive industry knowledge of well-known international or domestic brands in China.

In addition to our internal design teams, we also utilize the in-house design capacity of our OEM suppliers to supplement our internal design capabilities, such as to jointly work on the advanced materials for high-end products. As of December 31, 2011, 2012 and 2013, we had 257, 165 and 192 OEM suppliers in the PRC respectively. We typically require each OEM supplier to provide us with at least 20 new designs every year. Moreover, we track and analyze the latest fashion trends, advanced products fabrics and new dying, cutting, and sewing techniques in the industry to further increase the variety and functions of our product offerings. We also cooperate with other third parties, such as research institutes and studios, to collect the latest fashion trends and jointly develop functional fabrics and products.

Our ability to continuously and successfully introduce new products to the market is significantly attributable to our commitment to innovations. Backed by our strong product design and development capabilities, we have continuously developed and brought to market "hit" new products. Our recent product development successes include innovations in the development of functional fabric, the design of bras with body shaping functions and seamless bras, the development of leggings and the introduction of loungewear which could also function as casual outdoor clothes.

We have received a total of 26 issued patents in China, including eight exterior design patent and 18 utility model patents. Backed by our strong product design and development capabilities, we launched an average of approximately 1,500 to 1,700 new products each year during the Track Record Period. For the three years ended December 31, 2011, 2012 and 2013, our product design, research and development department incurred expenses of RMB0.7 million, RMB3.1 million and RMB6.1 million, respectively. We plan to continue to invest in product design, research and development and focus on innovations in order to remain competitive.

Typically, we take the following steps during our products' life cycle:

- **Market analysis and product planning.** We typically begin product planning at least one year in advance of product launch and our product design teams work closely with our raw material development, marketing and procurement departments and take into consideration consumers' feedback, historical purchasing behavior, upcoming trends, sales statistics and our pricing targets. Our design teams attend various trade exhibitions to keep themselves informed of the latest fashion trends. They also collect market data from both domestic and international markets, including past sales performance of certain products, results of customer surveys and the competitive landscape. The teams then analyze all the information in detail to understand consumer preferences and market trends.

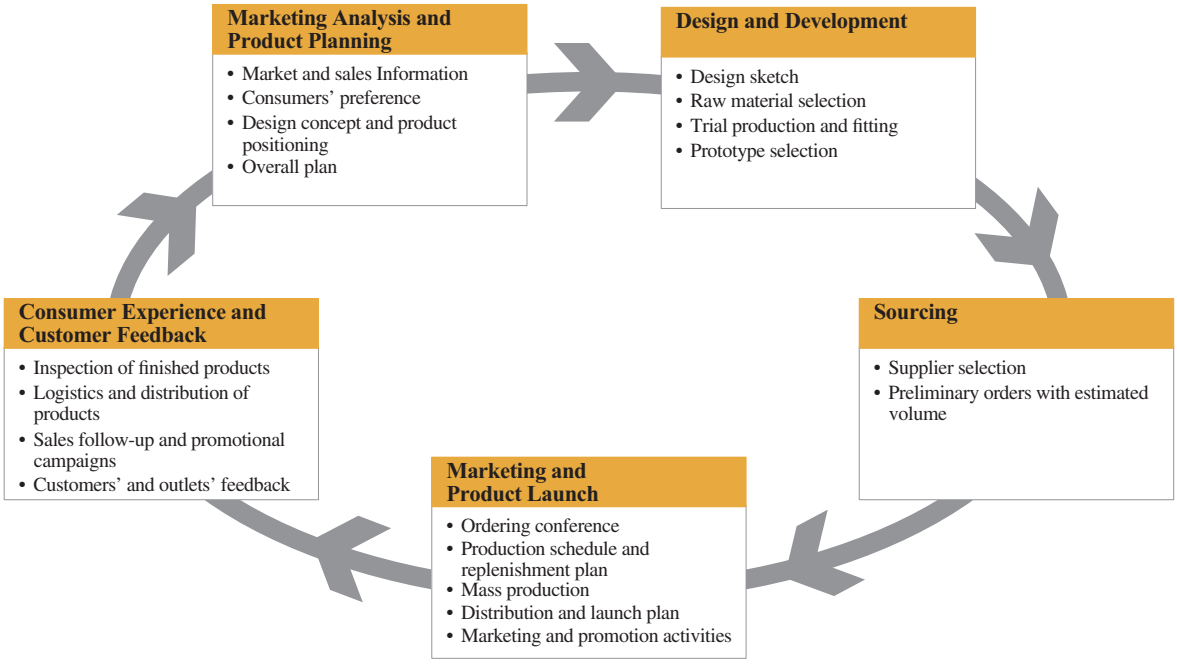
- **Design and development.** Based on market analysis, each design team first outlines the product types and target prices for each season in line with our internal sales and profit target for each product category. The design team then communicates with our selected OEM suppliers on our initial product designs. After they provide us with their initial sketches, our design team selects OEM suppliers to work with. Our design team then produces product prototypes and performs various quality tests and gives our feedbacks to the OEM suppliers. We typically undertake three to four rounds of prototype selection prior to finalizing the new products to be launched.

- **Sourcing.** After working out the new product designs, the design department works with the procurement department to specify our product requirements and request the OEM suppliers to provide a price quote. Once the price is confirmed by our costing department, the procurement department sends purchase orders to the OEM suppliers to commence production.

- **Marketing and product launch.** The marketing department formulates the marketing strategy and prepares the description and photographs of each product for product launch after fully communicating with the design teams to understand the theme and spirit of the products. We then commence marketing campaigns and disseminate promotional materials to condition the market for our product launch.

- **Consumer experience and customer feedback.** After product sales begin, our marketing and customer service departments closely monitor our sales data and consumer feedback and communicate with our production and design teams regularly. In addition, our designers visit our outlets on a regular basis to keep informed of consumers' purchasing behavior and customer feedback. To assist these departments to make timely adjustments to our marketing strategy, production plan and product design, data collected through our information technology system is available on a daily basis. We believe that our ability to collect and analyze consumer and market data, which in turn allows us to rapidly design and launch products, distinguishes us from our competitors.

The chart below illustrates a typical design and production process for our products.



SALES AND DISTRIBUTION

We sell our products through an extensive, well-managed retail network of 5,790 outlets in more than 330 prefecture-level cities across China as of December 31, 2013. Our extensive retail network consists primarily of franchised outlets, as well as self-managed outlets. As of the Latest Practicable Date, through our membership program, we had accumulated more than 26 million members, among which approximately seven million were active members who have made more than one purchase at one of our outlets within the six-month period before the Latest Practicable Date.

We believe that location selection is critical to the success of the operation of our outlets. Over the years, our management has accumulated valuable experience in identifying and evaluating prospective outlet locations. Our outlets are typically located on streets with high levels of pedestrian traffic, some are in campuses or within commercial districts or specialty stores that also attract consumer visits. We strategically open self-managed outlets in Tier One Cities, Tier Two Cities and other strategic locations and have our franchisees open franchised outlets in areas where we have a relatively lower market presence and lower market penetration. We continuously look for attractive locations for the expansion of our retail network. We believe that our ability to identify and secure attractive locations for our outlets is key to our rapid growth and success.

We consider and evaluate the following factors when selecting a location to open a new outlet:

- the shopping patterns and spending power of the target consumers at the proposed location;
- analysis of the regional demographic features;

- geographic coverage of the location;
- competition in the surrounding area;
- estimated initial capital investment and expected return; and
- expected sales and the level of rental expenses.

Our retail network

Our retail network covered 5,790 outlets comprising 5,069 franchised outlets and 721 self-managed outlets located in all provinces as well as province-level municipalities and autonomous regions in China as of December 31, 2013. The increase in the number of our franchised outlets and our self-managed outlets achieved a CAGR of approximately 21.9% and 196.5%, respectively, between 2011 and 2013.

In addition to quickly expanding our retail network and geographical coverage, we maintained robust sales growth for our existing outlets during the Track Record Period. The following table sets forth our total number of franchised outlets and self-managed outlets and their revenue contribution for the periods indicated.

	Year Ended December 31,								
	2011			2012			2013		
	Number of outlets	Revenue	% of Revenue	Number of outlets	Revenue	% of Revenue	Number of outlets	Revenue	% of Revenue
		(RMB'000)			(RMB'000)			(RMB'000)	
Sales to franchisees . .	3,412[2]	1,592,420	96.2	4,429[2]	2,069,687	91.7	5,069[2]	2,240,433	76.8
Retail sales[1]	82[3]	63,383	3.8	209[3]	187,939	8.3	721[3]	675,833	23.2
Total.	3,494	1,655,803	100.0	4,638	2,257,626	100.0	5,790	2,916,266	100.0

Notes:
(1) Refers to sales to our consumers through our self-managed outlets.
(2) Refers to franchised outlets.
(3) Refers to self-managed outlets.

In order to facilitate sales and optimize decision-making, we manage our nationwide retail network across four sales regions which report individually to our headquarters. The four sales regions consist of the following:

- Southern China which includes Guangdong, Fujian, Hubei, Hunan, Guangxi, Jiangxi and Hainan;
- Eastern China which includes Shanghai, Jiangsu, Zhejiang, Anhui, Shandong and Henan;
- South-Western China which includes Sichuan, Chongqing, Shaanxi, Gansu, Qinghai, Yunnan, Guizhou, Tibet, Xinjiang and Ningxia; and
- Northern China which includes Heilongjiang, Jilin, Liaoning, Beijing, Inner Mongolia, Hebei, Tianjin and Shanxi.

The following table sets forth the number of franchised outlets and self-managed outlets within each sales region as of December 31, 2013.

	Franchised outlets		Self-managed outlets	
Sales Region	**Number of outlets**	**% of total outlets**	**Number of outlets**	**% of total outlets**
Southern China	1,955	38.6	333	46.2
Eastern China	1,369	27.0	159	22.1
South-Western China	1,035	20.4	105	14.5
Northern China	710	14.0	124	17.2
Total	**5,069**	**100.0**	**721**	**100.0**

Map of Our Retail Network

The following map shows the geographical distribution of our outlets in China as of December 31, 2013.

The table below sets forth the total number of outlets in our retail network, the number of newly opened outlets and closed outlets for the periods indicated.

	Year Ended December 31,		
	2011	2012	2013
Franchised outlets.			
At the beginning of the period	2,541	3,412	4,429
Add: newly opened outlets	1,132	1,368	1,386
Less: franchised outlets transferred to self-managed outlets	79	126	439
closed outlets	182	225	307
Total franchised outlets	3,412	4,429	5,069
Self-managed outlets			
At the beginning of the period	3	82	209
Add: newly opened outlets	–	3	109
self-managed outlets transferred from franchised outlets	79	126	439
Less: closed outlets	–	2	36
Total self-managed outlets	82	209	721
Total outlets	3,494	4,638	5,790

To further increase our retail network coverage and geographical penetration, we have been actively increasing the number of our franchised and self-managed outlets in recent years. Our robust franchise management system supported the significant increase in the number of our franchised outlets during the Track Record Period. See "—Franchisee support and services" below for details.

During the Track Record Period, we opened an additional 112 self-managed outlets. As part of our strategic plan to rapidly expand the network and geographical coverage of our self-managed outlets in China's Tier One Cities, Tier Two Cities and other strategic locations, during the Track Record Period, in addition to opening new self-managed outlets, we terminated franchise agreements with certain franchisees and converted these franchised outlets into our self-managed outlets. To implement these conversions, we reached a consensus with our franchisees of these outlets that they would terminate their franchise agreements and subsequently either work with us as our partners under cooperative arrangement or to transfer their outlets outright to us. We agreed with franchisees of 79, 126 and 439 franchised outlets in 2011, 2012 and 2013, respectively, to terminate their franchise agreements and converted these franchised outlets into our self-managed outlets.

In deciding whether to terminate franchise agreements and convert franchised outlets into our self-managed outlets, we primarily take into account the locations of these outlets with a view to securing more attractive locations for our self-managed outlets in China's Tier One Cities, Tier Two Cities and other strategic locations. To a lesser extent, we also evaluate other operational and financial factors of our franchised outlets, such as the size and profitability of these outlets.

For those franchised outlets that become outlets under the cooperative arrangement after termination of franchise agreements, only the unsold inventory at those outlets will be returned to us, and our partners (who were previously our franchisees) are responsible for applying for relevant government licenses and approvals and bear rental expenses, staff costs and all other operating expenses. Since these franchisees have become our partners, during the Track Record Period we did not pay any compensations to them for the termination of their franchise agreements. We recognize the return of the unsold inventory from these franchised outlets as a reduction to revenue.

For those franchised outlets that become our self-managed outlets, we hire our own staff, negotiate and enter into new lease agreements and apply for relevant government licenses and approvals after the termination of franchise agreements. During the Track Record Period, for the franchised outlets that we converted into our self-managed outlets, we did not pay any considerations to these franchisees in connection with these terminations. However, in connection with the termination of these franchise agreements, we mutually agreed to allow these franchisees to operate new franchised outlets in other adjacent cities or areas. In addition, apart from the return of the unsold inventory at those outlets to us, we purchased certain fixed assets using in these outlets, such as store decoration and furniture, at the original cost less depreciation from these franchisees. We recognize the return of the unsold products and purchase of fixed assets from these franchised outlets as a reduction to revenue and an addition to property, plant and equipment, respectively.

We also continue to grow the number of our franchised outlets. During the Track Record Period, we added 3,886 new franchise outlets. During the same period, we also closed 714 franchised outlets after conducting periodic performance review. Under the franchise agreement, we may terminate the franchise agreement of the franchisee that violates the franchise agreement, or that does not meet our financial or operational requirements. Number of franchised outlets that were terminated due to this reason amounted to 42, 53 and 65 outlets in 2011, 2012 and 2013, respectively. The franchise agreement may also be terminated upon mutual consent if our franchisee is unable to continue the operation of its franchised outlet due to the rezoning or demolishment of the building where its outlet is located and is unable to relocate the operation elsewhere. Number of franchised outlets that were terminated due to this reason amounted to 96, 118 and 171 outlets in 2011, 2012 and 2013, respectively. From time to time, franchisees have chosen not to renew or to terminate their franchise agreements. Number of franchised outlets that were terminated due to this reason amounted to 44, 54 and 71 outlets in 2011, 2012 and 2013, respectively. After the termination of the franchise agreements, franchisees cannot continue to sell their unsold products under our brand names.

Expansion Plan

We plan to prudently expand our retail coverage by increasing the number of both self-managed and franchised outlets. Going forward, we expect to increase the number of our self-managed outlets, particularly in Tier One Cities, Tier Two Cities and other strategic locations. We will also selectively open flagship outlets in prime locations for brand promotional purposes. Our management is also exploring the possibilities of establishing overseas presence in Hong Kong and Taiwan; however as of the Latest Practicable Date, we had not identified any locations, or entered into any commitments, for such expansion. We plan to open approximately 2,000 more self-managed outlets by the end of 2018.

We intend to continuously look for attractive locations for the expansion of our retail network. Going forward, we plan to focus our expansion of franchised outlets in locations where we have a relatively lower market presence and lower market penetration. We believe our ability to increase our market presence and revenue from our retail network in these regions will have a positive impact on our future financial performance.

We expect that in the near term the number of our franchised outlets will continue to exceed the number of our self-managed outlets (including outlets under the cooperative arrangement). We will continue to focus on expanding our retail network and geographical coverage in China's Tier One Cities, Tier Two Cities and other strategic locations through self-managed outlets (including outlets under cooperative arrangement).

Franchised outlets

In order to expand the geographical coverage of our retail network in a short timeframe, we engage third party franchisees to operate outlets according to the same brand formats as our self-managed outlets so that consumers have the same shopping experiences at both our self-managed and franchised outlets. We believe that the franchise business model provides an asset-light and cost-effective means of quickly expanding our retail network, which has in turn contributed significantly to the increase of our revenue, market share and brand recognition. This is consistent with market practice in the intimate wear industry in China. We do not use distributors or multiple layers of franchisees in order to maintain direct control over our franchisees, nor do we use sales representatives to promote sales of our products.

For the years ended December 31, 2011, 2012 and 2013, sales to our largest customer accounted for 4.8%, 3.6% and 1.6% of our total revenue, respectively, while sales to our five largest customers in aggregate accounted for 19.5%, 15.2% and 5.9% of our total revenue, respectively. All of our five largest customers were our franchisees. None of our Directors or their respective associates or any Shareholder (whom to the knowledge of our Directors owns more than 5% of the issued Shares) had any interest in any of our five largest customers during the Track Record Period and as at the Latest Practicable Date. To the best of our knowledge, as of the Latest Practicable Date, all of our franchisees were independent third parties and none of our franchisees was our ex-employees.

Selection criteria for franchisees

We have developed a systematic process with respect to the planning and execution of expansion projects for franchised outlets. We select our franchisees based on a number of criteria, including, among others, their local relationships and experiences, marketing capabilities, financial condition, risk management capabilities, reputation and outlet location.

The table below sets forth the total number of our franchisees for the periods indicated:

	Year Ended December 31,		
	2011	2012	2013
At the beginning of the period	1,434	1,798	2,051
Add: new franchisees	452	368	353
Less: terminated franchisees	88	115	193
Total franchisees	1,798	2,051	2,211

We continued to add new franchisees during the Track Record Period to further increase our retail network coverage and geographical penetration. Although the newly opened franchised outlets continued to increase during the Track Record Period, the number of newly added franchisees decreased. We have attempted to, and plan to continue to, increase the number of franchised outlets, rather than the number of franchisees, to retain and develop well-performed franchisees and to limit competition between different franchisees. During the Track Record Period, the franchise agreements were terminated mainly upon mutual consent because our franchisees were unable to continue the operation of their franchised outlets due to the rezoning or demolishment of the buildings where their outlets were located and were unable to relocate the operations elsewhere.

Sale and ownership of products

We typically sell our products to our franchisees at a discount to our retail prices. Depending upon the different products categories and product cycles, the discount ranged from approximately 30% to 55% to our retail price in 2013. Our sales to the franchisees are without recourse. There is no obsolete stock or repurchase arrangement between our franchisees and us. Products sold to our franchisees belong to them, except that (i) 30% of the first order for bras for which the price is paid in full, by newly joined franchisees after signing of the franchise agreement can be returned within two months from the delivery of the products; (ii) franchisees can return defective products; and (iii) franchisees can return their unsold products at the time when their outlets are transferred to our self-managed outlets. Under these three specified circumstances, our products can be returned to us for full price refund without any adjustment. We recognize sales returns against revenue. As of each balance sheet date, we estimate and make provisions for sales returns based on our accumulated experience. The difference between our estimates and the actual outcome is recognized prospectively in the period in which the sales returns occur. During the Track Record Period and as of the Latest Practicable Date, we had not experienced any material difference between our estimates and the actual outcomes.

Sales returns in connection with the first order for bras by newly joined franchisees remained relatively stable during the Track Record Period, amounting to RMB0.6 million, RMB0.8 million and RMB1.1 million, respectively, for the three years ended December 31, 2011, 2012 and 2013. As a result of our quality control efforts, sales returns of defective products remained at a low level, amounting to RMB5.6 million, RMB15.2 million and RMB9.6 million, respectively, for the same periods. Sales returns of unsold products from the franchised outlets which were transferred to self-managed outlets amounted to RMB4.4 million, RMB43.0 million and RMB115.3 million, respectively, for the same periods. These increases in sales returns of unsold products from our franchised outlets were primarily due to the increase in the number of our self-managed outlets which were transferred from our franchised outlets.

Franchisee support and services

Leveraging our significant experience with respect to the operation of retail outlets accumulated over these years, our management team has developed a robust operational platform for our nationwide operations and implemented a rigorous franchise management system that allows us to attract and retain franchisees and grow rapidly, while at the same time, maintaining control and supervision over their operations. Our well-established franchise management system not only ensures that quality services be consistently delivered to our

consumers but also helps our franchisees integrate into our retail network seamlessly and quickly. Our system helps our franchisees to achieve efficiency and receive support on every important aspect of store management, including, without limitation, the following:

- Assessment of outlet locations: After a franchisee identifies a prospective outlet location, our business development team prepares a detailed outlet opening report analyzing factors including population density, consumer purchasing power, geographic location, competition in the surrounding area and revenue forecast, and makes a decision on the outlet location.
- Store decoration and product display: We provide store decoration and product display services to all franchisees to ensure that each outlet adopts a uniformed design, appearance, decoration, layout, color scheme, lighting scheme and product display.
- First order of products: Given that new franchisees may not have sufficient retail experience, the first batch of products to be ordered from us is specified by us.
- Information technology system development and implementation: As our information technology system is crucial to our production planning, product delivery, inventory control and financial reporting, each franchised outlet is equipped with our information technology system, including POS terminals and the real-time ordering system, which is directly connected to our systems at the headquarters.
- On-site supervision: We conduct both scheduled and unannounced inspections of our franchised outlets to ensure that the franchised outlets are operated in accordance with our policies.
- Personnel and other trainings: We believe that the performance of outlet staff is critical to the success of a retail outlet. We place great emphasis on the training of the outlet staff and provide in-house training programs to the outlet staff on various retail operation matters, such as product knowledge, sales techniques, customer service, store operation and safety measures.
- Customer service hotline: We have customer service hotlines to answer franchisees' questions or troubleshoot problems on issues such as product quality, order status inquiry and product return.

We believe that the foregoing support and services have strengthened our relationships with the franchisees. In the meantime, we are able to perform in-time sales and inventory tracking and reporting on our franchised outlets through the information technology system that is installed at the franchised outlets and directly linked with our headquarters. We may also benefit from the word-of-mouth references by our existing franchisees to attract potential franchisees. In addition, our franchise management system incentivizes our franchisees to grow their business with us. As of December 31, 2013, 1,206 franchisees had been our franchisees since January 1, 2011 and they represented 54.6% of the total number of our franchisees as of December 31, 2013. In addition, as of December 31, 2013, we had 2,211 franchisees, among which 1,060 franchisees had two or more franchised outlets. These 1,060 franchisees together had 3,918 franchised outlets, which accounted for 77.3% of the total number of our franchised outlets as of December 31, 2013.

Management of franchisees

The quality, consistency, display and appearance of our outlets and consumers' shopping experiences are the key to maintaining the integrity and attractiveness of our brand. Therefore, we manage our franchised outlets in substantially the same way as our self-managed outlets to ensure that our retail policies and operating procedures are implemented uniformly across our entire retail network under both our franchised outlets and self-managed outlets. In order to maintain flexibility, we do not have any long-term agreements with our franchisees. Our franchise agreements are typically negotiated and renewed on an annual basis. All franchise agreements that we have entered into are legally binding and enforceable under the PRC law. We monitor and control our franchisees in part through the franchise agreements, which include the following principal terms:

- Geographical scope and avoidance of cannibalization among franchisees: Each of our franchisees is designated a defined geographical area in which it is authorized to operate franchised outlets under the franchise agreement. To prevent unhealthy competition between franchisees, we generally require that the distance between any two franchised outlets operated by different franchisees be generally no less than 200 meters. In the future, we plan to increase the number of franchised outlets, rather than the number of franchisees, to limit competition between different franchisees and to retain and develop well-performed franchisees.
- Suggested retail price: We adopt a uniform suggested retail price for each product for our franchised outlets across the PRC market. Franchised outlets must follow all product promotional discount policies and programs determined by the headquarters.
- Exclusivity: The franchise agreement prohibits a franchisee from selling any other products that directly or indirectly compete with our products during the term of the franchise agreement and within one year after the termination or expiration of the agreement. However, we are not bound by any exclusivity arrangement with any of our franchisees.
- Sales target: We generally do not set any sales targets for our franchisees under the franchise agreement; however, we regularly review, discuss and assess their sales, financial and operational performance, and will monitor as such regularly.
- Purchase orders: Purchases by our franchisees are made on a purchase order basis. During the term of the franchise agreement, a franchisee may place orders with us and we shall sell products in accordance with the terms and conditions of the franchise agreement which usually contains no minimum purchase requirements.
- Credit term: Our franchisees are generally required to make payments prior to the delivery of the products.
- Product returns: We accept returns of our products from our franchisees only if there are quality defects in the products and the franchisees are generally required to return defective products within five days upon their receipt.
- Franchise fee: As an initial commitment to the long-term effort to promote our brands and products, our franchisees are required to pay us a one-off franchise fee of RMB13,800 for each franchised outlet within two business days after the

execution of the franchise agreement. During the Track Record Period, we exempted franchise fees for newly opened franchised outlets that were managed by experienced franchisees with a well-established track record to promote the expansion of our franchised outlets.

- Transportation: We engage third party logistics service providers to deliver our products to our franchisees at the franchisees' expense.
- Use of brands: Our franchisees, who are authorized to utilize our brands, trademarks and other intellectually property rights, are required to protect our creditability and reputation and keep our corporate information, business know-how and trade secrets in strict confidential during their ordinary course of business and marketing and promotion activities.
- Termination rights: The non-defaulting party may terminate the agreement if there is any breach of agreement.

In addition, as part of our franchise management system, we actively supervise the operation of franchised outlets in various aspects as described below to ensure their compliance with our retail policies and operating procedures.

- Periodic and *ad hoc* on-site inspections: To ensure full compliance with our retail policies and operating procedures, we conduct both scheduled and unannounced inspections of our franchised outlets, and notify the franchisee of the required work such as product display and repairs of store decoration that need to be undertaken.
- Monitoring sales and inventory record: Through the aid of our information technology system, we are able to monitor the sales data and inventory level of each franchised outlet on a daily basis.
- Performance evaluation: We conduct periodic reviews of the performance of our franchised outlets, including, without limitation, their sales record and compliance with our retail policies or operating procedures. Based on the results of our review, we decide to renew or terminate the franchise agreements.

During the Track Record Period and as of the Latest Practicable Date, we were not aware of any of our franchisees committing any material breach of their respective franchise agreements or being in violation of our policies relating to geographical scope or pricing.

Business licenses for franchised outlets

Under the terms of franchise agreements, our franchisees are required to obtain business licenses for the franchised outlets they operate. The franchisees are permitted to operate franchised outlets under business licenses registered under their own names or through cooperation with their business partners. As of the Latest Practicable Date, all of our franchisees have obtained requisite business licenses.

In order to ensure that our franchisees comply with PRC laws and regulations in respect of business license requirements, we require our franchisees to provide a copy of the business licenses and attach them to the franchise agreements as exhibits.

Self-managed outlets

During the Track Record Period, the number of our self-managed outlets increased from 82 as of December 31, 2011, to 209 as of December 31, 2012 and further to 721 as of December 31, 2013. We operate our self-managed outlets as model shops to enhance our brand recognition, attract potential franchisees and control strategic markets to expand our retail network. Self-managed outlets also offer us opportunities to develop our in-house staff training programs. In addition, we can obtain the first-hand market information to keep ourselves informed of the latest market trends and consumer demand and preferences, and offer better operational support to our franchised outlets. We have implemented programs to adjust our outlet staffs working hours to allocate manpower based on consumer traffic patterns, while at the same time maintaining our outlet's operational efficiency and providing better consumer services.

Outlets under cooperative arrangement

As part of our strategic plan to expand our retail network, beginning in the fourth quarter of 2012, we began using cooperative agreements with third-party partners to expand the network of our self-managed outlets. As we manage all aspects of the outlets under cooperative arrangements, the revenue contributed by such outlets falls under our retail sales. For these arrangements we generally select partners who we believe can offer attractive outlet locations and may continue to do so in the future. Under these arrangements, in addition to providing leased premises, our partners are responsible for applying for relevant government licenses and approvals while we manage all aspects of the outlet's operations. We believe that under these arrangements we can take advantage of the local knowledge, network and resources of third-party partners to expand our retail network in areas where there is significant growth potential while reducing our capital expenditures. As of December 31, 2012 and 2013, we had 58 and 519 outlets under cooperative arrangement. The revenue from these outlets totaled RMB1.4 million and RMB343.2 million for the year ended December 31, 2012 and 2013, respectively.

Prior to October 2013, we reimbursed our third-party partners under the cooperative arrangement for their paid rental expenses, and these reimbursements were recognized as operating lease rentals in our combined statements of comprehensive income. In October 2013, upon mutual consent with these partners, we adopted a new form of cooperative agreement which included amendments to certain provisions, including those governing rental and operational expenses and concession fee arrangements. Under the new terms of our cooperative agreements, third-party partners typically bear the initial set-up cost, rental expenses and all operational expenses, including taxes and government charges, while we assist them with the management of the outlet. In return, we pay concession fees to our third-party partners. We believe that the new form of cooperative agreement further motivates our third-party partners to optimize our retail business. The cooperative agreements that we have entered into with the third-party partners generally have terms of one year and typically include specific terms regarding premises, sales management, personnel recruitment and management, profit sharing and financial settlement.

Pursuant to terms of the cooperative agreements and consistent with our standard management practices for our self-managed outlets, we designate outlet managers employed by

us who supervise the daily operations of these outlets and are responsible for ensuring that outlet operations comply with the relevant standards. The outlet staff who are employed by third-party partners are selected by us. We manage all aspects of the operations of these outlets, such as conducting inspections of the outlet (either on-site or through the video surveillance system) and monitoring sales and inventory record. All outlets under cooperative arrangement are equipped with our information technology system, including POS terminals and our real-time ordering system, which is directly connected to our systems at the headquarters. Through these measures, we are able to maintain strong control over management of these retail points.

The principal terms of our cooperative agreements are summarized below:

- Revenue recognition: We recognize revenue when products are sold to consumers at outlets under cooperative arrangement.
- Inventory ownership: We retain ownership of the inventory at outlets under cooperative arrangement until the inventory is sold to consumers.
- Set-up cost: Third-party partners bear the set-up costs of newly established outlets under cooperative arrangement.
- Rental and operational expenses: Third-party partners bear rental expenses and all operational expenses.
- Concession fee arrangement: We generally share approximately 45% of the outlet revenue generated from product sales with our third-party partners. We do not share any losses incurred by third-party partners.
- Credit period: We require our third-party partners to pay us the balance of the outlet revenue belonging to us within 30 days from the end of every month.

In 2012 and 2013, the revenue contributed by outlets under cooperative arrangements totaled RMB1.4 million and RMB343.2 million, respectively. Such revenue falls under our retail sales. The gross profit contributed by outlets under cooperative arrangements totaled RMB0.8 million and RMB194.3 million, respectively, in the same periods. We plan to continue to optimize our channel mix, consisting of our franchised outlets and self-managed outlets (including outlets under cooperative arrangement) going forward. See "Financial Information—Factors Affecting our Business, Financial Condition and Results of Operations—Our ability to optimize our channel mix and product mix" for more details.

Breakeven and investment payback period

According to the latest cooperative agreement, third-party partners bear the initial set-up costs, rental expenses and all other operating expenses, and thus the breakeven and investment payback period is not applicable and irrelevant to our outlets under cooperative arrangement.

For self-managed outlets other than the outlets under cooperative arrangement, the amount of time it takes to reach the "breakeven point" or the "investment payback point" is affected by a variety of factors, including, among others, the size, location and opening times of the self-managed outlet, the expenditures of securing the location for and opening the self-managed outlet, and the economic and other conditions (including the competitive

landscape) in the local market in which the self-managed outlet operates. Such amount of time varies substantially from outlet to outlet and over time.

During the Track Record Period, it generally took our self-managed outlets other than the outlets under cooperative arrangement:

(a) less than four months to reach the "breakeven point" (being the first point in time at which its monthly operating revenue is at least equal to its monthly operating expenses such as rental, labor costs, utility, tax and depreciation expenses); and

(b) less than 24 months to reach the "investment payback point" (being the point in time at which the accumulated net profit from the self-managed outlet is at least equal to the costs of opening and operating the self-managed outlet (including any incurred capital expenditures and accumulated ongoing operating expenses such as initial inventory costs, rental, labor costs, utility and tax).

Other sales channels

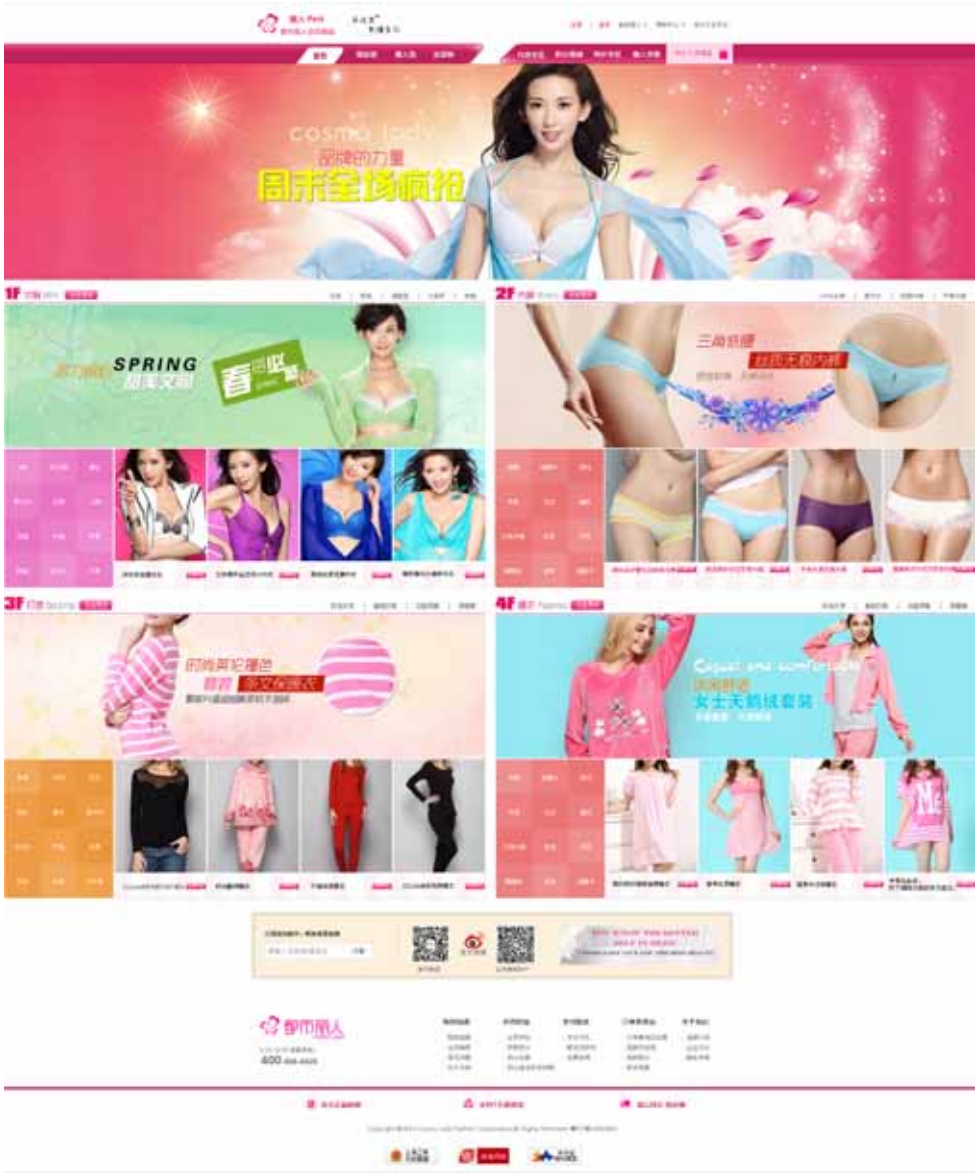
We have launched our e-commerce platform (www.cosmolady-park.com)* in February 2014 to reach more potential customers. Leveraging our extensive retail network and our consumer database, we believe that our e-commerce platform allows us to offer consumers a more personalized shopping experience than other online apparel stores, which lack the same extensive retail networks and consumer database that we have. As of the Latest Practicable Date, through our membership program, we had accumulated more than 26 million members, among which approximately seven million were active members who have made more than one purchase at one of our outlets within the six-month period before the Latest Practicable Date. We plan to take advantage of our vast and loyal consumer base to develop our e-commerce business going forward.

As advised by our PRC legal advisors, pursuant to (i) the Administrative Measures for Internet Information Services (互聯網信息服務管理辦法), (ii) the Measures for the Archival Administration of Non-Commercial Internet Information Services (非經營性互聯網信息服務備案管理辦法), (iii) the Circular of the General Office of the Ministry of Commerce on Some Issues Concerning the Approval and Administration of Foreign Investment Projects of Sale through Internet and Automat (商務部辦公廳關於外商投資互聯網、自動售貨機方式銷售項目審批管理有關問題的通知), and (iv) the Guiding Opinions of the Ministry of Commerce on Online Trading (for Tentative Implementation) (商務部關於網上交易的指導意見[暫行]), because we only sell products to consumers on our e-commerce platform and do not provide online services to other trade parties, we are not required to apply for the Operating Permit, but are instead only required to file a registration with the relevant PRC authorities for the operation of the website under the PRC law. In addition, foreign invested enterprises are not restricted from filing these types of registrations. As such, it is not necessary for a foreign invested enterprise, such as ourselves, to adopt any contractual arrangement or variable interest entity structure to operate its e-commerce platform if it does not offer online services to other trade parties. See "Regulations—Laws and Regulations Relating to Product Sale through the Internet" for details. As advised by our PRC legal advisors, since we have already completed the necessary registration, we are in compliance with the relevant PRC laws and regulations for the operation of our website.

* The content of this website does not form part of this document.

If a consumer places an order on our online platform to a registered account maintained by our franchised outlet, a percentage of the revenue generated from such sale is allocated to that franchised outlet, and at the same time, we charge that franchisee a service fee (including delivery cost and fees and expenses for the after sale services). The price of our products on our online platform is the same as the offline retail price. These measures prevent potential conflicts between our online platform and retail franchise system. As of the Latest Practicable Date, revenue generated from our online sales was not significant. See "Risk Factors—Risks Relating to Our Industry and Business—We may not be able to compete effectively in the highly competitive intimate wear industry" for details on the risk relating to competition in the online sales channel.

Below is an example of the interface of our online shop:



Network management and operations

Our management structure and functions

We have a four-tiered management structure consisting of our headquarters, four regional sales offices, our provincial branch offices and our outlets. It is applicable to both our self-managed and franchised outlets. Our regional sales offices are located in Shenzhen, Shanghai, Beijing and Chongqing.

Headquarters

Our headquarters is located in Dongguan and is our highest decision making authority. It is primarily responsible for strategic business development, nationwide marketing and brand management, financial management, senior personnel recruitment and training, internal control, setting performance and budget targets and supervising our performance.

Our headquarters carefully monitors the performance of each sales region. Each month, our headquarters produces a report which ranks the overall performance of the self-managed outlets and the franchised outlets, respectively, of each sales region. The purpose of the internal ranking system is to promote transparency across our organization and to allow the sales regions to share information and experience, as well as identifying any management or operational deficiencies within their region. The ranking system is also designed to promote healthy competition within the organization and to motivate sales regions to improve their performance.

Regional Sales Offices

We divide our retail operations into four sales regions in the PRC, namely Southern China, Eastern China, South-Western China and Northern China. Each sales region is managed by a regional sales director who reports directly to our headquarters. These regional sales offices are principally responsible for the coordination with their respective provincial branch offices and management and supervision of the outlets as well as the development of new retail outlets within their sales regions. Each regional sales director is assisted by several managerial staff who is in charge of several sub-regions of that sales region.

Provincial Branch Offices

We have provincial branch offices in each province and province-level municipality and autonomous region. These provincial branch offices are managed under the relevant sales regions to execute the day-to-day management and supervision of the outlets located in each province and province-level municipality and autonomous region. Each provincial branch office is managed by a provincial sales manager who reports directly to his or her respective regional sales office.

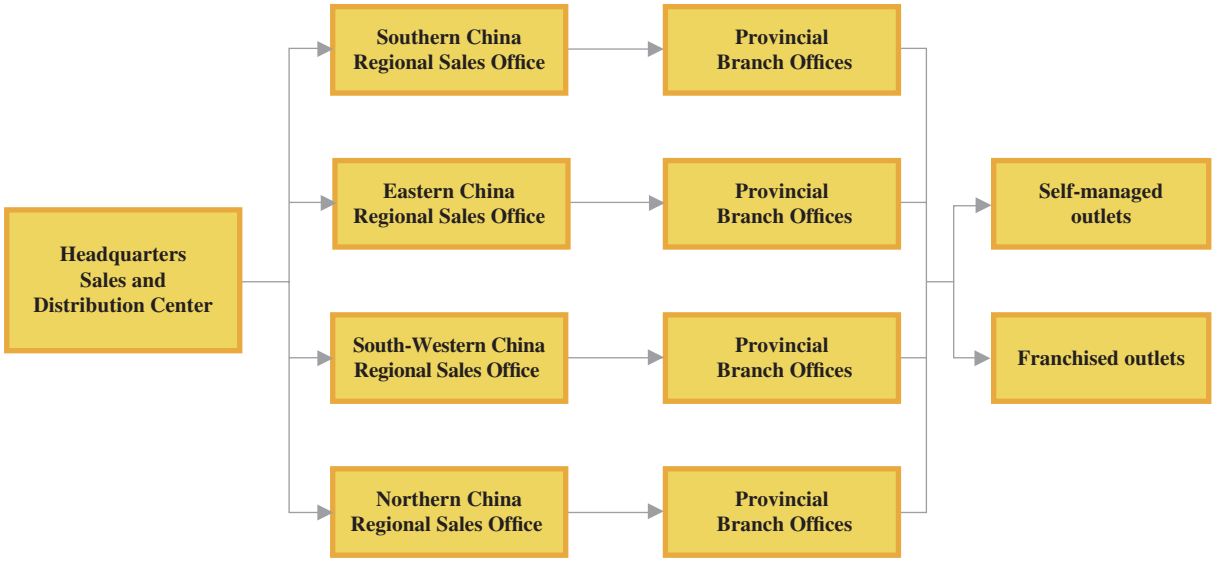
Outlets

The outlets, under the management and supervision of their respective sales regions, focus primarily on product sales and customer service. We dispatch personnel to conduct both scheduled and unannounced evaluations of the outlets. Each outlet has a outlet manager who is principally responsible for the operation of the outlet.

We have implemented a "72 hours response" system. Under such system, all inquiries or issues from an outlet are required to be answered or solved by its immediate supervisory level in the hierarchy within 72 hours; otherwise, such inquiry or issue will be reported to an upper level and ultimately to the chief executive officer at the headquarters level.

This four-tiered management structure ensures a clear division of responsibilities within the Group and the efficient implementation of decisions made at the headquarters level. This structure also ensures an efficient flow of market information from the outlets to the senior management at the headquarters level, which is critical to effective decision making.

The following diagram illustrates our four-tiered outlet management structure.



Design and appearance of our outlets

We aim to provide consumers with relaxing and comfortable shopping experiences through a reasonable space planning and layout. Each generation of our outlet designs presents a consistent visual image, store atmosphere and layout, particularly through the design and color of the shop fronts, product display, TV displaying our image spokespersons and products, information display for promotional sales, price tags, shopping bags, cashier counters, lighting, music and staff uniforms, as well as our well-trained outlet staff. With the assistance of our outlet staff, our consumers can select and fit apparel in a private environment. The size of our franchised outlets generally ranges from approximately 20 square meters to 70 square meters while the size of our self-managed outlets generally ranges from approximately 20 square meters to 130 square meters. The number of staff per outlet depends on the size, location and type of outlet.

We strive to maximize revenue per square meter of floor area and revenue per outlet. To this end, we maintain a flexible in-store display layout for our outlets that changes periodically throughout each year to attract consumers' attention for newly launched items. In addition, when allocating outlet space, we take into account factors such as the expected consumer flow, consumer purchasing habits, growth potential of different types of products, seasonality, expected sales and promotion campaigns.

The following pictures illustrate some of our outlets.

Outlet personnel

We believe that our outlet staff plays a key role in promoting sales and maintaining the outlet image, as well as transmitting consumer feedback to our design, research and development teams. Outlet staff are responsible for all facets of an outlet's operation, including promoting sales, maintaining the outlet's image, processing payments, store security procedures and customer services. We have implemented programs to adjust our outlet staff's working hours to allocate manpower based on consumer traffic patterns, while at the same time maintaining our outlet's efficiency and providing better consumer services. We regularly evaluate the performance of each outlet staff both on an individual as well as on an outlet basis.

We place great emphasis on the training and development of our outlet staff. We provide internal and external training programs to outlet staff of both our self-managed and franchised outlets in areas such as product knowledge, sales techniques, product selection and fitting, customer service, store operation and safety measures. All new outlet staff are required to attend introduction courses to ensure they are equipped with the necessary skills to perform their duties. Our outlet staff are required to attend a one-day training course prior to our product launch. Furthermore, we have developed standard procedures for our outlet staff to follow on various retail operation aspects, including, without limitation, how to greet consumers upon their entry and exit, how to answer frequently-asked questions, and how to educate consumers on ways to select a properly fitting apparel and to handle consumers' complaints. These trainings ensure all consumers to receive attentive and professional assistance when shopping at our outlets.

Two types of product ordering

We and our franchisees typically use our real-time ordering system for our all-season products (such as bras, underpants, vest and accessories) and typically use our advanced ordering system for our seasonal products (including sleepwear and loungewear, thermal clothes and leggings). These practices help us to optimize the inventory levels of our self-managed and franchised outlets.

- Real-time Ordering:

  For our all-season products, our outlets typically place real-time orders with us to replenish the inventory of these products when their inventory level reaches the prescribed level, thereby minimizing our inventory level requirements. Real-time orders are usually placed approximately one week in advance of the anticipated delivery date. For the years ended December 31, 2011, 2012 and 2013, approximately 61.1%, 59.4% and 65.1% of our sales to outlets were derived from our real-time ordering system. Our ability to accept these real-time orders is closely connected to our strong production planning capabilities, as well as our ability to monitor and control our inventory levels efficiently. For details of our production planning and inventory control procedures, see "— Our Logistics and Inventory Management — Production Planning" and "— Our Logistics and Inventory Management — Inventory Control."

- Advanced Ordering:

  We typically adopt the advanced ordering system for our seasonal products. We hold two major product fairs for our franchisees each year, usually in March/April and September/October, to showcase our new collection of products for autumn/winter and spring/summer seasons, respectively. Before these product fairs, our franchisees use our advanced ordering system for our seasonal products, which allows them to order five to six months in advance of delivery, and their orders are generally delivered within a set time period at a fixed price. For the years ended December 31, 2011, 2012 and 2013, approximately 38.9%, 40.6% and 34.9% of our sales to outlets were derived from our advanced ordering system. We plan to reduce our use of our advanced ordering arrangements to complete the transition to real-time ordering for all our products in the foreseeable future.

Cash Management

We accept cash payment at our self-managed outlets. We have adopted and implemented strict internal control procedures for handling cash, which include the following:

- each outlet is equipped with our information technology system, including the POS terminal, which is directly connected to our systems at the headquarters;
- each outlet is installed a surveillance camera connected to our headquarters to avoid any misconduct;
- the outlet manager and a designated outlet staff at each outlet are required to check sales receipts against sales and cash proceeds for each business day, perform daily reconciliation of sales and actual cash proceeds, and record the results in our information technology system;

- the cash proceeds are kept in the outlet's safe and deposited to our designated bank accounts on a daily basis;
- the accounting department at our headquarters verifies the reconciliation of sales and actual cash proceeds of the previous day by cross-checking the sales information recorded in our information technology system and the cash deposited in the designated bank accounts in respect of each outlet and after having found the two amounts are consistent, records a confirmation accordingly; and
- in the event that any discrepancy is found in the cash reconciliation in respect of the outlet, the personnel at the accounting department must report such discrepancy to the manager at the accounting department.

During the Track Record Period and up to the Latest Practicable Date, we had not recorded any material cash loss or theft.

OUR LOGISTICS AND INVENTORY MANAGEMENT

We differentiate ourselves from our competitors in our strong capabilities to utilize our information technology system to collect and analyze market statistics and our sales data and formulate our product planning, production and delivery plans, so as to maintain appropriate inventory levels at and reasonable product allocation among our self-managed and franchised outlets.

Information technology systems

We strive to attain the highest standards in retail management and have developed strong information technology capabilities. Our advanced information technology platform seamlessly integrates ERP, CRM, RMS (including POS terminals) and WMS systems. Our information technology systems enable us to quickly and efficiently retrieve and analyze our operational data and information including procurement, sales, inventory, logistics, consumer and membership data and information and financial data and information on a real time basis, as well as enable us to provide information technology support to all of our self-managed and franchised outlets and compile and analyze their operational and financial data and information on a daily basis. We use our information technology systems to assist us in planning and managing our product design, production, budgeting, human resources, inventory control, retail management and financial reporting.

Our information technology system consists of two systems: the main system and the supporting system. The main system consists of five sub-systems: (i) the procurement management system, which processes information relating to raw material purchases, including suppliers information and purchase records, (ii) the ordering system, which comprises an advanced ordering system and a B2B ordering platform for real-time orders, and processes purchase orders and manages product prices, (iii) RMS, which manages information relating to our self-managed outlets and franchised outlets, including product information, sales, inventory, pricing and other matters, (iv) the outlet management system, which handles matters relating to our outlets, such as the POS, shift arrangement, promotion campaigns, stock replenishment and membership management, and (v) the warehouse management system, which handles the acceptance, warehousing, distribution and transportation of our products. The supporting system consists of four sub-systems: (i) the business intelligence system, which focuses on data mining and analysis for the efficient business decision making, (ii) the B2C e-commerce management system, which manages information relating to products, membership, purchase orders and settlement, (iii) the financial accounting and controlling system, which manages all of our financial data, and (iv) the customer relationship management system which manages the planning and development of our outlets and information relating to our franchisees and registered consumers under our membership program.

Production planning

Our advanced information technology systems enable us to react rapidly to, and to synchronize our product offerings with, market trends and consumer demand. Our production planning starts with product design, research and development. For more details on product design, research and development, see "— Product Design, Research and Development" above.

We generally plan the production schedule of our products based on a number of factors, including, without limitation, the following:

- the backlog of advanced orders for our seasonal products;
- the backlog of mock orders for our all-season products, details of which are set forth below;
- expected demand for our products with reference to historical purchasing behavior, sales data and market trends;

- inventory level; and
- product life cycle.

In order to ensure that our production planning is in line with the actual market demand, we have taken the following measures:

- Mock ordering system for all-season products:

  Before the product fairs typically held in March/April and September/October to showcase our new collection of products for autumn/winter and spring/summer seasons, respectively, we ask our franchisees to place mock orders for our all-season products (such as bras and underpants). This system provides us with more visibility in our sales management and helps us to plan our production for our all-season products more effectively.

- Raw material orders:

  Supported by our strong supply chain management capabilities, we generally provide our OEM suppliers with our production plans three months in advance of product delivery and indicate specifications of raw materials for our products in such plans. Our OEM suppliers in turn source raw materials themselves, and we subsequently place orders for finished products one month in advance of product delivery. This method reduces the risk of inventory surplus of finished products and gives us more flexibility. In case of any raw material surplus, we instruct our OEM suppliers to re-dye the fabrics or use the raw materials to produce other products.

- Production batch ordering system:

  We usually place orders with our OEM suppliers in relatively small batches to avoid over-production. The initial orders placed by us with the OEM suppliers generally account for approximately 30% to 40% of the estimated demand for the season while subsequent production will be based on sales feedback and supplemental orders that the franchisees place with us. Our centralized ERP system which contains significant consumer feedback on our products and proprietary sales data across all product categories further enhances our product design capabilities and our ability to deliver the remaining 60% to 70% product orders on a timely and tailor-made manner to the market.

Product delivery

We believe an effective logistics management system is essential to our business performance. We have a centralized logistics system designed to optimize product replenishment, shipment coordination and inventory control. Our logistics network currently consists of one central logistics center located at our headquarters in Dongguan and one regional logistics center in Tianjin. In general, the central logistics center in Dongguan is responsible for distributing our products to outlets in Southern China, South-Western China and part of Eastern China and replenishing our regional logistics center, while the regional logistics center in Tianjin is responsible for distributing our products to outlets in Northern China and part of Eastern China. In response to our rapid expansion of retail network, we are planning to

establish another three logistics centers in Chongqing, Dongguan, and Tianjin, respectively, of which the Tianjin regional logistics center to be constructed is to replace the current regional logistics center in Tianjin.

Centralized order processing and warehouse management system

Our RMS system allows our outlets to place orders with us anytime, anywhere. Typically, both our self-managed and franchised outlets place orders with us once to twice a week. All orders received by our RMS system are transferred to and processed by our centralized ERP system. Backed by our WMS system, we typically ship out the products ordered by our outlets within two business days after we receive the order (for our self-managed outlets) or full payment (for our franchised outlets).

We have an advanced WMS system which can support rapid stock replenishment and shorten order lead time. This system helps our outlets better manage their inventory and cash flows, as well as reduces the need for having their own warehouses. Our WMS system utilizes automatic identification and data collection technology and advanced warehouse control system consisting of a broad range of computer-controlled equipment, including barcode scanners, sorters and conveyor systems, to automatically sort, pack and ship our products to each outlet. It can also automatically generate packing slips for packages to be delivered to each outlet. In addition, with a barcode scanner, our inventory personnel can instantly identify specifications, remaining quantity and logistics center location of the products. We believe that the increased level of automation reduces our labor costs and enhances our cost efficiency. We sorted an average of approximately 723,000 pieces of products on a daily basis during the year ended December 31, 2013.

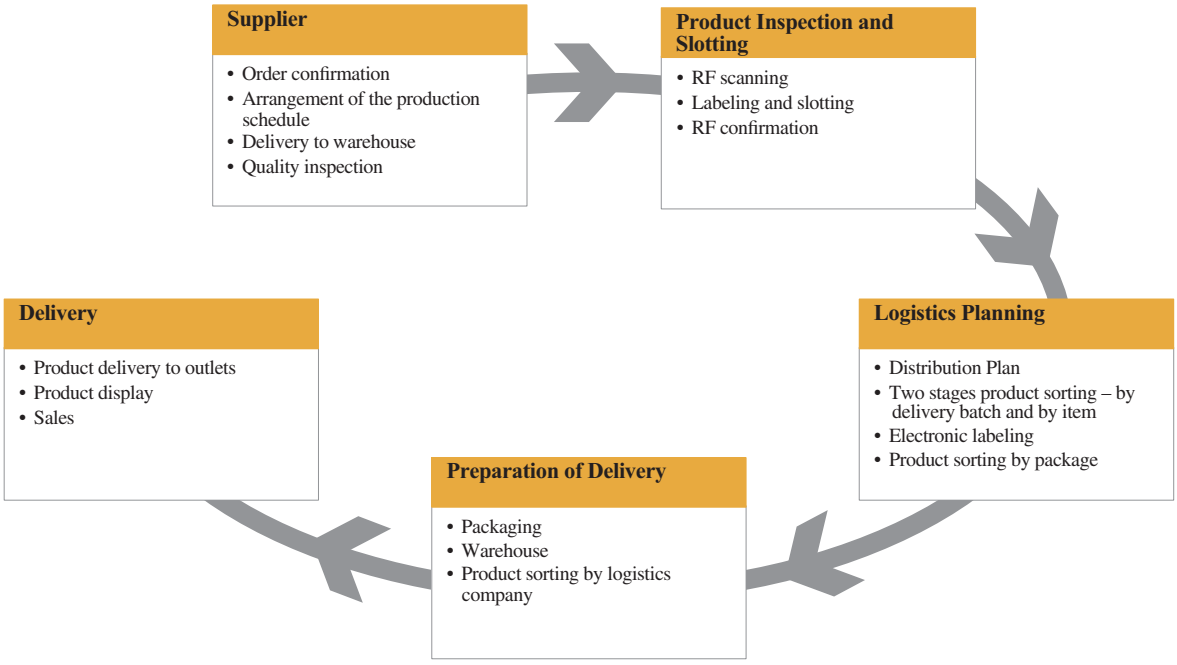
Transportation and logistics

We deliver products directly to each outlet by land transportation through independent third party logistics service providers who typically bear the risks and losses associated with the delivery. Each franchised outlet bears the transportation expenses. We deliver products directly to our outlets in Southern China, South-Western China and part of Eastern China from our central logistics center in Dongguan, while we deliver products to our outlets in Northern China and part of Eastern China from our regional logistics center in Tianjin. We typically engage one logistics service provider to cover most outlets in each province. The cost of our transportation services is generally lower through greater economies of scale because we are able to centrally arrange for transportation services.

We typically enter into annual agreements with logistics service providers. Under these agreements, the logistics service providers bear our insurance expenses and risks during transportation. The logistics service providers are responsible for all damages resulting from delayed delivery and indemnify us against all claims and losses arising out of the conduct of their drivers and employees. In addition, the logistics service providers are not allowed to sub-contract the work to third parties without our prior written consent.

As a result of our strong supply chain and logistics management capabilities and our adaptable and responsive production process, we are able to deliver our products to the majority of our outlets between three to five business days after receipt of an order. Once a delivery arrives at an outlet, the products are inspected and sorted and can be immediately placed on the selling floor by the outlet staff.

The following diagram sets forth details regarding our logistics system.



Inventory control

As we offer products which are subject to rapid changes in consumer preferences, our sales levels fluctuate constantly, which in turn affects our levels of inventory. Although inventory control does not increase profits directly, we believe that maintaining appropriate inventory level is critical to our overall profitability and cash flows. We have undertaken a number of measures to manage our inventory with a view to reducing inventory surplus and the age of inventory held by us. We believe that we have been successful in maintaining appropriate levels of inventory and continue to strive towards the improvement of our inventory management controls.

Our inventory policy is to maintain low levels of product inventory while assisting our outlets to maintain sufficient levels of products to meet customer demand. Our inventory control measures include the following:

- Installation and upgrading of information technology system: Our inventory system software is able to produce real time information of inventories. All of our retail outlets are equipped with a standard RMS system (including POS terminal). Each product that we offer is coded under a barcode system for identification in our POS system, which in turn is linked to our RMS system. Through scanning the barcode, sales information from each of our outlet's POS terminal is collated and uploaded to our RMS system on the same day basis which enables our headquarters to timely analyze and record sales details and to track inventory.

This system also allows us to gather sufficient information and data regarding the market acceptance of our products so that we can adjust our production priority and reflect consumers' preferences on the design of our products in the next season, as well as realigning our marketing strategy.

- Sophisticated production planning: Our ability to manage our inventory effectively is closely connected to our strong production planning capabilities. See "— Production Planning" above.
- Advanced WMS system: Our ability to reduce the inventory level at our outlets is also attributed to our advanced WMS system to support rapid stock replenishment. See "— Product Delivery — Centralized Order Processing and Warehouse Management System" above.
- Product obsolescence control: Our supply chain department timely monitors our inventories, including inventory levels, inventory age, inventory composition, inventory turnover rate and sell-through rate. To further minimize the risk of building up aged inventory, it is our policy to regularly trade obsolete inventory based on the expected future salability and the age of the inventory. We also carry out physical stock counts on a timely basis rotated throughout our logistics centers to identify obsolete or damaged goods.
- Automatic stock replenishment monitoring: We are in the process of upgrading our inventory system software to enable automatic stock replenishment for our retail outlets. Once completed, our inventory system software will automatically calculate a safe inventory level for our major products in each outlet based on current inventory, sales and product life cycle data submitted by the relevant outlet to us through the system, and provide alert whenever the stock volume falls under that specific level. We expect to implement this automatic stock replenishment system across our entire retail network consisting of self-managed and franchised outlets in the foreseeable future.
- Promotion planning: Our marketing department conducts market analysis prior to new product launches, and monitors inventory levels, sales data and consumer feedback closely and communicate with our production and design teams regularly after product launches. Based on the analysis of sales data, our marketing department may decide to conduct promotional sales on less popular items to minimize end-of-season or aged inventories.

Our inventory turnover days were 44.4, 59.0 and 72.3, respectively, in 2011, 2012 and 2013. Our adjusted inventory turnover days of our self-managed outlets were 109.4, 143.5 and 132.5, respectively, for the same periods. For the years ended December 31, 2011, 2012 and 2013, the provision for obsolete inventories was RMB15.6 million, RMB7.1 million and RMB27.4 million, respectively, representing approximately 0.9%, 0.3% and 0.9%, respectively, of our revenue for the same periods.

Financial reporting

As our business operations span across more than 330 prefecture-level cities in all provinces, autonomous regions and municipalities in the PRC, it is vital that we be able to obtain financial reporting on a timely basis. Our information technology system makes timely sales and inventory data available. With our information technology systems, we are able to obtain sales and inventory reports for our self-managed outlets and Dongguan and Tianjin logistics centers on a real time basis while we are able to obtain sales and inventory data of franchised outlets, on the same day basis.

OEM SUPPLIERS AND RAW MATERIALS

Production outsourcing

We outsource the production of substantially all of our products to selected domestic OEM suppliers, which enables us to focus our resources on key stages of the production life cycle, such as product design, research and development, brand promotion and management, and sales and distribution. This strategy has also enabled us to avoid direct exposure to the risks and expenses of operating production facilities, while at the same time, promptly adjusting our product offerings in response to shifting market trends so as to maintain a highly competitive cost structure. Substantially all of such purchases are denominated in RMB. Currently, we are not subject to any foreign currency exchange risk relating to our operations and thus we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk.

We also manufacture a small portion of our products, mainly our high-end lingerie collections as well as prototypes of our products, due to the complexity of the designs and techniques. In addition to being a production base, our factory acts as a model and training center for our OEM suppliers to gain experiences. As of December 31, 2011, 2012 and 2013, purchase value from our outsourced suppliers accounted for approximately 98.6%, 98.4% and 98.4% of our purchase cost, respectively.

OEM suppliers

Our headquarters is conveniently located in Dongguan, Guangdong Province, China, a region that has a large number of quality apparel and accessories manufacturers. Given our geographic advantage, we have developed and maintained close and stable relationships with many quality OEM suppliers. They are generally enterprises specialized in production of women's and men's apparel, accessories and other related products and with experience in providing outsourcing services.

Selection of OEM suppliers

We maintained a broad network of OEM suppliers during the Track Record Period. Most of our OEM suppliers are located in Shantou City (including Chaoyang District), Shanwei City and Nanhai District, Guangdong Province. As of December 31, 2011, 2012 and 2013, we had 257, 165 and 192 OEM suppliers in the PRC. Most of our OEM suppliers have cooperated with us for over three years.

The operations of our OEM suppliers are particularly vulnerable to business interruptions, which can be caused by natural disasters or other catastrophic events, such as storms, fires, floods, earthquakes and typhoons. During the Track Record Period, the operations of some of our OEM suppliers located in Shantou City (including Chaoyang District), Guangdong Province were temporarily interrupted by floods resulting from a typhoon in August 2013. This event caused some supply shortage for certain of our products. The negative effect of such one-off event has partially contributed to lower sales in the fourth quarter of 2013 by 11.1%, as compared with the prior quarter. This one-off event was the only material incident of supply interruption during the Track Record Period. We have commenced to identify more OEM suppliers outside of Shantou City (including Chaoyang District), Shanwei City and Nanhai District, Guangdong Province to diversify the geographic location of our OEM suppliers. See "Risk Factors — Risks Relating to Our Industry and Business — We rely heavily on our selected OEM suppliers for production of our products and any shortage or delay of supply by the OEM suppliers or instability of product quality of their products could materially and adversely affect our business."

We carefully select our OEM suppliers and require them to satisfy certain evaluation and assessment criteria. We evaluate them based on a range of factors, including overall track record, expertise, product quality and quality control effectiveness, historical relationship with us, price, reliability, financial condition, reputation, experience, ability to meet our delivery timeline and production capacity. We also conduct quarterly evaluation of our existing OEM suppliers to identify and remove unqualified ones.

For the years ended December 31, 2011, 2012 and 2013, purchase value from our five largest suppliers, all of whom are OEM suppliers, together accounted for approximately 16.5%, 15.6% and 16.2% of our purchase cost, respectively, while purchase value from our largest OEM supplier for the same periods accounted for approximately 5.0%, 4.0% and 3.7% of our purchase cost, respectively. Shantou City Routai Beauty Wearing Co., Ltd, one of our five largest OEM suppliers, was our connected person for the years ended December 31, 2011 and 2012, and our purchase value from it accounted for approximately 3.5% and 2.8% of our purchase cost, respectively, for the same periods. With the exception of this supplier, none of our Directors or their respective associates or any Shareholder (whom to the knowledge of our Directors owns more than 5% of the issued Shares) had any interest in any of our five largest OEM suppliers during the Track Record Period and as of the Latest Practicable Date.

We believe that we have a good working relationship with our OEM suppliers. During the Track Record Period, we terminated business relationships with certain OEM suppliers, primarily due to their poor product quality, delayed delivery or deteriorating financial position. The Directors believe that since there are a large number of apparel manufacturers available in the PRC, alternative OEM suppliers can be engaged within a short period of time to replace any existing ones, if required.

Management of OEM suppliers

We outsourced the production of substantially all of our products to various domestic OEM suppliers and employ an integrated supply chain management system. After we communicate with our selected OEM suppliers on our initial product designs, our OEM suppliers provide us with their initial sketches. We then designate several OEM suppliers as the

core OEM suppliers. After our costing department confirms the price quote from the designated OEM suppliers, they sign the supply agreements with us and receive periodic purchase orders from us and deliver the finished products to our central logistics center.

The production cycle of our OEM suppliers varies depending on the product produced and the raw material procured. Typically, bras require 20 to 60 days to produce, underpants require 10 to 30 days to produce, sleepwear and loungewear require 20 to 50 days to produce, and thermal clothes require 20 to 50 days to produce.

In addition, we require our OEM suppliers to keep confidential of our commercial secrets known or used during our cooperation period. We may terminate the supply agreement if our OEM suppliers disclose our intellectual property rights to any other third party under any circumstances without our prior consent.

To avoid over-production and inventory surplus, we usually place orders with our OEM suppliers in relatively small batches. This also allows us to adjust the design of our products in each batch based on real-time consumer feedback. Our production planning and procurement process requires the ability to promptly collect and correctly analyze market feedback. In addition, we place raw material orders with our OEM suppliers, instead of finished products three months in advance of product delivery, and subsequently place orders for finished products one month in advance of product delivery. See "— Our Logistics and Inventory Management — Production Planning" above for more details. We believe that by leveraging the expertise and resources of our OEM suppliers, our procurement process has enabled us to focus on the management of our brands and retail network while ensuring that our products consistently meet high quality standards.

While we do not manufacture most of our products in-house, we have adopted a production model that provides us with control over key steps during the manufacturing process. Our 60-person procurement team works closely with our OEM suppliers through each step of the process and conduct quality checks upon final product delivery to ensure that products manufactured externally meet our quality control standards. Each of our OEM suppliers must pass our internal quality control procedures. See "— Quality Control" below. As a result of our quality control efforts, our product return rate is low. The value of defective products returned by our franchisees for the three years ended December 31, 2011, 2012 and 2013 was RMB5.6 million, RMB15.2 million and RMB9.6 million, respectively, representing 0.4%, 0.9% and 0.5%, respectively, of our cost of sales during the same periods.

Supply agreements

We usually enter into annual supply agreements with our OEM suppliers and place orders during the contract period as necessary. These agreements set forth terms in relation to, among other items, the qualifications of the supplier, procedures for the placement of orders, production obligation of the supplier, quality standards, pricing terms, delivery protocol, inspection and acceptance of products, return policy, payment terms, protection of trademarks and other intellectual properties rights and confidentiality obligation.

These supply agreements usually contain no minimum purchase or price requirements. Instead, we specify the product type, unit price, quantity, delivery timeline and other detailed items in each purchase order we send to our OEM suppliers from time to time. During the term of these agreements, we may place orders with our OEM suppliers and they are obligated to supply at least 95% of the volume ordered by us in accordance with the terms and conditions of the supply agreements. In addition, once the purchase price is confirmed by both parties, the purchase price shall not be raised for a period of six months without mutual written consent. Therefore, if there is any increase in raw material prices, our OEM suppliers may not increase our purchase price to cover the increase of raw material cost during such six-month period. Delivery charges and any damages to the products during the transportation shall be borne by our suppliers. Payments shall be made by us on the 15th day of next month from the acceptance of products. We may return defective products upon delivery or any time afterwards when we discover any defect in products. Our OEM suppliers are not allowed to subcontract without our consent. We are entitled to deduct certain portion of purchase price as the contract deposit to guarantee the product quality and the deposit is generally released after six months upon expiration of the supply agreement and confirmation of no dispute or product liability. During the Track Record Period, we did not have material disputes with our OEM suppliers.

Raw materials

The principal raw materials for our products are cotton, viscose staple fiber, polyester, polyamide, acrylic and spandex. For our outsourced production, we do not provide our OEM suppliers with raw materials for the production of products. Our OEM suppliers need to source the required type and quantity of raw materials themselves. However, in order to control the quality of raw materials, we require OEM suppliers to purchase certain raw materials in accordance with our design and specifications. In addition, we have undertaken other quality control measures for raw materials. See "— Quality Control — Raw Materials" for more details.

As of the Latest Practicable Date, we had not encountered any disruption to our business as a result of shortage of raw materials for our own production.

OUR FACILITIES

We currently operate one facility in Dongguan for our production and warehousing and one facility in Tianjin for warehousing.

Dongguan facility

This facility is located in Dongguan. It currently occupies approximately 149,777 square meters of land with a total gross floor area of approximately 108,794 square meters. This facility commenced operation in 2009.

Production

This facility mainly serves to manufacture a small portion of our products, mainly our high-end lingerie collections as well as prototypes of our products. Our production machinery is comprised mainly of sewing machines, moulding machines, computerized design system and various kinds of testing machines. The machinery we use to manufacture our products is readily available from multiple suppliers. As of December 31, 2011, 2012 and 2013, this facility produced approximately 2.15%, 1.52% and 1.45% of the aggregate production volume of our outsourced and in-house production, respectively.

We have maintained consistently high utilization rates during the Track Record Period. Below is a summary of the annual production capacity in terms of the number of products produced and utilization rates for this facility for the periods indicated.

	Years ended December 31,								
	2011			2012			2013		
	Production Capacity[1]	Production Volume	Utilization Rate[2]	Production Capacity[1]	Production Volume	Utilization Rate[2]	Production Capacity[1]	Production Volume	Utilization Rate[2]
		(unit)			(unit)			(unit)	
Bras	2,640,000	2,334,493	88.43%	2,640,000	2,392,064	90.61%	2,640,000	2,412,576	91.39%
Underpants	396,000	352,874	89.11%	408,000	374,277	91.73%	516,000	479,768	92.98%

Notes:

(1) The production capacity is the maximum amount of products which could have been produced by our workforce at our Dongguan facility based on 250 production days per year and eight hours per day.

(2) The utilization rate is calculated based on actual pieces of products produced for the relevant year as a percentage of the annual production capacity.

Warehousing

As of December 31, 2013, we had one automatic sorter (by piece), one automatic sorter (by box), four barcode sorting lines and one 500 meter conveyor belt in our central logistics center in Dongguan.

In order to expand our business, we are in the process of establishing an additional logistics center for warehousing in Dongguan. This logistics center is scheduled to occupy approximately 46,280 square meters of land with a total gross floor area of approximately 73,708 square meters. We expect this logistics center to commence operation by the first quarter of 2015.

Tianjin facility

This facility is located in Tianjin. We entered into a six-year lease agreement for this facility starting from April 2012. It currently occupies a total gross floor area of approximately 24,676 square meters. This facility commenced operation in 2012.

As of December 31, 2013, we had four barcode sorting lines and one 1,000 meter conveyor belt in our regional logistics center in Tianjin.

We are in the process of establishing a new regional logistics center for warehousing in Tianjin to replace the current one in Tianjin. This regional logistics center is scheduled to occupy approximately 55,266 square meters of land with a total gross floor area of approximately 80,000 square meters. We expect this regional logistics center to commence operation by the fourth quarter of 2015.

Chongqing facility

In order to expand our business, we plan to establish an additional regional logistics center in Chongqing for warehousing. This facility is scheduled to occupy approximately 54,191 square meters of land. We expect our Chongqing facility to commence operation by the fourth quarter of 2017.

QUALITY CONTROL

We emphasize quality control in all aspects of our business. From sourcing of raw materials, production, packaging and inventory storage to sale and delivery, we strictly control the quality of our operations. In order to monitor the production quality and ensure that our products meet all our internal benchmarks and specifications, we have implemented various quality-control checks into our production process and the production process of our OEM suppliers. In addition, we provide timely and effective after-sales services and support to our franchisees and consumers.

We have established a quality control center and devoted significant resources to quality management of our products. Our quality control center reports directly to our headquarters and consists of three departments: quality control department, quality assurance department and a laboratory. As of the Latest Practicable Date, we had approximately 70 personnel in our quality control center, including one quality control director and three deputy managers for each of the departments. Our quality control director is in charge of the day to day management of our quality control center. Our quality control director obtained a bachelor degree in Food Science and Engineering from Jilin Teachers Institute (currently known as Jilin Teachers Institute of Engineering and Technology) in 2000 and has more than 10 years of experience in quality control. Before joining us, our quality control director previously worked for another PRC intimate wear company, also in quality control positions. The quality control department is responsible for establishing quality control standards, procedures for inspection of our raw materials and products and review standard of our raw material and OEM suppliers. The quality assurance department is responsible for establishing our quality control standards, handling customers/consumers complaints and compliance of applicable laws and international and national standards. In addition, our laboratory is responsible for developing technical standards for inspection and specification of our raw materials and products.

We have attained international quality control certification. We are ISO 14001 certified, which means that our environmental management system at our production facility in Dongguan conforms to the relevant international standards set by the ISO. All of our safety standards for the inspection of our products are based on relevant national standards and industry standards, such as GB18401-2010 (national general safety technical code for textile products), and are updated according to any changes of such national and industry standards.

Product design and development

Our quality control process starts early in the product design and development stage when we consider the functionality and quality of raw materials to be used for manufacturing. Once production specifications of final designs are provided to our OEM suppliers, detailed specifications and requirements in respect of production, inspection and packaging are also provided. After receiving the production specifications, the OEM suppliers first produce product prototypes which will be reviewed by our design staff before mass production and may be subject to modifications, if necessary. Mass production by our OEM suppliers will only commence upon our approval.

Raw materials

Although we do not provide our OEM suppliers with raw materials for the production of products, we have undertaken various measures to ensure the quality of raw materials. We require OEM suppliers to purchase certain raw materials in accordance with our design and specifications. In addition, we typically request samples of raw materials for testing prior to placing orders with our suppliers. We have established an in-house laboratory to test raw materials to ensure that they meet all applicable laws and regulations and our internal specifications. We have also assisted certain OEM suppliers in establishing their own in-house laboratories to perform raw material testing.

To better control the quality of raw materials, we are in the process of developing and implementing a designated raw material suppliers system under which our OEM suppliers are only allowed to purchase raw materials from our designated raw material suppliers who passed our quality and reliability assessment. We have adopted this system for certain raw materials since 2012. Moreover, we also participate in the drafting of eight sets of the intimate wear industry standards, among which six sets of standards have received the industry standard drafting certificates, and we have proprietary knowledge on these standards. These standards help intimate wear manufacturers to ensure acceptable characteristics towards proper end-use.

Production

At each stage of the manufacturing process, we arrange for our quality control staff members to conduct on-site inspections of all raw materials to be used in the production process and semi-finished products and parts at the production facilities of our OEM suppliers. We proactively communicate with our OEM suppliers to clarify our requirements and address their concerns, and provide periodic feedback to them. After the manufacturing process, we inspect every batch of products manufactured by our OEM suppliers at the factory to assess their quality and functionality before they are delivered to us.

Upon delivery, we conduct random sample tests on the products before admission to the logistics centers. For shipments undergoing selective checks, if the percentage of defective products hits a certain threshold, which varies depending on product type, we inspect every item of such shipment. If the second inspection finds that defective products comprise more than a certain percentage of the total shipment, our procurement staff will arrange with the relevant OEM suppliers for repair or return, and repaired products are inspected again through the above process. The same procedures apply to shipments from our raw material suppliers.

After finished products are delivered to our central logistics center, we perform regular checks at our logistics centers to ensure their continuous compliance with all internal quality benchmarks.

Transportation

Our logistics department ensures high packaging standards are maintained prior to the delivery of products. We engage professional logistics service providers to deliver our products to our customers and keep track of our products during their transportation.

Warranty and after sales services

Our franchise agreements provide that our franchisees may return defective products within five days upon receipt of the products. Our supply chain department is responsible for handling the product return request from our franchisees.

Generally, our consumers may exchange defective products within seven days from purchase. We have consumer service hotlines to answer consumers' questions or troubleshoot problems on issues such as product quality, order status inquiry and product return. Our consumer service center compiles a daily report on return/exchange data and consumer complaints regarding quality issues and regularly passes them to our quality management department.

As a result of our enforcement of strict quality control policies, during the Track Record Period and up to the Latest Practicable Date, we did not, due to material product quality issues, (i) receive fines, product recall orders or other penalties from the PRC government or other regulatory bodies, (ii) receive any material products return requests from our customers or (iii) receive any material complaints from consumers.

MARKETING AND PROMOTION

We continuously invest in our brand to further raise brand recognition and acceptance. We believe that our broad product offerings and multiple sub-brands, which target primarily fashion conscious consumers, will become increasingly more and more important to our success. To further build up consumer loyalty, we have established our membership program. Our membership program consists of two types of memberships, depending on the accumulated amount of purchases made by consumers. Our members can enjoy different levels of discounts for their purchases, depending on the type of their membership, as well as participating in member-only promotion campaigns periodically. Since April 2014, our members can redeem the bonus points accumulated from their purchases of our products in our retail outlets and on our e-commerce platform to exchange for free gifts or get cash discounts for our products on our e-commerce platform. As of the Latest Practicable Date, through our membership program, we had accumulated more than 26 million members, among which approximately seven million were active members who have made more than one purchase at one of our outlets within the six-month period before the Latest Practicable Date.

We market our brand across a wide variety of media, ranging from traditional channels such as print and television media, to promotional events, exhibitions, and various sponsorships. In recent years, as part of our efforts to expand our brand awareness and enhance our corporate image, we have undertaken several branding initiatives, including, without limitation, the engagement of famous models and actors/actresses as image spokespersons, TV advertising and the sponsorship of product fairs. Starting from 2012, videos of our product fairs, such as videos featuring our spokespersons, have been played in our outlets.

For the years ended December 31, 2011, 2012 and 2013, our marketing and promotion expenses amounted to RMB9.9 million, RMB58.7 million and RMB61.4 million, respectively, representing approximately 0.6%, 2.6% and 2.1%, respectively of the total revenue.

RISK MANAGEMENT

Our management has designed and implemented a risk management policy to address various potential risks identified in relation to operations of our self-managed and franchised outlets, including strategic risks, operational risks, financial risks, and legal risks. Our risk management policy sets forth procedures to identify, analyze, categorize, mitigate and monitor various risks. Our Board is responsible for overseeing the overall risk management and assessing and updating our risk management policy on a quarterly basis. Our risk management policy also sets forth the reporting hierarchy of risks identified in our operations.

COMPETITION

We operate in a highly competitive and fragmented industry. We compete with a broad range of intimate wear companies. According to the Frost & Sullivan Report, there were over 3,000 market players in the intimate wear industry in the PRC, with the top five players accounting for only 5.6% market share in terms of retail sales value in 2013. According to the Frost & Sullivan Report, the key barriers to entry in the intimate wear industry in China include, among others, brand recognition, supply chain management capability, information technology system, sales channels, research and development expertise, skilled personnel and capital resources.

We believe that our primary competitive advantages include the following:

- broad retail network coverage;
- mass market oriented product positioning;
- direct control over retail network;
- efficient supply chain management; and
- experienced and committed management team.

Our competitors include domestic and international intimate wear companies. We focus on the mass market, which well positions us to capture significant growth opportunities in terms of consumer demand. In 2013, according to the Frost & Sullivan Report, we were the largest branded intimate wear enterprise in China in terms of total retail sales and the number of outlets as of December 31, 2013 with a market share of 2.8%.

PROPERTIES

Owned properties

As of the Latest Practicable Date, we held seven parcels of land with an aggregate site area of approximately 203,982 square meters, and 32 buildings with a total gross floor area of approximately 110,719 square meters, for use as our production facility, logistics centers, offices, self-managed outlets or dormitories in the PRC.

Leased properties

As of the Latest Practicable Date, based on our internal record, we leased 208 properties with an aggregate gross floor area of approximately 41,000 square meters from third parties to support our business activities and operations in the PRC. All of them are being used as logistics centers, office buildings, self-managed outlets or dormitories.

The table below sets forth the term of the lease agreements and approximate gross floor area of our leased properties as of the Latest Practicable Date. All of our leases provide for a fixed amount of rental throughout the lease term.

Expire Date of the Leases	Number of Leases	Approximate Gross Floor Area (square meters)
Within three months	16	996.53
Between three and 12 months.	63	4,243.97
More than 12 months.	129	35,322.45
Total	**208**	**40,727.39**

The following table sets forth our leased properties with title defects as of the Latest Practicable Date. As of the Latest Practicable Date, all of these leased properties with title defects were being used as our self-managed outlets.

Causes of property defects	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken and current status	Internal control measures
The lessors of 58 of our leased properties failed to provide valid ownership certificates or other ownership documents for either of the following causes: (1) the leased properties were located on collective land and were not entitled to ownership certificates; (2) the leased properties were unauthorized constructions and were not entitled to ownership certificates; or (3) the lessors cannot provide ownership certificates.	Without ownership certificates or proper authorization from the owners, our use of the properties may be affected upon third parties' claims or challenges against the lease or our land use rights.	As advised by our PRC legal advisors, if there is any dispute or claim in relation to the rights to lease and use of these properties occupied by us and we are required to relocate our business and operations, we may claim damages and losses against our lessors based on the lease agreements under the PRC law. We had not encountered any of such disputes or claims during the Track Record Period. Upon expiry of these lease agreements, we will assess the legal risk and will not renew the agreement if the risk is too high. In addition, our Controlling Shareholders have agreed to indemnify us if we were to incur any damages or losses as a result of forced eviction due to such defect.	• We reviewed more prudently the leased premises, particularly the nature, designated use and title certificates of the relevant properties; • We strengthened the implementation of internal control procedures to prevent recurrence of non-compliance incidents and established mechanism of accountability for non-compliance incidents; and • We submitted material leases for approval by our Board or at the shareholders meetings, if necessary.

Our Directors are of the view that replacements for the self-managed outlets located on these properties are readily available. We estimate that the total cost of relocating these self-managed outlets to different leased properties would be approximately RMB6.5 million. We believe that it generally takes less than one month for us to relocate a self-managed outlet to a new site. As such, our Directors are of the view that in case we are forced to terminate the operations of our self-managed outlets at these properties, our self-managed outlets can be relocated to new sites and resume operations without material interruption to our business or material adverse effect on our financial condition.

The outlets located on these properties in aggregate accounted for 1.9%, 1.4% and 1.1%, respectively, of the total number of our outlets, and revenue from these properties accounted for 1.4%, 3.1% and 3.4%, respectively, of our total revenue for the years ended December 31, 2011, 2012 and 2013. Directors believe that the above title defects individually or collectively are not crucial to our operation and would not materially affect our business and results of operations.

Our Directors believe that if these leased properties had no title defect, the rental payment would have been similar to our current rental payment.

PROPERTY VALUATION

As of December 31, 2013, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include in this document any valuation report. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

INTELLECTUAL PROPERTY

We rely on a combination of trademark, trade secret and other intellectual property laws as well as confidentiality agreements with our employees, OEM suppliers, franchisees and others to protect our product design, trade secrets and other intellectual property rights. As of the Latest Practicable Date, we had 174 registered trademarks in China, one registered trademark in Hong Kong and 12 trademarks registered in other countries. As of the same date, we also had 40 and eight pending trademark applications in the PRC and Hong Kong, respectively. In addition, as of the Latest Practicable Date, we had a total of 26 issued patents in China, including eight exterior design patent and 18 utility model patents, and we also had four pending patent applications in the PRC. As of the same date, we had 66 domain names.

As of the Latest Practicable Date, we were not sued for infringement of intellectual property rights by any third party, and we were not aware of any threatened material proceedings or claims relating to intellectual property rights against us. Moreover, despite our best efforts, we cannot be certain that third parties will not infringe or misappropriate our intellectual property rights or that we will not be sued for intellectual property infringement.

INSURANCE

We maintain adequate insurance policies to safeguard against risks and unexpected events. We have purchased property insurance covering our facilities and self-managed outlets and our inventories in our logistics centers and our self-managed outlets. We also participate in government sponsored social security programs including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing fund. We do not maintain business interruption insurance, including general third party liability insurance, general product liability insurance, or key-man life insurance. Our Directors believe that our Group's insurance policies are adequate and consistent with the common industry practice in the PRC.

EMPLOYEES

As of December 31, 2011, 2012 and 2013 and the Latest Practicable Date, we had 2,519, 3,482, 3,820 and 4,300 full-time employees, respectively. Most of our employees are located in Guangdong Province, China. A breakdown of our employees by function as of December 31, 2013 is set forth below:

	Number of Employees	Percentage of Total (%)
Sales and Marketing[(1)]	2,488	65.1
Logistics	544	14.2
Production	325	8.5
Supply Chain, Product Design, Research and Development and Quality Control	160	4.2
Human Resources and Administration	133	3.5
Finance, Accounting and Internal Audit	100	2.6
Information Technology	70	1.9
Total	**3,820**	**100.0**

Note:

(1) The number does not include part-time employees, such as temporary workers working in our self-managed outlets during peak seasons.

We believe our success depends heavily upon our employees' provision of consistent, quality and reliable services. In order to attract, retain and develop the knowledge, skill level and quality of our employees, we place a strong emphasis on training our employees. We provide training periodically and across operational functions, including introductory training for new employees, technical training, professional and management training, team-building and communications training. In addition, we sponsored qualified employees to attend EMBA classes and other management training courses. We also have joint programs with various universities in China to train the talents we need for our operations. We have a management trainee program for which we recruit annually university graduates in specific disciplines with high management potential.

We enter into individual employment contracts with our employees to cover matters such as wages, employee benefits, safety and sanitary conditions in the workplace, and grounds for termination.

Pursuant to regulations in each of the local governments where we operate, we make contributions to various employee benefit plans. Employee benefits covered by these arrangements include employee benefits required by PRC laws and regulations as well as incentives for increasing production quantity, accommodations, meals and travel allowances. The total amount of contributions we made to employee benefit plans for each of the years ended December 31, 2011, 2012 and 2013 was RMB2.6 million, RMB4.3 million and RMB11.6 million, respectively.

We contribute to social security insurance and housing fund for our employees according to the relevant PRC laws and regulations.

As of the Latest Practicable Date, we had one workers' union in Dongguan. We have not experienced any significant difficulty in recruiting employees nor have we had any significant staff compensation or labor disputes. We consider we have maintained satisfactory relations with our employees.

ENVIRONMENTAL MATTERS

We are subject to PRC environmental laws and regulations including the Environmental Protection Law of the PRC. These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge. We consider the protection of the environment to be important and have implemented measures in the operation of our business to ensure our compliance with all applicable requirements under the PRC environmental laws and regulations.

We outsource the production of substantially all of our products to selected domestic OEM suppliers, which enables us to focus our resources on key stages of the production life cycle, such as product design, research and development, brand promotion and management, and sales and distribution. As such, we believe that our operation does not produce material industrial waste and has a limited impact on the environment.

As confirmed by our PRC legal advisors, two of our PRC subsidiaries, Cosmo Lady Guangdong and Tianjin Fashion Ltd., are subject to environmental protection laws and regulations in the PRC. Pursuant to the confirmation letter issued by the Dongguan Bureau of Environmental Protection on January 21, 2014, Cosmo Lady Guangdong had been in compliance with the relevant environmental protection laws and regulations and had not been punished for any non-compliance relating to environmental protection laws and regulations from September 29, 2009 to January 21, 2014. Pursuant to the confirmation letter issued by the Tianjin Wuqing Bureau of Environmental Protection on January 9, 2014, Tianjin Fashion Ltd. had been in compliance with the relevant environmental protection laws and regulations in the PRC and had not experienced any material environmental pollution accident or been punished for any non-compliance relating to environmental protection laws and regulations from February 13, 2012 to January 9, 2014. Our operations are subject to regulation and periodic monitoring by local environmental authorities. If we fail to comply with present or future laws and regulations, we would be subject to fines, suspension of business or cessation of operations.

During the Track Record Period, we have not received any complaint from our consumers or any other parties in respect of any environmental protection issues, and we have

not experienced any material environmental incidents arising from our manufacturing activities. During the same period, no administrative sanctions or penalties have been imposed upon us for the violation of environmental laws or regulations. Our annual cost for compliance with applicable environmental rules and regulations primarily include costs in relation to urban greening which totaled RMB0.2 million, RMB0.1 million and RMB0.2 million, respectively, for the years ended December 31, 2011, 2012 and 2013. We expect annual cost for compliance with applicable environmental rules and regulations for the year ending December 31, 2014 will be approximately RMB0.2 million.

OCCUPATIONAL, HEALTH AND SAFETY

Our operations are subject to regulation and periodic monitoring by local work safety authorities. If we fail to comply with present or future laws and regulations, we would be subject to fines, suspension of business or cessation of operations. We have established work safety policies and procedures to ensure that our operations are in compliance with applicable work safety laws and regulations.

As advised by our PRC legal advisors, two of our PRC subsidiaries, Cosmo Lady Guangdong and Tianjin Fashion Ltd., are subject to the PRC work safety laws and regulations. Pursuant to the confirmation letter issued by the Dongguan Bureau of Safe Production Supervision and Administration on January 6, 2014, Cosmo Lady Guangdong had not been punished for any non-compliance relating to work safety laws and regulations since September 29, 2009. Pursuant to the confirmation letter issued by the Tianjin Wuqing Bureau of Safe Production Supervision and Administration on January 8, 2014, Tianjin Fashion Ltd. had complied with all applicable work safety laws and regulations and had not experienced any material work safety related accident or been punished for any non-compliance relating to work safety laws and regulations since September 29, 2009.

During the Track Record Period, we did not experience any material accidents during our manufacturing process.

LEGAL PROCEEDINGS

As of the Latest Practicable Date, there was no litigation or arbitration or administrative proceedings pending or threatened against our Group or any of our Directors which could have a material adverse effect on our Group's financial condition or results of operations. We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business.

LICENCES, REGULATORY APPROVALS AND COMPLIANCE

Our Directors, as advised by our PRC legal advisors, confirm that during the Track Record Period and up to the Latest Practicable Date, we have complied with all relevant PRC laws and regulations in all material respects and have obtained all requisite licenses, approvals and permits from relevant regulatory authorities for our operations in China, except as disclosed in "— Properties — Leased properties" and "— Non-compliance" herein.

Non-compliance

Set forth below summarizes our historical non-compliances.

Causes of historical non-compliance	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken and current status	Internal control measures
175 of our leased properties were not registered with the relevant authorities.	According to the provisions of the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法), parties of the lease shall make registration with the relevant housing authorities within 30 days from the execution of the lease. A fine ranging from RMB1,000 to RMB10,000 may be imposed on us for each non-registration.	As of the Latest Practicable Date, we were in the process of applying for the registration of such lease agreements. We believe such non-compliance is common in the PRC. During the Track Record Period and up to the Latest Practicable Date, we have not received any penalty from the relevant PRC government authorities in relation to our failure to register such lease agreements. As advised by our PRC legal advisors, the non-registration does not affect the validity of the lease agreements under the PRC law. In addition, our Controlling Shareholders have agreed to indemnify us for all fines and penalties we incur as a result of such non-compliance.	• We strengthened the implementation of internal control procedures to prevent recurrence of non-compliance incidents and established mechanism of accountability for non-compliance incidents; and • We submitted material leases for approval by our Board or at the shareholders meetings, if necessary.

Substantially all of these leased properties were being used as our self-managed outlets. The outlets located on these properties in aggregate accounted for 5.2%, 3.9% and 3.1%, respectively, of the total number of our outlets, and revenue from these properties accounted for 3.5%, 7.2% and 9.3%, respectively, of our total revenue for the years ended December 31, 2011, 2012 and 2013. As advised by our PRC legal advisors, for lease agreements that are not registered with the competent authorities, we may be subject to a fine ranging from RMB1,000 to RMB10,000 per non-registration or an aggregate fine ranging from RMB182,000 to RMB1,820,000 for all these non-registrations. Directors believe that the above non-registrations individually or collectively are not crucial to our operation and would not materially affect our business and results of operations.

Our Directors believe that if these leases were registered, the rental payment would have been similar to our current rental payment.

As the maximum penalty which may be imposed on us due to the non-registration of the leases is immaterial and our Controlling Shareholders have undertaken to indemnify us against such penalty, we have not made provisions in connection with the said non-compliance.

Our Directors are of the view that we have taken all reasonable steps to establish a proper internal control system as recommended by our internal control consultant to prevent future recurrence of non-compliance incidents. As such, our Directors and the Joint Sponsors are of the view that our enhanced internal control measures are adequate and effective under paragraph b(v) in Appendix 19 to the Listing Rules.

In addition, having considered the above non-compliance matters and our enhanced internal control measures, the Joint Sponsors are not aware of any matter that would render our Directors not suitable for directors of a listing company under Rules 3.08 and 3.09 of the Listing Rules, or would render us not suitable for listing under Rule 8.04 of the Listing Rules.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our combined financial statements as of and for each of the years ended December 31, 2011, 2012 and 2013, and the accompanying notes included in the Accountant's Report set out in Appendix I to this document. The Accountant's Report has been prepared in accordance with IFRS. Potential investors should read the whole Accountant's Report set out in Appendix I to this document and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to "Risk Factors".

OVERVIEW

We are the largest branded intimate wear enterprise in China in terms of both total retail sales in 2013 and the number of retail outlets as of December 31, 2013, according to the Frost & Sullivan Report. As of December 31, 2013, our retail network covered 5,790 outlets in more than 330 prefecture-level cities in all provinces as well as province-level municipalities and autonomous regions in China. According to the same report, for the year ended December 31, 2013, we had a market share in the intimate wear industry of approximately 2.8% in terms of total retail sales, almost three times as large as that of the second largest player in China. We design and sell five major lines of intimate wear products (namely, bras, underpants, sleepwear and loungewear, thermal clothes, and others, which includes leggings and tights, vests, hosiery and accessories) under our core brand Cosmo Lady (都市•儷人) and three sub-brands, which we use to attract consumers of different demographics. As of the Latest Practicable Date, through our membership program, we had accumulated more than 26 million members, among which approximately seven million were active members who have made more than one purchase at one of our outlets within the six-month period before the Latest Practicable Date.

As a result of our solid consumer base with high loyalty, as well as our high value-for-money product offerings, strategic market positioning, extensive retail coverage and highly efficient and responsive supply chain management, we achieved significant revenue and profit growth during the Track Record Period, even when China's retail industry underwent a period of relatively slow growth in 2012 and 2013. Our revenue increased from RMB1,655.8 million in 2011, to RMB2,257.6 million in 2012, and further to RMB2,916.3 million in 2013, representing a CAGR of approximately 32.7% from 2011 to 2013. Our net profit increased from RMB168.6 million in 2011 to RMB192.7 million in 2012, and further to RMB275.5 million in 2013, representing a CAGR of approximately 27.8% from 2011 to 2013. We believe that these strengths well position us to continue to grow our business.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Immediately prior to and after the Reorganization, the business of our Group had been held by Cosmo Lady Guangdong and its subsidiaries. Pursuant to the Reorganization, Cosmo Lady Guangdong and the business of our Group has been transferred to and held by our Company. Our Company and its other subsidiaries have not been involved in any business prior to and at the time of the Reorganization and do not meet the definition of a business. The Reorganization is merely a reorganization of the business of our Group with no change in management of such business. Accordingly, the financial information of the companies now comprising our Group for the Track Record Period is presented using the carrying values of the business of our Group under Cosmo Lady Guangdong for all the years presented.

The combined balance sheets, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of our Group for the Track Record Period have been prepared on the basis that the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment, or since the date when the combining companies first came under the control of our controlling shareholder, whichever is the shorter period.

FACTORS AFFECTING OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We believe that a number of factors directly or indirectly affect our business, financial condition and results of operations, including those factors discussed below, some of which are beyond our control:

- Changes in consumption patterns and consumer demand for intimate wear in the PRC;
- Expansion and business performance of our retail network;
- Our ability to optimize our channel mix and product mix;
- Our ability to competitively price our products;
- Our ability to manage our franchisees and external OEM suppliers;
- Brand recognition and marketing success of our products;
- Costs of outsourced production and raw materials; and
- Seasonality.

Changes in consumption patterns and consumer demand for intimate wear in the PRC

Our business and results of operations have been and will continue to be substantially affected by changes in consumption patterns and consumer demand for intimate wear in the PRC. The overall intimate wear industry in China has been growing rapidly at a CAGR of approximately 14.4% from 2009 to 2013 in terms of total retail sales, according to the Frost & Sullivan Report. According to the same report, the overall intimate wear industry in China is expected to reach sales of approximately RMB455.3 billion by 2018, which would represent a CAGR of approximately 18.6% from 2013 to 2018. According to the same report, the mass market of China's intimate wear industry represented the largest market and has the highest growth potential in the industry. According to the Frost & Sullivan Report, the mass market of China's intimate wear industry has been growing rapidly at a CAGR of approximately 21.7% from 2009 to 2013 in terms of total retail sales, and is expected to reach total retail sales of approximately RMB292.1 billion by 2018, which would represent a CAGR of approximately 23.5% from 2013 to 2018. Consumption patterns and consumer demand for our products are affected by, among other factors, rapidly changing fashion trends for intimate wear, consumer preferences and tastes, consumer perceptions of and confidence in our product safety and quality, consumer purchasing power, government policies, general and local economic conditions, weather conditions, urbanization rates and living standards, many of which are beyond our control. Consequently, our success largely depends on our ability to accurately anticipate and identify these factors and take them into account during our product planning and commercialization process. This requires a combination of various elements, including, timely collection of consumer feedback, accurate analysis and prediction of market trends, strong design capability, appropriate inventory management and flexible product production. Therefore, we have devoted substantial financial resources to product design, research and development, as well as our information technology platform. We believe that our focus on these areas is a key factor to our success.

Expansion and business performance of our retail network

The coverage of our retail network has affected, and will continue to affect, our business and results of operations. As of December 31, 2013, we had 5,790 retail outlets covering more than 330 prefecture-level cities in all provinces as well as province-level municipalities and autonomous regions across China, of which 5,069 were franchised outlets and 721 were self-managed outlets. During the Track Record Period, the increase in revenue from sales of our products was in part due to the expansion of our retail network. The table below sets forth the number of our outlets, broken down by franchised and self-managed outlets, as of the dates indicated and the CAGR for the period indicated.

	As of December 31, 2011	As of December 31, 2012	As of December 31, 2013	CAGR from December 31, 2011 to December 31, 2013
Franchised outlets	3,412	4,429	5,069	21.9%
Self-managed outlets	82	209	721	196.5%

Moreover, our results of operations have been and will continue to be affected by the operational efficiency of our retail network. In addition to rapidly expanding our geographical coverage and deepening our market penetration, we maintained robust sales growth for our existing outlets during the Track Record Period. We exercise a high degree of direct control over our retail network, which does not involve distributors or multiple layers of franchisees, to ensure the operational performance of our franchised outlets. The table below sets forth the Same Store Sales Growth for the periods indicated as compared to the prior period.

	For the year ended December 31, 2012[(1)]	For the year ended December 31, 2013[(2)(3)]
Overall Same Store Sales Growth of our outlets	7.3%	4.9%

Notes:

(1) In calculating the overall Same Store Sales Growth, the sales value of our existing franchised and self-managed outlets that had been in operation for at least 12 months as of January 1, 2012 for the year ended December 31, 2012 were compared with the sales value for the prior year.

(2) In calculating the overall Same Store Sales Growth, the sales value of our existing franchised and self-managed outlets that had been in operation for at least 12 months as of January 1, 2013 for the year ended December 31, 2013 were compared with the sales value for the prior year.

(3) The overall Same Store Sales Growth of our outlets decreased from 7.3% for the year ended December 31, 2012 to 4.9% for the year ended December 31, 2013. Such decrease was largely attributable to the same factors affecting the intimate wear industry in China as well as the partial impact of the one-off supply shortage event caused by a typhoon in Shantou City (including Chaoyang District) in August 2013.

In order to further broaden our consumer base and expand our market share, we plan to continue to expand our geographic coverage and deepen our market penetration by increasing the number of our franchised and self-managed outlets. We also plan to continue to enhance the performance of our existing outlets by taking measures such as improving the design and appearance of our outlets, improving the service quality of our outlet personnel and undertaking more branding initiatives and marketing activities. We expect that the continual expansion of our retail network as well as the business growth of our existing outlets will continue to be a driving factor of our success.

Our ability to optimize our channel mix and product mix

Channel mix

Our retail network consists primarily of franchised outlets, as well as self-managed outlets. We generate revenue from sales of our products to our franchisees as well as sales to our consumers through our self-managed outlets. Sales to our franchisees who in turn sell our products to consumers constitute a wholesale business, while sales to our consumers through our self-managed outlets (including outlets under cooperative arrangement) constitute a retail business. Although sales to franchisees generally have lower gross profit margins than our sales to consumers through our self-managed outlets as we typically sell our products to our franchisees at a discount rate to our retail price, we believe that the franchise business model provides us with an asset-light and cost-effective means that has enabled us to quickly expand our retail network, market share and brand recognition, which in turn has resulted in a significant increase in our revenue and results of operations.

Changes in channel mix have in the past affected, and are expected to continue to affect, our revenue and results of operations. During the Track Record Period, the increase in our revenue and overall gross profit margin was partly attributable to the increased proportion of our self-managed outlets.

The table below sets forth the number of our outlets, broken down by franchised and self-managed outlets, as of the dates indicated.

	As of December 31,		
	2011	2012	2013
Franchised outlets	3,412	4,429	5,069
Self-managed outlets[(1)]	82	209	721
Total outlets	**3,494**	**4,638**	**5,790**

Note:

(1) Includes nil, 58 and 519 outlets under cooperative arrangement as of December 31, 2011, 2012 and 2013, respectively.

The following table sets forth a breakdown of our revenue by sales channel, each expressed in the absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year Ended December 31,					
	2011		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%
Sales to franchisees	1,592,420	96.2	2,069,687	91.7	2,240,433	76.8
Retail sales[(1)]	63,383	3.8	187,939	8.3	675,833	23.2
Total revenue	**1,655,803**	**100.0**	**2,257,626**	**100.0**	**2,916,266**	**100.0**

Note:

(1) Refers to sales to our consumers through our self-managed outlets, of which nil, RMB1,397,000 and RMB343,167,000, respectively, were generated from sales through outlets under cooperative arrangement for the years ended December 31, 2011, 2012 and 2013, representing nil, 0.7% and 50.8%, respectively, of our total retail sales over the same periods.

The following table sets forth a breakdown of our gross profit and gross profit margin by sales channel for the periods indicated.

	Year Ended December 31,					
	2011		2012		2013	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%
Sales to franchisees	363,960	22.9	509,036	24.6	683,626	30.5
Retail sales[1]	36,236[2]	57.2	107,639[2]	57.3	385,231[2]	57.0
Total gross profit	**400,196**	**24.2**	**616,675**	**27.3**	**1,068,857**	**36.7**

Note:

(1) Refers to sales to our consumers through our self-managed outlets.

(2) Includes the gross profit of nil, RMB803,000 and RMB194,297,000, respectively, generated from sales through outlets under cooperative arrangement for the years ended December 31, 2011, 2012 and 2013, representing nil, 0.7% and 50.4%, respectively, of the gross profit of our total retail sales over the same periods.

As we do not bear any operational expenses in connection with the operation of franchised outlets, the operating profit margin from sales to our franchisees is in general relatively higher than that of retail sales through our self-managed outlets.

The operating profit margin of the self-managed outlets established and operated by us depends on the performance of such outlets (including the level of sales and operating expenses incurred) as the set-up costs and operating expenses (including rental expenses, staff costs and all other operating expenses) are incurred and borne by us. Nevertheless, third-party partners bear the set-up costs and operating expenses of outlets under the cooperative arrangement. In return, we pay concession fees to our third-party partners. In determining the rate of concession fees, we generally take into account the rental expenses, staff costs and all other operating expenses in connection with the operation of a self-managed outlet of a comparable size in comparable regions. As such, on a comparable store basis, the concession fee is substantially the same as the aggregate amounts of operating expenses which we will incur should we establish and operate our self-managed outlets. As a result, the operating profit margin, on a comparable store basis, of outlets under cooperative arrangement is substantially similar to that of self-managed outlets established and operated by us.

Product mix

We generate revenue from five major lines of intimate wear products: bras, underpants, sleepwear and loungewear, thermal clothes and others. We believe that our diverse product offerings enable us to capitalize on changing market trends and consumer preferences in China. Our product mix affects our financial performance as different product lines and different products within the same product line may have different gross profit margins, depending on factors such as the cost of raw materials, production costs, product positioning, pricing and marketing strategies.

The following table sets forth a breakdown of our gross profit and gross profit margin for sales to our franchisees by product category for the periods indicated.

	Year Ended December 31,					
	2011		2012		2013	
Sales to franchisees	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%
Bras	209,526	32.9	318,579	36.0	402,291	37.7
Underpants	37,687	14.2	42,202	15.9	74,034	22.6
Sleepwear and loungewear	41,507	17.6	36,965	12.1	78,890	22.4
Thermal clothes	41,904	15.0	83,720	18.9	83,188	28.7
Others[(1)]	33,336	19.2	27,570	16.1	45,223	22.2
Total	**363,960**	**22.9**	**509,036**	**24.6**	**683,626**	**30.5**

Note:
(1) Includes leggings and tights, vests, hosiery and accessories.

The following table sets forth a breakdown of our gross profit and gross profit margin for sales to our consumers through our self-managed outlets by product category for the periods indicated.

	Year Ended December 31,					
	2011		2012		2013	
Retail sales	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%
Bras	19,254	65.1	49,868	60.7	197,799	62.0
Underpants	6,234	56.2	20,703	57.2	65,716	60.2
Sleepwear and loungewear	3,663	47.3	14,641	53.6	41,638	45.4
Thermal clothes	4,304	48.1	14,953	52.8	45,732	49.8
Others[(1)]	2,781	46.3	7,474	53.5	34,346	53.5
Total	**36,236**	**57.2**	**107,639**	**57.3**	**385,231**	**57.0**

Note:
(1) Includes leggings and tights, vests, hosiery and accessories.

Changes in product mix have in the past affected, and are expected to continue to affect, our revenue and results of operations. We adjusted our product mix across product lines and within specific product lines from time to time during the Track Record Period to increase our overall gross profit margin and maximize our overall profit. For example, our overall gross profit margin increased from 24.2% in 2011 to 27.3% in 2012 and further to 36.7% in 2013 partly because we increased the sales of bras that had higher gross profit margins in 2012 and 2013. Moreover, the increase in our overall gross profit margin in 2013 was also attributable to the increased sale of underpants which had higher gross profit margins in 2013. In addition, our capability to successfully develop and launch high-margin new products such as bras with body shaping functions, has been and is expected to be an important driver in increasing our profitability. Going forward, to enhance our growth, we plan to continue to introduce new

products with higher gross profit margins. In addition, we plan to explore brand synergies and cross-selling opportunities among our brand and sub-brands by leveraging our market-leading position in China's intimate wear industry. For example, we launched several accessories in September 2013 and plan to further expand our range of accessories to explore cross-selling opportunities.

Our ability to competitively price our products

Our ability to continue to price our products at desired levels has been, and will continue to be, important to our business and results of operations. We determine our product prices by reference to a number of factors, including purchasing power of our target consumers, market trends, production costs such as cost of raw materials, complexity of design and manufacturing, expected level of sales, and expected profit margins. In addition, the pricing of our products is significantly affected by the competitive landscape of the intimate wear industry in China, including our competitors' pricing practices. The intimate wear industry in China is highly fragmented. According to the Frost & Sullivan Report, there are more than 3,000 players in this industry. We expect that the competition we face in the intimate wear industry in China will further intensify. As a result, our ability to price our products competitively will largely depend on our ability to react rapidly to market trends and to differentiate our products through strong brand recognition, product innovation and product quality.

The following table sets forth the average retail prices of our key products (namely, bras, underpants, sleepwear and loungewear and thermal clothes) at our franchised and self-managed outlets for the periods indicated.

	Year ended December 31,		
(RMB)	**2011**	**2012**	**2013**
Franchised outlets	25.3	30.7	35.4
Self-managed outlets	33.1	33.3	36.6

Our ability to manage our franchisees and external OEM suppliers

In 2011, 2012 and 2013, revenue generated from our franchised outlets totaled RMB1,592.4 million, RMB2,069.7 million and RMB2,240.4 million, respectively, accounting for approximately 96.2%, 91.7% and 76.8% of our revenue for the respective periods. We manage our franchised outlets in substantially the same way as our self-managed outlets. Our comprehensive and efficient franchise management system allows us to attract and retain franchisees and grow rapidly, while at the same time it enables us to actively supervise and largely control all critical aspects of our franchised outlets' operations. As of December 31, 2013, 1,206 franchisees had been our franchisees since January 1, 2011 and they represented 54.6% of the total number of our franchisees as of December 31, 2013. In addition, as of December 31, 2013, we had 2,211 franchisees, among which 1,060 franchisees had two or more franchised outlets. These 1,060 franchisees together had 3,918 franchised outlets, which accounted for 77.3% of the total number of our franchised outlets as of December 31, 2013. We believe that our franchise business model provides an asset-light and cost-effective means that has enabled us to quickly expand our retail network, market share and brand recognition, which in turn has resulted in a significant increase in our revenue and profitability during the Track Record Period.

Our financial performance is also closely related to our ability to maintain efficient and responsive external OEM suppliers. We maintained a broad network of OEM suppliers during the Track Record Period. We outsource substantially all of our production to selected OEM suppliers. In 2011, 2012 and 2013, purchase value from our OEM suppliers totaled RMB1,358.3 million, RMB1,718.8 million and RMB1,881.5 million, respectively, accounting for 98.6%, 98.4% and 98.4% of our purchase cost, respectively. We believe that maintaining flexible external OEM suppliers is important to the success of our business. Our business success also depends largely on our OEM suppliers' compliance with our delivery schedule, quality standards and product specifications.

Brand recognition and marketing success of our products

Brand recognition is a key factor in consumers' purchase decisions. We believe that our brand recognition has contributed significantly to the success of our business, and, therefore, maintaining and enhancing our brand-recognition is critical to our ability to differentiate our products and to compete effectively. In order to capture business opportunities in different consumer groups in China's fast-growing intimate wear industry, we market and sell our products under our core brand Cosmo Lady (都市•儷人) and three sub-brands, namely Cosmo Elegance (都市•絲語), Cosmo Blossom (都市•繽紛派) and Cosmo Esquire (都市•鋒尚), to appeal to consumer groups of different age ranges, genders and consumption propensity. Each of our core brand and sub-brands has its own unique design, features and characteristics to fit the target consumer groups' needs and preferences. We believe that our strong brand name and product quality have enabled us to build a high degree of brand loyalty among our consumers. As of the Latest Practicable Date, through our membership program, we had accumulated more than 26 million members, among which approximately seven million were active members who have made more than one purchase at one of our outlets within the six-month period before the Latest Practicable Date.

We continuously invest in marketing activities to cultivate consumer loyalty and brand awareness. We employ different marketing efforts that target specific consumer groups to increase our revenue. We market our brands across a wide variety of media, ranging from traditional channels such as print and television media, to promotional events, exhibitions, and various sponsorships. In recent years, as part of our efforts to expand our brand awareness and enhance our corporate image, we have undertaken several branding initiatives, including, without limitation, the engagement of famous models and actors/actresses as image spokespersons and the sponsorship of product fairs. In 2011, 2012 and 2013, our marketing and promotion expenses amounted to RMB9.9 million, RMB58.7 million and RMB61.4 million, respectively. In particular, the significant increase in marketing expenses in 2012 was primarily incurred for our national promotion campaign, which we believe has led to the increase of our revenue afterwards. We plan to allocate more resources to our marketing activities, which we believe will provide us with opportunities to solidify our leading brand image and further grow our business.

Costs of outsourced production and raw materials

We outsource the production of substantially all of our products to selected OEM suppliers, and we only manufacture a small portion of our products, mainly our high-end lingerie collections as well as prototypes of our products, at our Dongguan facility. Cost of raw materials directly affects the production cost of our products produced in-house. In addition, although we typically do not directly purchase raw materials required for our outsourced production, the cost of raw materials directly affects the purchase cost of our outsourced products. We typically provide our OEM suppliers with our production plans three months in advance of product delivery and indicate specifications of raw materials for our products in such plans. Our OEM suppliers in turn source raw materials themselves, and we subsequently place orders with our OEM suppliers for finished products one month in advance of product delivery. The principal raw materials for our products are cotton, viscose staple fiber, polyester, polyamide, acrylic and spandex. We usually enter into annual framework supply agreements with our OEM suppliers and place orders over the contract period. According to these supply agreements, our OEM suppliers may not increase the purchase price to cover the increase of raw material cost for a period of six months after the purchase price is confirmed by both parties. However, since we do not enter into long-term contracts with our OEM suppliers, the prices that we pay for our outsourced products may increase after the expiration of such a six-month period or expiry of agreement due to increased raw material costs. According to the Frost & Sullivan Report, the cost of key raw materials used to manufacture our products remained relatively stable during the Track Record Period. See "Industry Overview — Raw Materials" for more details. We have commenced to diversify the geographic location of our OEM suppliers.

The following table sets forth the sensitivity analysis on the impact of changes in cost of outsourced production and cost of raw materials for in-house production on our gross profit margin for the periods indicated.

	Year Ended December 31,		
	2011	2012	2013
If both the cost of outsourced production and cost of raw materials for in-house production increase/decrease by 5%, our gross profit margin will decrease/increase by	3.7%	3.5%	3.1%

Seasonality

Our business is susceptible to extreme or unexpected changes in weather conditions. For example, extended periods of unusually warm temperatures during the winter season or cool weather during the summer season could render a portion of our inventory obsolete, particularly seasonal products, including sleepwear and loungewear, thermal clothes and leggings. Any extreme or unusual weather conditions could have a material adverse effect on our inventory control, business and results of operations. We usually place orders for products with our OEM suppliers in relatively small batches to avoid over-production, which we believe has helped to mitigate the impact of the unusual weather conditions. The initial orders placed by us with the OEM suppliers generally account for approximately 30% to 40% of the estimated demand for the season while subsequent production will be based on sales feedback and supplemental orders that franchisees place with us.

In addition, the performance of our outlets is subject to seasonality. The performance of our outlets are typically affected by holiday shopping patterns in China. We typically achieve, and expect to continue to achieve, a higher sales volume around holiday seasons. Therefore, our results of operations fluctuate during the year and our interim results may not be indicative of our annual results.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for products supplied, stated net of discounts, returns and value added taxes.

We recognize revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to us; and when specific criteria have been met for each of our activities, as described below. We base our estimates of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods — sales to franchisees

Sales of goods are recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to the franchisees and title has been passed. Accumulated experience is used to estimate and provide for sales returns at the time of sale.

(b) Sales of goods — retail sales

Revenue from the sales of goods is recognized when the risk and reward of the products have been transferred to the retail customer, which is usually at the time when a group entity has delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Accumulated experience is used to estimate and provide for sales returns at the time of sale.

(c) Franchise fee and software usage fee income

Franchise fee and software usage fee income is recongnized when the services are rendered to franchisees.

(d) Interest income

Interest income is recognized using the effective interest method.

Subsidiaries

Subsidiaries are all entities (including a structured entity) over which we have control. We control an entity when we are exposed to, or have rights to, variable returns from our involvement with the entity and have the ability to affect those returns through our power over the entity. Subsidiaries are combined from the date on which control is transferred to us. They are de-consolidated from the date that control ceases.

Intra-group transactions, balances and unrealized gains on transactions between the combining entities or businesses are eliminated. Unrealized losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or businesses have been changed where necessary to ensure consistency with the policies adopted by us.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less depreciation and provision for impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	2 to 3 years
Machinery and equipment	5–10 years
Furniture, fittings and equipment	3–5 years
Vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

Construction in progress represents buildings under construction and is stated at cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains/losses — net" in the combined statement of comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises costs of merchandise, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. We reassess these estimates on each balance sheet date.

Trade and other receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business. Trade receivables and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Operating leases — as leasee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or our management intends to dispose of it within 12 months of the end of the reporting period.

Regular way purchases and sales of financial assets are recognized on the trade-date-the date on which we commit to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and we have transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the combined statement of comprehensive income as "other gains/losses — net".

Interest on available-for-sale financial assets is recognized in the combined statement of comprehensive income as part of finance income.

RESULTS OF OPERATIONS

The following table sets forth a summary, for the periods indicated, of our combined results of operations. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

Combined statements of comprehensive income

	Year Ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue	1,655,803	2,257,626	2,916,266
Cost of sales	(1,255,607)	(1,640,951)	(1,847,409)
Gross profit	**400,196**	**616,675**	**1,068,857**
Selling and marketing expenses	(132,713)	(295,303)	(588,906)
General and administrative expenses	(59,651)	(90,297)	(147,410)
Other income	16,424	24,962	38,957
Other losses — net	(1,591)	(195)	(32)
Operating profit	**222,665**	**255,842**	**371,466**
Finance income	4,706	9,217	4,829
Finance cost	(12)	(1,917)	(1,422)
Finance income — net	4,694	7,300	3,407
Profit before income tax	**227,359**	**263,142**	**374,873**
Income tax expense	(58,750)	(70,400)	(99,365)
Profit for the year	**168,609**	**192,742**	**275,508**

PRINCIPAL COMPONENTS OF COMBINED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

We derive all of our revenue from sales of our products, either to our franchisees or to consumers through our self-managed outlets. Our total revenue increased significantly by 36.3% from RMB1,655.8 million in 2011 to RMB2,257.6 million in 2012, and further by 29.2% from 2012 to RMB2,916.3 million in 2013. These increases were primarily due to an increase in the sales volume of our products as a result of the increased number of our franchised and self-managed outlets, an increase in the average selling prices of our products purchased by our franchisees and our consumers as well as the improved performance of our franchised and self-managed outlets.

Revenue by sales channel

We sell our products through an extensive network of 5,790 outlets including 5,069 franchised outlets and 721 self-managed outlets in more than 330 prefecture-level cities across China as of December 31, 2013. The following table sets out a breakdown of our revenue by sales channel, each expressed in the absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year Ended December 31,					
	2011		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%
Sales to franchisees	1,592,420	96.2	2,069,687	91.7	2,240,433	76.8
Retail sales[(1)]	63,383	3.8	187,939	8.3	675,833	23.2
Total revenue	**1,655,803**	**100.0**	**2,257,626**	**100.0**	**2,916,266**	**100.0**

Note:

(1) Refers to sales to our consumers through our self-managed outlets, of which nil, RMB1,397,000 and RMB343,167,000, respectively, were generated from sales through outlets under cooperative arrangement for the years ended December 31, 2011, 2012 and 2013.

Revenue by types of products

We generate revenue from five major lines of intimate wear products: bras, underpants, sleepwear and loungewear, thermal clothes and others. The following table sets out a breakdown of our revenue by product category, each expressed in the absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year Ended December 31,					
	2011		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%
Bras	667,016	40.3	966,278	42.8	1,386,163	47.5
Underpants	277,304	16.7	301,756	13.4	437,041	15.0
Sleepwear and loungewear	242,982	14.7	332,722	14.7	443,308	15.2
Thermal clothes	288,713	17.4	471,247	20.9	381,422	13.1
Others[(1)]	179,788	10.9	185,623	8.2	268,332	9.2
Total revenue	**1,655,803**	**100.0**	**2,257,626**	**100.0**	**2,916,266**	**100.0**

Note:

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

Revenue by geographic location

The following table sets out a breakdown of our revenue by geographic region, each expressed in the absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year Ended December 31,					
	2011		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%
Southern China[(1)]	873,303	52.7	1,130,246	50.1	1,336,606	45.8
Eastern China[(2)]	422,099	25.5	546,355	24.2	693,503	23.8
South-Western China[(3)]	246,892	14.9	379,080	16.8	550,083	18.9
Northern China[(4)]	113,509	6.9	201,945	8.9	336,074	11.5
Total revenue	**1,655,803**	**100.0**	**2,257,626**	**100.0**	**2,916,266**	**100.0**

Notes:

(1) Southern China includes Guangdong, Fujian, Hubei, Hunan, Guangxi, Jiangxi and Hainan;

(2) Eastern China includes Shanghai, Jiangsu, Zhejiang, Anhui, Shandong and Henan;

(3) South-Western China includes Sichuan, Chongqing, Shaanxi, Gansu, Qinghai, Yunnan, Guizhou, Tibet, Xinjiang and Ningxia; and

(4) Northern China includes Heilongjiang, Jilin, Liaoning, Beijing, Inner Mongolia, Hebei, Tianjin and Shanxi.

Southern China and Eastern China have been the two largest regional markets, which in aggregate contributed approximately 78.2%, 74.3% and 69.6% of total turnover for the years ended 2011, 2012 and 2013, respectively. The revenue contributed by Southern China and Eastern China in aggregate as a percentage of our total revenue decreased during the Track Record Period because sales in Northern China and South-Western China significantly increased at a CAGR of 72.1% and 49.3%, respectively, between 2011 to 2013.

Cost of sales

Our cost of sales primarily consists of costs of inventories recognized in cost of sales, employee benefit expenses, government charges and levies, write-down of inventories, and others.

Our costs of sales in the absolute amount increased during the Track Record Period as our business expands. The table below sets forth a breakdown of our cost of sales, each expressed in the absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year Ended December 31,					
	2011		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%
Costs of inventories recognized in cost of sales	1,223,206	73.9	1,606,921	71.2	1,792,171	61.4
Employee benefit expenses	10,007	0.6	10,757	0.5	14,248	0.5
Government charges and levies	6,117	0.4	15,702	0.7	13,175	0.5
Write-down of inventories	15,588	0.9	7,082	0.3	27,415	0.9
Others	689	0.0	489	0.0	400	0.0
Total cost of sales	**1,255,607**	**75.8**	**1,640,951**	**72.7**	**1,847,409**	**63.3**

Gross profit and gross profit margin

Our gross profit margin increased from 24.2% in 2011 to 27.3% in 2012, and further to 36.7% in 2013. The year-on-year increases in gross profit margin were primarily because we continued to improve our channel and product mix, further integrate our industry supply chain and enhance our economies of scale.

The following table sets forth a breakdown of our gross profit and gross profit margin by sales channel for the periods indicated.

	Year Ended December 31,					
	2011		2012		2013	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%
Sales to franchisees	363,960	22.9	509,036	24.6	683,626	30.5
Retail sales[1]	36,236[2]	57.2	107,639[2]	57.3	385,231[2]	57.0
Total gross profit	**400,196**	**24.2**	**616,675**	**27.3**	**1,068,857**	**36.7**

Note:

(1) Refers to sales to our consumers through our self-managed outlets.

(2) Includes the gross profit of nil, RMB803,000 and RMB194,297,000, respectively, generated from sales through outlets under cooperative arrangement for the years ended December 31, 2011, 2012 and 2013.

The following table sets forth a breakdown of our gross profit and gross profit margin for sales to our franchisees by product category for the periods indicated.

	Year Ended December 31,					
Sales to franchisees	2011		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%
Bras	209,526	32.9	318,579	36.0	402,291	37.7
Underpants	37,687	14.2	42,202	15.9	74,034	22.6
Sleepwear and loungewear	41,507	17.6	36,965	12.1	78,890	22.4
Thermal clothes	41,904	15.0	83,720	18.9	83,188	28.7
Others[1]	33,336	19.2	27,570	16.1	45,223	22.2
Total gross profit	**363,960**	**22.9**	**509,036**	**24.6**	**683,626**	**30.5**

Note:

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

The following table sets forth a breakdown of our gross profit and gross profit margin for sales to our consumers through our self-managed outlets by product category for the periods indicated.

	Year Ended December 31,					
	2011		2012		2013	
Retail sales	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%
Bras	19,254	65.1	49,868	60.7	197,799	62.0
Underpants	6,234	56.2	20,703	57.2	65,716	60.2
Sleepwear and loungewear	3,663	47.3	14,641	53.6	41,638	45.4
Thermal clothes	4,304	48.1	14,953	52.8	45,732	49.8
Others[(1)]	2,781	46.3	7,474	53.5	34,346	53.5
Total	**36,236**	**57.2**	**107,639**	**57.3**	**385,231**	**57.0**

Note:

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

Operating expenses

Our operating expenses consist of selling and marketing expenses and general and administrative expenses. The following table sets forth the breakdown of our operating expenses, each expressed in the absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year Ended December 31,					
	2011		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%
Selling and marketing expenses	132,713	8.0	295,303	13.1	588,906	20.2
General and administrative expenses	59,651	3.6	90,297	4.0	147,410	5.1
Total	**192,364**	**11.6**	**385,600**	**17.1**	**736,316**	**25.3**

Selling and marketing expenses

Our selling and marketing expenses primarily consist of employee benefit expenses, operating lease rentals in respect of land and buildings, concession fees, marketing and promotion expenses, consumables recognized in expenses, depreciation and amortization, and others. The following table sets forth a breakdown of the key components of our selling and marketing expenses, each expressed in the absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year Ended December 31,					
	2011		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%
Employee benefit expenses	57,255	3.5	93,842	4.2	167,334	5.7
Operating lease rentals in respect of land and buildings	28,374	1.7	64,970	2.9	176,938	6.1
Concession fees[(1)]	—	—	—	—	78,516	2.7
Marketing and promotion expenses	9,938	0.6	58,728	2.6	61,364	2.1
Consumables recognized in expenses	9,593	0.6	14,340	0.6	24,256	0.8
Depreciation and amortization	4,329	0.2	9,742	0.4	18,649	0.7
Others[(2)]	23,224	1.4	53,681	2.4	61,849	2.1
Total	**132,713**	**8.0**	**295,303**	**13.1**	**588,906**	**20.2**

Notes:

(1) Concession fees are incurred in connection with our outlets under cooperative arrangement. According to the form of the cooperative agreement we began using in 2013, we generally share with our third-party partners an agreed percentage of the outlet revenue generated from product sales, and this amount is recorded as the concession fee. Since we only commenced this new form of the cooperative agreement in 2013, we did not incur any concession fee in 2011 or 2012.

(2) Includes product fairs expenses, travelling expenses, consulting service fee, logistics expenses, office expenses and others.

The increase in our selling and marketing expenses during the Track Record Period was primarily due to increases in employee benefit expenses and operating lease rentals in respect of land and buildings. The increase in employee benefit expenses was primarily due to the increase in the number of our self-managed outlets during the Track Record Period. The significant increase in operating lease rentals in respect of land and buildings during the Track Record Period was partly due to the significant increase in the number of our outlets under cooperative arrangement from zero as of December 31, 2011, to 58 as of December 31, 2012, and further to 519 as of December 31, 2013. We began using cooperative arrangements to expand the network of our self-managed outlets in the fourth quarter of 2012. Prior to the adoption of the new form of cooperative agreement in October 2013, we reimbursed our third-party partners under cooperative arrangement for their paid rental expenses, and these reimbursements were recognized as operating lease rentals in our combined statements of comprehensive income. Operating lease rentals for outlets under cooperative arrangement amounted to approximately RMB0.5 million and RMB57.0 million, respectively, for the years ended December 31, 2012 and 2013. The increase in operating lease rentals in respect of land and buildings during the Track Record Period was also partly due to the significant increase in the number of our leased properties that we used as our self-managed outlets and warehouses.

The increase in our selling and marketing expenses during the Track Record Period was also attributable to an increase in marketing and promotion expenses, which reflected our strengthened marketing efforts in promoting our products and growth of business. We have strengthened our branding initiatives since 2012, including the engagement of famous models and actors/actresses as image spokespersons and placements of TV advertisements. We expect that our selling and marketing expenses will continue to increase as we increase investments in selling and marketing efforts.

General and administrative expenses

Our general and administrative expenses primarily consist of employee benefit expenses, government charges and levies, consulting service fees, listing expenses, depreciation and amortization, and others. The following table sets forth a breakdown of the key components of our general and administrative expenses, each expressed in the absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year Ended December 31,					
	2011		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%
Employee benefit expenses	20,074	1.2	35,147	1.6	47,358	1.6
Government charges and levies	3,830	0.2	5,756	0.3	5,825	0.2
Consulting service fees	4,884	0.3	11,766	0.5	16,742	0.6
Listing expenses	—	—	—	—	16,466	0.6
Depreciation and amortization	2,924	0.2	5,706	0.2	10,713	0.4
Others[(1)]	27,939	1.7	31,922	1.4	50,306	1.7
Total	**59,651**	**3.6**	**90,297**	**4.0**	**147,410**	**5.1**

Note:

(1) Includes utilities and electricity, travelling expenses, entertainment expenses, office expenses, consumables recognized in expenses, provision for impairment of trade receivables and others.

We expect our general and administrative expenses to continue to increase as we grow our business and incur increased expenses as a public company upon the completion of this [**REDACTED**].

Other income

Our other income consists of franchise fee income, software usage income, government grants and others. The following table sets forth a breakdown of the components of other income, each expressed in the absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year Ended December 31,					
	2011		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%
Franchise fee income	6,706	0.4	4,039	0.2	3,091	0.1
Software usage income	5,885	0.4	6,719	0.3	6,403	0.2
Government grants	1,366	0.1	11,684	0.5	22,952	0.8
Others	2,467	0.1	2,520	0.1	6,511	0.2
Total	**16,424**	**1.0**	**24,962**	**1.1**	**38,957**	**1.3**

Other losses — net

Other losses consist of net loss on disposal of property, plant and equipment, loss on disposal of intangible assets and net foreign exchange losses. The following table sets forth a breakdown of other losses — net, each expressed in the absolute amount and as a percentage of revenue, for the periods indicated.

	Year Ended December 31,					
	2011		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%
Loss on disposal of property, plant and equipment — net	668	0.0	195	0.0	32	0.0
Loss on disposal of intangible assets — net	49	0.0	—	—	—	—
Net foreign exchange losses	874	0.1	—	—	—	—
Total	**1,591**	**0.1**	**195**	**0.0**	**32**	**0.0**

Finance income

Our finance income represents interest income derived from available-for-sale financial assets and short-term bank deposits. We had finance income of RMB4.7 million, RMB9.2 million and RMB4.8 million in 2011, 2012 and 2013, respectively.

Finance costs

Our finance costs represent interest expense on bank borrowings, wholly payable within five years. As of December 31, 2011, 2012 and 2013, we had bank borrowings of RMB27.5 million, RMB27.0 million and nil, respectively. All these bank borrowings were payable within five years. The weighted average effective interest rate of our bank borrowings wholly repayable within five years was 7.59% and 4.80% per annum as of December 31, 2011 and 2012, respectively. We had finance costs of RMB0.01 million, RMB1.9 million and RMB1.4 million in 2011, 2012 and 2013, respectively.

Income tax expense

Income tax expense primarily represents income tax payable by us under relevant PRC income tax rules and regulations. Income tax expense consists of current income tax and deferred income tax. Current income tax consists of PRC enterprise income tax at a rate of 25% that our PRC subsidiaries pay on their taxable income. Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Our income tax expense increased from RMB58.8 million in 2011 to RMB70.4 million in 2012 and further to RMB99.4 million in 2013. These increases in income tax expense was primarily due to an increase in our taxable income. In 2011, 2012 and 2013, our effective tax rate was 25.8%, 26.8% and 26.5%, respectively, all of which were higher than the PRC statutory income tax rate of 25% primarily attributable to the tax effect of expenses not deductible for tax purpose. As of the Latest Practicable Date and during the Track Record Period, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATION

Year ended December 31, 2013 compared to year ended December 31, 2012

Revenue

Our revenue increased by 29.2% from RMB2,257.6 million in 2012 to RMB2,916.3 million in 2013. The increase was primarily due to an increase in the sales volume of our products as a result of the increased number of our self-managed and franchised outlets, an increase in the average selling prices of our products purchased by our franchisees and consumers as well as the improved performance of both our franchised and self-managed outlets.

Revenue from sales to our franchised outlets increased by 8.2% from RMB2,069.7 million in 2012 to RMB2,240.4 million in 2013 mainly as a result of the increased number of our franchised outlets, an increase in the average selling prices of our products purchased by our franchisees and their improved performance. Revenue from sales through our self-managed outlets increased by approximately 2.6 times from RMB187.9 million in 2012 to RMB675.8 million in 2013, primarily due to the increased number of our self-managed outlets and an increase in the average selling prices of our products purchased by our consumers.

Among our product categories, revenue from sales of bras increased by 43.5% from RMB966.3 million in 2012 to RMB1,386.2 million in 2013. Revenue from sales of underpants increased by 44.8% from RMB301.8 million in 2012 to RMB437.0 million in 2013. Revenue from sales of sleepwear and loungewear increased by 33.2% from RMB332.7 million in 2012 to RMB443.3 million in 2013. Revenue from sales of thermal clothes decreased by 19.1% from RMB471.2 million in 2012 to RMB381.4 million in 2013 mainly due to the decreased sales volume of thermal clothes as a result of relatively warm temperatures during the winter season in 2013. Revenue from sales of other products increased by 44.6% from RMB185.6 million in 2012 to RMB268.3 million in 2013 primarily due to the introduction of new categories of products.

Cost of sales

Our cost of sales increased by 12.6% from RMB1,641.0 million in 2012 to RMB1,847.4 million in 2013. This increase in cost of sales was largely driven by the increase in the sales volume, which led to an increase in costs of inventories recognized in cost of sales.

Gross profit

As a result of the foregoing, our gross profit increased by 73.3% from RMB616.7 million in 2012 to RMB1,068.9 million in 2013, and our gross profit margin increased from 27.3% in 2012 to 36.7% in 2013. Our gross profit margin increased as we continued to further improve our channel mix and product mix, further integrate our industry supply chain and enhance our economies of scale.

The gross profit margin of sales to our franchised outlets increased from 24.6% in 2012 to 30.5% in 2013 primarily due to increased sales of high-margin products at franchised outlets. Such increased sales were due to the fact that our franchisees mainly focus on lower tier cities with a higher growth rate of consumer purchasing power, thereby boosting the demand for high value-added products. The gross profit margin of our sales through our self-managed outlets remained relatively stable between 2012 and 2013.

Selling and marketing expenses

Our selling and marketing expenses increased by 99.4% from RMB295.3 million in 2012 to RMB588.9 million in 2013. The increase was primarily attributable to (i) an increase of RMB112.0 million in operating lease rentals in respect of land and buildings, (ii) concession fees of RMB78.5 million, (iii) an increase of RMB73.5 million in employee benefit expenses, (iv) an increase of RMB9.9 million in consumables recognized in expenses and an increase of RMB4.4 million in logistics expenses, and (v) an increase of RMB8.9 million of depreciation and amortization, all as a result of the increased number of our self-managed outlets.

General and administrative expenses

Our general and administrative expenses increased by 63.2% from RMB90.3 million in 2012 to RMB147.4 million in 2013. This increase was primarily due to (i) listing expenses of RMB16.5 million, (ii) an increase of RMB12.2 million in employee benefit expenses incurred as a result of the growth of our business, (iii) an increase of RMB5.0 million in consulting service fee mainly for services in relation to the upgrade of our information technology system, (iv) an increase of RMB5.0 million in depreciation and amortization in connection with our office premises, and (v) an increase of RMB2.4 million in provision for impairment of trade receivables.

Other income

Our other income increased by 56.0% from RMB25.0 million in 2012 to RMB39.0 million in 2013. This increase was primarily due to an increase of RMB11.3 million in government grants, partially offset by a decrease of RMB0.9 million in franchise fee income and a decrease of RMB0.3 million in software usage income. The increase in government grants in 2013 was primarily from payments by local governments in Dongguan and Tianjin to support our development. The decreases in franchise fee income and software usage income in 2013 were attributable to our decision to exempt franchise fees and software usage fees for newly opened franchised outlets that were managed by experienced franchisees with a well-established track record to promote the expansion of our franchised outlets.

Other losses — net

Our other losses — net significantly decreased from RMB0.2 million in 2012 to RMB0.03 million in 2013. This decrease was due to a decrease of RMB0.17 million in loss on disposal of property, plant and equipment — net.

Finance income

Our finance income decreased from RMB9.2 million in 2012 to RMB4.8 million in 2013 mainly due to a decrease in the interest income on available-for-sale financial assets as a result of our decreased purchases of wealth management products.

Finance costs

Our finance costs decreased from RMB1.9 million in 2012 to RMB1.4 million in 2013 due to decreased interest payments in relation to our repayment of bank loans.

Profit before income tax

As a result of the foregoing, our profit before income tax increased by 42.5% from RMB263.1 million in 2012 to RMB374.9 million in 2013.

Income tax expense

Our income tax expense increased by 41.2% from RMB70.4 million in 2012 to RMB99.4 million in 2013, primarily as a result of an increase in taxable income. Our effective tax rate decreased slightly from 26.8% in 2012 to 26.5% in 2013.

Profit for the year

As a result of the cumulative effect of the above factors, our profit for the year increased by 43.0% from RMB192.7 million in 2012 to RMB275.5 million in 2013. Our net margin increased from 8.5% in 2012 to 9.4% in 2013.

Year ended December 31, 2012 compared to year ended December 31, 2011

Revenue

Our revenue increased by 36.3% from RMB1,655.8 million in 2011 to RMB2,257.6 million in 2012. The increase was primarily due to an increase in the sales volume of our products as a result of the increased number of our self-managed and franchised outlets, an increase in the average selling prices of our products purchased by our franchisees as well as the improved performance of both our franchised and self-managed outlet.

Revenue from sales to our franchised outlets increased by 30.0% from RMB1,592.4 million in 2011 to RMB2,069.7 million in 2012 mainly as a result of the increased number of our franchised outlets, an increase in the average selling prices of our products purchased by our franchisees and their improved performance. Revenue from sales through our self-managed outlets increased by approximately 2.0 times from RMB63.4 million in 2011 to RMB187.9 million in 2012 primarily due to the increased number of our self-managed outlets and the improved performance of our self-managed outlets.

Among our product categories, revenue from sales of bras increased by 44.9% from RMB667.0 million in 2011 to RMB966.3 million in 2012. Revenue from sales of underpants increased by 8.8% from RMB277.3 million in 2011 to RMB301.8 million in 2012. Revenue from sales of sleepwear and loungewear increased by 36.9% from RMB243.0 million in 2011 to RMB332.7 million in 2012. Revenue from sales of thermal clothes increased by 63.2% from RMB288.7 million in 2011 to RMB471.2 million in 2012. Revenue from sales of our other products increased by 3.2% from RMB179.8 million in 2011 to RMB185.6 million in 2012.

Cost of sales

Our cost of sales increased by 30.7% from RMB1,255.6 million in 2011 to RMB1,641.0 million in 2012. This increase in cost of sales was largely driven by the increase in the sales volume, which led to an increase in costs of inventories recognized in cost of sales.

Gross profit

As a result of the foregoing, our gross profit increased by 54.1% from RMB400.2 million in 2011 to RMB616.7 million in 2012, and our gross profit margin increased from 24.2% in 2011 to 27.3% in 2012. Our gross profit margin increased as we improved our channel and product mix, further integrated our industry supply chain and enhanced our economies of scale.

The gross profit margin of sales to our franchised outlets increased from 22.9% in 2011 to 24.6% in 2012 primarily due to increased sales of high-margin products at franchised outlets. Such increased sales were due to the fact that our franchisees mainly focus on lower tier cities with a higher growth rate of consumer purchasing power, thereby boosting the demand for high value-added products. The gross profit margin of sales through our self-managed outlets remained relatively stable between 2011 and 2012.

Selling and marketing expenses

Our selling and marketing expenses increased by 122.5% from RMB132.7 million in 2011 to RMB295.3 million in 2012. The increase was primarily attributable to (i) an increase of RMB48.8 million in marketing and promotion expenses as a result of our increased branding initiatives and marketing campaigns, including our use of famous models and actors/actresses as image spokespersons, (ii) an increase of RMB36.6 million in employee benefit expenses, and (iii) an increase of RMB36.6 million in operating lease rentals in respect of land and buildings as a result of the increased number of our self-managed outlets.

General and administrative expenses

Our general and administrative expenses increased by 51.3% from RMB59.7 million in 2011 to RMB90.3 million in 2012. This increase was primarily due to (i) an increase of RMB15.1 million in employee benefit expenses which were related to the growth of our business, and (ii) an increase of RMB6.9 million in consulting service fees incurred, mainly for services in relation to the upgrade of our information technology system.

Other income

Our other income increased by 52.4% from RMB16.4 million in 2011 to RMB25.0 million in 2012. This increase was primarily due to an increase of RMB10.3 million in government grants, partially offset by a decrease of RMB2.7 million in franchise fee income. The increase in government grants in 2012 was primarily from the local government in Dongguan to support our development. The decrease in franchise fee income in 2012 was attributable to our decision to exempt franchise fees for newly opened franchised outlets that were managed by experienced franchisees with a well-established track record to promote the expansion of franchised outlets.

Other losses — net

Our other losses — net decreased from RMB1.6 million in 2011 to RMB0.2 million in 2012. This decrease was primarily due to a decrease in loss on disposal of property, plant and equipment and the fact that we did not incur any net foreign exchange losses in 2012, while we did incur such losses in 2011.

Finance income

Our finance income increased from RMB4.7 million in 2011 to RMB9.2 million in 2012 mainly due to an increase in the interest income on available-for-sale financial assets.

Finance costs

Our finance costs increased from RMB0.01 million in 2011 to RMB1.9 million in 2012 primarily due to increased interest payments in relation to our drawdown of bank loans.

Profit before income tax.

As a result of the foregoing, our profit before income tax increased by 15.7% from RMB227.4 million in 2011 to RMB263.1 million in 2012.

Income tax expenses

Our income tax expenses increased by 19.7% from RMB58.8 million in 2011 to RMB70.4 million in 2012, primarily as a result of an increase in taxable income. Our effective tax rate in 2011 and 2012 was 25.8% and 26.8%, respectively. The increase in our effective tax rate was primarily because certain operating expenses were not deductible for tax purpose.

Profit for the year

As a result of the cumulative effect of the above factors, our profit for the year increased by 14.3% from RMB168.6 million in 2011 to RMB192.7 million in 2012. Our net margin decreased from 10.2% in 2011 to 8.5% in 2012.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we have funded our operations primarily with net cash generated from our operations, capital contributions by investors and bank borrowings. As of December 31, 2013, we had RMB290.0 million in cash and cash equivalents, most of which were denominated in RMB. Our cash and cash equivalents primarily consist of cash on hand and bank balances.

Combined statements of cash flows

The following table sets forth a summary of our combined statements of cash flows for the periods indicated.

	Year Ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Net cash from operating activities	142,486	42,735	217,595
Net cash (used in)/generated from investing activities	(296,382)	109,134	(60,747)
Net cash generated from/(used in) financing activities	306,984	(134,105)	(46,691)
Net increase in cash and cash equivalents	153,088	17,764	110,157
Cash and cash equivalents at beginning of the year	9,018	162,106	179,870
Cash and cash equivalents at end of the year	**162,106**	**179,870**	**290,027**

Operating activities

We derive our cash inflows from operations principally from the receipts in respect of the sales of our products. Our cash outflows from operations are principally payments for purchases of products and raw materials, operating lease rentals, salary payments, concession fees, marketing and promotion expenses and other operating expenses.

Cash generated from operations reflects our profit before income tax, adjusted for (i) the cash flow effects of certain income statement items, including depreciation of property, plant and equipment, amortization of land use rights and intangible assets, provision for impairment of trade receivables, write-down of inventories, equity-settled share-based compensation, loss on disposal of property, plant and equipment and intangible assets and finance income and costs, and (ii) the effects of changes in our working capital, including changes in trade receivables, restricted bank deposits, deposits, prepayments and other receivables, inventories, trade payables, and accruals and other payables.

In 2013, net cash generated from operating activities was RMB217.6 million, consisting of cash generated from operations of RMB328.4 million and income tax paid of RMB110.8 million. Our profit before working capital adjustments was RMB437.0 million. Negative working capital adjustments reflected (i) an increase in inventories of RMB104.5 million primarily as a result of the increased number of our self-managed and franchised outlets, (ii) an increase in deposits, prepayments and other receivables of RMB23.5 million primarily due to the expansion of our self-managed outlets, (iii) a decrease in trade payables of RMB18.4

million, and (iv) an increase in restricted bank deposits of RMB16.2 million. Such negative adjustments were partially offset by (i) an increase in accruals and other payables of RMB46.4 million and (ii) a decrease in trade receivables of RMB7.6 million.

In 2012, net cash generated from operating activities was RMB42.7 million, consisting of cash generated from operations of RMB103.0 million and income tax paid of RMB60.3 million. Our profit before working capital adjustments was RMB279.4 million. Negative working capital adjustments reflected (i) an increase in inventories of RMB131.6 million primarily as a result of the increased number of our self-managed and franchised outlets, (ii) an increase in trade receivables of RMB114.8 million, and (iii) an increase in deposits, prepayments and other receivables of RMB35.2 million. Such negative adjustments were offset in part by (i) an increase in trade payables of RMB91.9 million and (ii) an increase in accruals and other payables of RMB13.3 million.

In 2011, net cash generated from operating activities was RMB142.5 million consisting of cash generated from operations of RMB207.7 million and income tax paid of RMB65.3 million. Our profit before working capital adjustments was RMB246.9 million. Negative working capital adjustments reflected (i) an increase in inventories of RMB115.4 million primarily as a result of the increased number of our self-managed and franchised outlets, (ii) an increase in trade receivables of RMB52.8 million, and (iii) an increase in deposits, prepayments and other receivables of RMB38.2 million. Such negative adjustments were offset in part by (i) an increase in trade payables of RMB118.2 million and (ii) an increase in accruals and other payables of RMB49.0 million.

Investing activities

Our cash outflows from investing activities reflect purchases of land use rights, property, plant and equipment, intangible assets, and available-for-sale financial assets. Our cash inflows from investing activities reflect proceeds from disposal of property, plant and equipment and interest income received.

Net cash used in investing activities in 2013 was RMB60.7 million, which was primarily attributable to the following: (i) cash expenditure for purchases of property, plant and equipment of RMB30.2 million in connection with the construction of a warehouse and renovations of and purchase of furnitures, fitting and equipment for our self-managed outlets, (ii) cash expenditure for purchases of land use rights of RMB24.3 million for our headquarters, and (iii) cash expenditure for purchase of intangible assets of RMB21.0 million in respect of our computer software system, which were partially offset by a net decrease in our investments in available-for-sale financial assets of RMB10.0 million and interest income received of RMB4.8 million.

Net cash generated from investing activities in 2012 was RMB109.1 million, which was primarily attributable to a net decrease in our investments in available-for-sale financial assets of RMB206.0 million, and interest income received of RMB9.2 million, partially offset by the following: (i) cash expenditure for purchases of property, plant and equipment of RMB63.0 million in connection with the purchase of regional sales offices and outlets and renovations of and purchase of furnitures, fitting and equipment for our self-managed outlets and (ii) cash expenditure for purchases of land use rights of RMB38.7 million for our warehouses.

Net cash used in investing activities in 2011 was RMB296.4 million, which was primarily attributable to the following: (i) a net increase in our investments in available-for-sale financial assets of RMB216.0 million, (ii) cash expenditure for purchases of property, plant and equipment of RMB69.9 million used in connection with the purchase of a warehouse and renovations of and purchase of furnitures, fitting and equipment for our self-managed outlets, and (iii) cash expenditure for purchases of land use rights of RMB10.4 million for our warehouses, partially offset by interest income received of RMB4.7 million.

Financing activities

Our cash inflows from financing activities primarily include cash received from capital contributions, proceeds from borrowings and proceeds from release of restricted bank deposits. Our cash outflows from financing activities primarily include repayments of borrowings, dividends paid to our shareholders and guarantee deposits for borrowings.

Net cash used in financing activities in 2013 was RMB46.7 million, which was attributable to the following primary factors: (i) repayments of borrowing of RMB107.0 million and (ii) dividends paid to our shareholders of RMB48.2 million, partially offset by (i) proceeds from borrowings of RMB80.0 million and (ii) proceeds from release of restricted bank deposits of RMB30.0 million.

Net cash used in financing activities in 2012 was RMB134.1 million, which was attributable to the following primary factors: (i) dividends paid to our shareholders of RMB101.8 million, (ii) placement of restricted bank deposits of RMB30.0 million and (iii) repayments of borrowings of RMB27.5 million, partially offset by proceeds from borrowings of RMB27.0 million.

Net cash generated from financing activities in 2011 was RMB307.0 million, which was attributable to the following primary factors: (i) cash received from capital contributions of RMB318.4 million and (ii) proceeds from borrowings of RMB66.9 million, partially offset by repayments of borrowings of RMB78.3 million.

CAPITAL EXPENDITURES

Capital expenditures consist of purchases of property, plant and equipment, land use rights and intangible assets.

Our capital expenditures increased from RMB42.7 million in 2011 to RMB158.4 million in 2012, and decreased to RMB69.1 million in 2013. Our capital expenditures were used primarily for (i) purchase of a parcel of land in Dongguan Fumin Industrial Park to establish an additional logistics center as well as purchase of a warehouse in Dongguan, (ii) purchases of an office in Chongqing as our regional sales office and certain retail outlets, and (iii) additions to property, plant and equipment for our newly opened outlets and our regional logistics centers in Tianjin and Dongguan. The following table sets forth our capital expenditures for the periods indicated.

	Year Ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Additions to:			
Property, plant and equipment	35,166	104,603	27,509
Land use rights	—	44,072	24,928
Intangible assets	7,517	9,705	16,672
Total	**42,683**	**158,380**	**69,109**

We financed our capital expenditures primarily with cash generated from operations and net proceeds from capital contributions from investors.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

Capital commitments

The table below sets forth the total amount of our capital expenditures contracted for but not yet incurred as of the dates indicated.

	As of December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	23,324	829	89,619
Land use rights	37,740	4,500	16,935
Intangible assets	990	3,946	920
	62,054	9,275	107,474

The table below sets forth the total amount of our capital expenditure of property, plant and equipment authorized by the board of directors but not yet contracted as of the dates indicated.

	As of December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	—	141,000	377,736

As of December 31, 2012, the total amount of our capital expenditure of property, plant and equipment authorized by the board of directors represented the development of our regional logistics center in Chongqing. As of December 31, 2013, the total amount of our capital expenditure of property, plant and equipment authorized by the board of directors represented the development of our regional logistics centers in Chongqing and Tianjin.

Operating lease commitments

We lease a number of buildings under non-cancellable lease agreements. The table below sets forth the future aggregate minimum lease payments in respect of our rented premises under our non-cancellable lease agreements as of the dates indicated.

	As of December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
No later than one year	29,020	70,348	97,778
Later than one year and no later than five years	30,253	101,162	137,111
Later than five years	5	3,938	4,406
Total	**59,278**	**175,448**	**239,295**

WORKING CAPITAL

The table below sets forth the details of our current assets and liabilities as of the dates indicated.

	As of December 31,			As of April 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets				
Inventories	202,766	327,322	404,356	546,117
Trade receivables	66,244	180,794	170,609	207,842
Deposits, prepayments and other receivables	38,816	71,894	91,206	93,459
Available-for-sale financial assets	216,000	10,000	—	70,000
Restricted bank deposits	—	30,000	16,225	12,225
Cash and cash equivalents	162,106	179,870	290,027	786,445
Total current assets	**685,932**	**799,880**	**972,423**	**1,716,088**
Current liabilities				
Trade payables	145,760	237,653	219,300	500,680
Accruals and other payables	127,226	174,447	189,286	241,196
Payables arising from Reorganization	—	—	—	428,994
Borrowings	4,735	27,000	—	—
Dividends payable	—	20,882	200,000	25,380
Current income tax liabilities	8,412	24,263	10,953	18,641
Total current liabilities	**286,133**	**484,245**	**619,539**	**1,214,891**
Net current assets	**399,799**	**315,635**	**352,884**	**501,197**

Our net current assets increased by RMB148.3 million from RMB352.9 million as of December 31, 2013 to RMB501.2 million as of April 30, 2014, primarily due to (i) an increase in cash and cash equivalents of RMB496.4 million, (ii) a decrease in dividends payable of RMB174.6 million, (iii) an increase in inventories of RMB141.8 million, (iv) an increase in available-for-sale financial assets of RMB70.0 million, and (v) an increase in trade receivables of RMB37.2 million, partially offset by (i) an increase in trade payables of RMB281.4 million, and (ii) an increase in accruals and other payables of RMB51.9 million, and (iii) an increase in payables arising from Reorganization of RMB429.0 million, which have been settled in full.

Our net current assets increased by RMB37.3 million from RMB315.6 million as of December 31, 2012 to RMB352.9 million as of December 31, 2013, primarily due to (i) an increase in cash and cash equivalents of RMB110.1 million, (ii) an increase in inventories of RMB77.1 million, and (iii) an increase in deposits, prepayments and other receivables of RMB19.3 million, partially offset by (i) an increase in dividends payable of RMB179.1 million, (ii) a decrease in restricted bank deposits of RMB13.8 million, (iii) a decrease in trade receivables of RMB10.2 million, and (iv) a decrease in available-for-sale financial assets of RMB10.0 million.

Our net current assets decreased by RMB84.2 million from RMB399.8 million as of December 31, 2011 to RMB315.6 million as of December 31, 2012, primarily due to (i) a decrease in available-for-sale financial assets of RMB206.0 million, (ii) an increase in trade payables of RMB91.9 million, and (iii) an increase in accruals and other payables of RMB47.2 million, partially offset by (i) an increase in inventories of RMB124.5 million, and (ii) an increase in trade receivables of RMB114.6 million.

Working Capital Sufficiency

Taking into account the cash and cash equivalents on hand, our operating cash flows, banking facilities and the net proceeds available to us from the [**REDACTED**], our Directors believe that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this document. As of April 30, 2014, we had cash and cash equivalents of RMB786.4 million.

Our future cash requirements will depend on many factors, including our operating income, capital expenditures on property, plant and equipment, land use rights and intangible assets, market acceptance of our products or other changing business conditions and future developments, including any investments or acquisitions we may decide to pursue. We may require additional cash due to changing business conditions or other future developments. If our existing cash is insufficient to meet our requirements, we may seek to sell additional equity securities, issue debt securities or borrow from lending institutions. See "Risk Factors — Risks Relating to Our Industry and Business — We may require additional funding to finance our operations, which may not be available on terms acceptable to us or at all, and if we are able to raise funds, the value of your investment in us may be negatively impacted".

INDEBTEDNESS

Save as disclosed in this document, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities as of April 30, 2014, being the latest practicable date for our indebtedness statement. Since April 30, 2014 and up to the date of this document, there has not been any material adverse change in our indebtedness and contingent liabilities. Our Directors do not foresee any potential difficulty in obtaining bank facilities should the need arise. Our Directors confirm that the Company does not have any external financing plans as of the Latest Practicable Date.

There are no material restrictive covenants relating to any of our outstanding debts. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we had not breached any of the restrictive covenants.

ANALYSIS OF SELECTED COMBINED BALANCE SHEET ITEMS

Property, plant and equipment

Our property, plant and equipment increased by RMB89.7 million from RMB106.0 million as of December 31, 2011 to RMB195.7 million as of December 31, 2012, primarily due to additions to property, plant and equipment of RMB104.6 million, partially offset by depreciation of RMB13.9 million and disposal of RMB1.0 million. Additions to property, plant and equipment were mainly due to (i) the purchase of a warehouse in Dongguan, (ii) the purchase of the premise for our regional sales office in Chongqing and certain retail outlets, and (iii) additions to property, plant and equipment for our newly opened outlets and our regional logistics center in Tianjin. Our property, plant and equipment increased by RMB3.0 million from RMB195.7 million as of December 31, 2012 to RMB198.7 million as of December 31, 2013 primarily due to additions to property, plant and equipment of RMB27.5 million, partially offset by depreciation of RMB24.4 million and disposal of RMB0.1 million. Additions to property, plant and equipment were primarily due to the construction of Dongguan Fumin Industrial Park.

Inventories

During the Track Record Period, inventories were one of the principal components of our current assets. Our inventories consist of raw materials, work in progress, finished goods and consumables. To minimize the risk of building up inventory, we review our inventory levels on a monthly basis. We believe that maintaining appropriate levels of inventories can help us procure and deliver our products to meet the market demand in a timely manner without straining our liquidity. The value of our inventories accounted for approximately 29.6%, 40.9% and 41.6% of our total current assets as of December 31, 2011, 2012 and 2013, respectively.

The following table sets forth a summary of our inventory balances as of the dates indicated.

	As of December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Raw materials	2,439	3,457	6,191
Work in progress	3,955	3,149	5,456
Finished goods	217,546	333,368	420,124
Consumables	69	185	—
	224,009	340,159	431,771
Less: provision for impairment losses	(21,243)	(12,837)	(27,415)
	202,766	327,322	404,356

Our inventory increased from RMB202.8 million as of December 31, 2011 to RMB327.3 million as of December 31, 2012, and further to RMB404.4 million as of December 31, 2013, primarily due to an increase in finished goods of RMB123.7 million and RMB72.2 million, respectively, mainly as a result of the increased number of our franchised and self-managed outlets. As of April 30, 2014, approximately RMB249.1 million, or 57.7%, of our inventories as of December 31, 2013 have been used or consumed subsequent to December 31, 2013.

The following table sets forth our inventory turnover days for the periods indicated.

	Year Ended December 31,		
	2011	2012	2013
Inventory turnover days[(1)]	44.4	59.0	72.3
Adjusted inventory turnover days of our self-managed outlets[(2)]	109.4	143.5	132.5

Notes:

(1) Inventory turnover days are derived by dividing the average inventory for the relevant period by cost of sales and multiplying by 365 days.

(2) Adjusted inventory turnover days of our self-managed outlets refer to inventory turnover days accounted for by our self-managed outlets, which are derived by dividing the average inventory stored in our self-managed outlets for the relevant period by cost of sales from retail business and multiplying by 365 days.

Our inventory turnover days continued to increase from 44.4 days in 2011, to 59.0 days in 2012 and further to 72.3 days in 2013, primarily due to an increase in balances of inventories arising from the increased proportion of sales through our self-managed outlets. We aim to continue to actively manage our inventory turnover days in the future.

Our adjusted inventory turnover days of our self-managed outlets increased from 109.4 days in 2011 to 143.5 days in 2012 primarily because the number of our self-managed outlets significantly increased from 82 as of December 31, 2011 to 209 as of December 31, 2012. Our adjusted inventory turnover days of our self-managed outlets slightly decreased from 143.5 days in 2012 to 132.5 days in 2013 due to stringent inventory control.

We make provisions to write down our inventories to the net realizable value if the inventories become out-of-season and their net realizable value is lower than the cost of the inventories. Provisions for our inventories are estimated based on the physical condition of each category of inventories, the market conditions prevailing at the time the provisions are made, our latest marketing policies and strategy of each product category, and our management's historical experience of selling products of a similar nature. Our Directors believe that our inventory provision policy is in compliance with the IFRS. Our Directors assessed the amount of our inventory provision as of each of the balance sheet dates during the Track Record Period and believe that the inventory provisions recognized as of December 31, 2011, 2012 and 2013 were appropriate and adequate.

For the years ended December 31, 2011, 2012 and 2013, write-down of inventories was RMB15.6 million, RMB7.1 million and RMB27.4 million, respectively, representing approximately 0.9%, 0.3% and 0.9%, respectively, of our revenue for the same periods.

Trade receivables

The following table sets forth our trade receivables as of the dates indicated.

	As of December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Due from a related party[(1)]	6,941	4,467	—
Due from third parties	59,311	176,551	173,275
	66,252	181,018	173,275
Less: provision for impairment	(8)	(224)	(2,666)
Trade receivables — net	66,244	180,794	170,609

Note:

(1) Refers to Mr. Wu Shouyuan, the brother of Ms. Wu.

Our trade receivables represent receivables from our franchisees and third-party partners under cooperative arrangements for sales of our products. Although we typically require franchisees to make payments before we deliver products to them, we offer credit terms to our franchisees for our seasonal products and their first order by their newly-opened outlets. We give franchisees a credit period of 180 to 360 days for their first order of products after their new outlet is opened, with an aim of encouraging franchisees to open new outlets and helping franchisees to optimize cash flows at the store level. We also grant franchisees with good credit history a credit period of 60 to 90 days for the seasonal products to optimize cash flows at the store level.

Our trade receivables increased from RMB66.2 million as of December 31, 2011 to RMB180.8 million as of December 31, 2012 primarily because we extended credit terms to our franchisees for their newly-opened outlets and franchisees for their orders of our seasonal products in 2012. Our trade receivables slightly decreased from RMB180.8 million as of December 31, 2012 to RMB170.6 million as of December 31, 2013.

The following table sets forth our trade receivables turnover days for the periods indicated.

	Year Ended December 31,		
	2011	2012	2013
Trade receivables turnover days[(1)]	8.8	20.0	22.0

Note:

(1) Trade receivables turnover days are equal to the average balance of trade receivables at the beginning and the end of the relevant period divided by revenue for such period and multiplied by 365 days.

Our trade receivables turnover days increased from 8.8 days in 2011 to 20.0 days in 2012 primarily due to the increase in balances of trade receivables arising from the extended credit terms offered to certain franchisees. Our trade receivables turnover days slightly increased from 20.0 days in 2012 to 22.0 in 2013. We intend to maintain our trade receivables turnover days at a level of less than 30 days. We have undertaken measures aimed at reducing our trade receivables turnover days. We regularly review our franchisees' and third party partners' payment history and also review the aging of our trade receivables on a monthly basis. We believe our credit control policy is appropriate.

The following table sets forth the aging analysis of our trade receivables as of the dates indicated, based on the invoice date.

	As of December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within 30 days	24,285	34,474	123,513
Over 30 days and within 60 days	29,492	51,509	32,751
Over 60 days and within 90 days	9,176	40,751	7,483
Over 90 days and within 180 days	3,128	51,972	8,457
Over 180 days and within 360 days	48	2,025	636
Over 360 days	123	287	435
	66,252	181,018	173,275

The following table sets forth the aging analysis of our trade receivables that were past due but not impaired as of the dates indicated.

	As of 31 December		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade receivables, gross			
– Within 30 days	14,271	26,196	9,025
– Over 30 days and within 60 days	5,718	25,075	1,617
– Over 60 days and within 90 days	1,183	3,826	1,667
– Over 90 days and within 180 days	194	1,957	713
– Over 180 days and within 360 days	39	2	636
– Over 360 days	123	287	435
	21,528	57,343	14,093

We consider an amount that is not paid on schedule pursuant to the agreement with us to be past due. Our trade receivables past due were primarily due to late payments. As of December 31, 2011, 2012 and 2013, the amounts past due but not impaired of our trade receivables were RMB21.5 million, RMB57.3 million and RMB14.1 million, accounting for 32.5%, 31.6% and 8.1% of our total trade receivables, respectively. The significant increase in the amounts past due of our trade receivables in 2012 was primarily due to our extension of credit terms of 60 to 90 days for the seasonal products, as well as our extension of credit terms of 180 to 360 days to our franchisee for their first order of products for their newly-opened outlets. The decrease in the amounts past due of our trade receivables in 2013 was primarily due to our improved collection of trade receivables. We do not hold any collateral against our trade receivables. As these franchisees have good credit history, we do not believe the extension of credit terms has significant increased our credit risk with regard to these franchisees. We review the aging of trade receivables on a monthly basis. As of April 30, 2014, 75.2% of our trade receivables as of December 31, 2013 were settled subsequent to December 31, 2013.

As of December 31, 2011, 2012 and 2013, RMB0.01 million, RMB0.2 million and RMB2.7 million, respectively, of trade receivables were past due and impaired.

Deposits, prepayments and other receivables

The following table sets forth our other receivables, deposits and prepayments as of the dates indicated.

	As of December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Prepayments for acquisition of land use rights	10,367	5,039	4,500
Prepayments for acquisition of property, plant and equipment	38,897	1,277	3,571
Prepayments for acquisition of intangible assets	2,000	—	618
Value added tax recoverable	6,267	50,162	39,225
Prepayments and deposits	21,799	12,022	26,532
Prepaid rental expenses	5,347	10,614	28,042
Others	10,417	6,184	8,667
	95,094	85,298	111,155
Less: non-current portion	(56,278)	(13,404)	(19,949)
	38,816	71,894	91,206

Our deposits, prepayments and other receivables increased by RMB33.1 million from RMB38.8 million as of December 31, 2011 to RMB71.9 million as of December 31, 2012 primarily due to (i) an increase in value added tax recoverable of RMB43.9 million due to timing difference of recognizing invoices in relation to value added tax and (ii) an increase in prepaid rental expenses of RMB5.3 million due to the increased number of our self-managed outlets, partially offset by (i) a decrease in prepayments for acquisition of property, plant and equipment of RMB37.6 million, (ii) a decrease in prepayments and deposits of RMB9.8 million, and (iii) a decrease in prepayments for acquisition of land use rights of RMB5.4 million. Our deposits, prepayments and other receivables increased by RMB19.3 million from RMB71.9 million as of December 31, 2012 to RMB91.2 million as of December 31, 2013 primarily due to

(i) an increase in prepaid rental expenses of RMB17.4 million, and (ii) an increase in prepayments and deposits of RMB14.5 million, each primarily due to the expansion of our self-managed outlets, partially offset by a decrease in value added tax recoverable of RMB10.9 million.

Available-for-sale financial assets

Our available-for-sale financial assets represent wealth management products with floating rates. Our available-for-sale financial assets significantly decreased by RMB206.0 million from RMB216.0 million as of December 31, 2011 to RMB10.0 million as of December 31, 2012 primarily due to our redemption of wealth management products upon maturity at the end of 2012. Our available-for-sale financial assets decreased from RMB10.0 million as of December 31, 2012 to zero as of December 31, 2013. As of April 30, 2014, our available-for-sale financial assets amounted to RMB70.0 million, all of which were non-principal-protected with floating return rate with the term of investment ranging from 35 days to 74 days. These wealth management products were purchased from one of the major state-owned banks in the PRC, and their underlying assets primarily included equities, debt securities, notes and/or term deposits.

As part of our treasury management, we purchase wealth management products as an auxiliary means to improve utilization of our cash on hand on a short-term basis, and we have implemented internal policies which set forth overall principles as well as detailed approval processes of our treasury investment activities. The internal policies for investment in wealth management products provide, among other things, that the investment should be made in low to medium risk instruments issued or managed by major financial institutions, the maximum term of a proposed investment should not be more than one year, our investment department should conduct risk and benefit analyses on each investment, and prior approvals from our chief financial officer, one of our executive Directors and/or our chief executive officer, Mr. Zheng must be obtained, depending on the amount and term of the investment. During the Track Record Period, we only invested in wealth management products issued or sold by major reputable financial institutions in the PRC, and we did not encounter any default. We had not invested, and are prohibited, under our policies, from directly investing, in any equity instrument, listed financial product or derivative financial instrument, and our investments had not been pledged to secure the Group's borrowings during the Track Record Period.

Restricted bank deposits and cash and cash equivalents

Restricted bank deposits represent guaranteed bank deposits in a designated bank account as collateral for our bank borrowings and facilities. Bank balances and cash comprise cash held by us and short-term bank deposits with an original maturity term of three months or less. During the Track Record Period, pledged bank deposits and bank balances carried interest at average interest rates ranging from 0.35% to 0.50% per annum.

The following table sets forth a breakdown of our cash and cash equivalents as of the dates indicated.

	As of December 31,			As of April 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Bank balances and cash held by us	162,106	209,870	306,252	798,670
Less: restricted bank deposits	—	(30,000)	(16,225)	(12,225)
Cash and cash equivalents	162,106	179,870	290,027	786,445

We held bank balances and cash in RMB. Our bank balances and cash increased by RMB47.8 million from RMB162.1 million as of December 31, 2011 to RMB209.9 million as of December 31, 2012 primarily attributable to the net cash inflows from operating activities and investing activities in 2012. Our bank balances and cash increased by RMB96.4 million from RMB209.9 million as of December 31, 2012 to RMB306.3 million as of December 31, 2013 primarily due to the net cash inflows from operating activities. Our cash and cash equivalents increased from RMB290.0 million as of December 31, 2013 to RMB786.4 million as of April 30, 2014 primarily due to the cash consideration from shares allotted and issued to Harmonious Composition, Great Ray, Capital Today Investment and Cosmic Vanguard for our Reorganization.

Trade payables

The following table sets forth our trade payables as of the dates indicated.

	As of December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Due to third parties	127,643	215,903	207,192
Due to related parties[(1)]	18,117	21,750	12,108
	145,760	237,653	219,300

Note:

(1) Includes Shantou Routai, Shantou Hengtaifa, Shantou Shengqiang, Shantou Maosheng and Shantou Shifen.

Our trade payables mainly relate to the outsourcing of production to our OEM suppliers. Our OEM suppliers generally granted us credit terms of 45 days during the Track Record Period. Our trade payables increased by 63.0% from RMB145.8 million in 2011 to RMB237.7 million in 2012 primarily due to the expansion of our retail network and an increase in sales of our products. Our trade payables slightly decreased by 7.7% from RMB237.7 million in 2012 to RMB219.3 million in 2013.

The following table sets forth our trade payables turnover days for the periods indicated.

	Year Ended December 31,		
	2011	2012	2013
Trade payables turnover days[(1)]	25.2	42.6	45.1

Note:

(1) Trade payables turnover days equal to the average trade balance of trade payables at the beginning and the end of the relevant period divided by cost of sales for such period and multiplied by 365 days.

Our trade payables turnover days increased from 25.2 days in 2011 to 42.6 days in 2012 and further to 45.1 days in 2013 primarily because of our increased bargaining power against our OEM suppliers.

The following table sets forth the aging analysis of our trade payables as of the dates indicated, based on the invoice date.

	As of December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade payables			
— Within 30 days	65,806	66,741	51,580
— Over 30 days and within 60 days	34,351	91,471	69,172
— Over 60 days and within 90 days	22,688	57,818	51,663
— Over 90 days and within 180 days	17,249	19,846	35,913
— Over 180 days and within 360 days	5,221	1,650	10,565
— Over 360 days	445	127	407
	145,760	237,653	219,300

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we had not defaulted in payment of trade and non-trade payables.

Accruals and other payables

The following table sets forth a breakdown of our accruals and other payables as of the dates indicated.

	As of December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Due to a related party[1]	—	4,000	—
Due to third parties:			
Payables for purchases of property, plant and equipment and intangible assets	4,071	10,635	6,503
Advance from customers	39,435	52,081	65,928
Salaries and welfare payables	12,114	18,296	28,800
Accrued taxes other than income tax	603	28,197	4,297
Deposits from franchisees	33,435	44,313	50,179
Provision for sales return	16,154	10,631	3,961
Rental payables	1,525	1,516	2,908
Accrued listing expenses	—	—	15,937
Other accrued expenses and payables[2]	19,889	4,778	10,773
	127,226	174,447	189,286

Notes:

(1) Refers to Mr. Wu Shouyuan, the brother of Ms. Wu.

(2) Primarily consist of accrued advertising expenses and consulting service fees.

Our accruals and other payables increased by 37.1% from RMB127.2 million as of December 31, 2011 to RMB174.4 million as of December 31, 2012 primarily due to (i) an increase in accrued taxes other than income tax of RMB27.6 million due to the withholding income tax for dividends paid to our shareholders, (ii) an increase in advance from customers of RMB12.7 million as a result of the increased number of franchised outlets, (iii) an increase in deposits from franchisees of RMB10.9 million in connection with their purchases of products and the increase of newly opened outlets for which a deposit is payable by the franchisee, and (iv) an increase in salaries and welfare payables of RMB6.2 million, partially offset by a decrease in provision for sales return of RMB5.6 million.

Our accruals and other payables increased by 8.5% from RMB174.4 million as of December 31, 2012 to RMB189.3 million as of December 31, 2013 primarily due to (i) an increase in advance from customers of RMB13.8 million as a result of the increased number of franchised outlets, (ii) an increase in salaries and welfare payables of RMB10.5 million, (iii) an increase in other accrued expenses and payables of RMB6.0 million, primarily as a result of an increase of RMB3.4 million in accrued advertising expenses, and (iv) an increase in deposits from franchisees of RMB5.9 million, partially offset by (i) a decrease in accrued taxes other than income tax of RMB23.9 million, (ii) a decrease in provision for sales return of RMB6.6 million, and (iii) a decrease in payables for purchases of property, plant and equipment and intangible assets of RMB4.1 million.

Dividends payable

We did not record any dividends payable as of December 31, 2011. We recorded dividends payable of RMB20.9 million and RMB200.0 million as of December 31, 2012 and December 31, 2013, respectively.

Borrowings

During the Track Record Period, we borrowed bank loans to manage our working capital requirements. The table below sets forth the breakdown of our bank loans as of the dates indicated.

	As of December 31,			As of April 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Non-current				
Bank borrowing	27,457	—	—	—
Less: current portion of non-current bank borrowings	(4,735)	—	—	—
Total	**22,722**	**—**	**—**	**—**
Current				
Bank borrowings	—	27,000	—	—
Current portion of non-current bank borrowings	4,735	—	—	—
Total	**27,457**	**27,000**	**—**	**—**

Our non-current bank borrowings as of December 31, 2011 were unsecured obligations and our current bank borrowings as of December 31, 2012 were secured obligations. As of December 31, 2011 and 2012, the weighted average effective interest rate of our bank loans was 7.59% and 4.80% per annum, respectively. Save as disclosed in this document, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities as of April 30, 2014, being the latest practicable date for our indebtedness statement. Since April 30, 2014 and up to the date of this document, there has not been any material adverse change in our indebtedness and contingent liabilities. Our Directors confirm that the Company does not have any external financing plans as of the Latest Practicable Date.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2013, we provided corporate guarantees to secure obligations of certain franchisees for repayments of their bank borrowings of approximately RMB69.0 million. The maximum credit risk exposure as of December 31, 2013 was the amount of outstanding guarantees. These corporate guarantees were released in January 2014. Our Directors confirm that we will not provide corporate guarantees or engage in any other similar arrangement to any third parties in the future.

Except as disclosed in the previous paragraph, we have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

MAJOR FINANCIAL RATIOS

The table below sets forth a summary of our key financial ratios as of the dates or for the periods indicated.

Financial Ratios	Formulae	As of/for the year ended December 31,		
		2011	2012	2013
Profitability ratios:				
1. Growth				
a. Revenue growth		—	36.3%	29.2%
b. Net profit growth		—	14.3%	42.9%
2. Profit margins				
a. Gross margin	a. Gross profit/Revenue x 100.0%	24.2%	27.3%	36.7%
b. Net profit margin	b. Profit for the year /Revenue x 100.0%	10.2%	8.5%	9.4%
3. Return on equity				
a. Return on equity	a. Profit for the year/Average total equity x 100.0%	52.7%	33.0%	42.6%
b. Return on total assets	b. Profit for the year/Average total assets x 100.0%	30.6%	19.6%	23.0%
Liquidity ratios:				
1. Liquidity ratios				
a. Current ratio	a. Current assets/Current liabilities	2.4	1.7	1.6
b. Quick ratio	b. (Current assets — Inventories)/Current liabilities	1.7	1.0	0.9
2. Turnover ratios				
a. Inventory turnover days	a. Average inventories/Cost of sales x 365 days	44.4	59.0	72.3
b. Adjusted inventory turnover days of our self-managed outlets	b. Inventory turnover days accounted for by our self-managed outlets	109.4	143.5	132.5

Financial Ratios	Formulae	As of/for the year ended December 31,		
		2011	2012	2013
c. Receivables turnover days (average collection period)	c. Average trade receivables/Revenue x 365 days	8.8	20.0	22.0
d. Payables turnover days (average payment period) .	d. Average trade payables/Cost of sales x 365 days	25.2	42.6	45.1
Capital adequacy ratios:				
1. Gearing ratio	Total bank borrowings — cash and cash equivalents and restricted bank deposits /Total equity x 100.0%	Net cash	Net cash	Net cash
2. Interest coverage	Profit before finance cost and income tax expense/Finance cost	18,947.6	138.3	264.6

Current ratio. The current ratio decreased from 2.4 as of December 31, 2011 to 1.7 as of December 31, 2012 and further to 1.6 as of December 31, 2013 primarily due to our increased investment in non-current assets, including property, plant and equipment, land use rights and intangible assets.

Quick ratio. The quick ratio decreased from 1.7 as of December 31, 2011 to 1.0 as of December 31, 2012 and further to 0.9 as of December 31, 2013 primarily due to our increased investment in non-current assets, including property, plant and equipment, land use rights and intangible assets.

Return on equity ratio. The return on equity ratio decreased from 52.7% as of December 31, 2011 to 33.0% as of December 31, 2012 mainly due to the capital contributions from our shareholders. The return on equity ratio increased from 33.0% as of December 31, 2012 to 42.6% as of December 31, 2013 primarily because of an increase in our net profit.

Return on assets ratio. The return on assets ratio decreased from 30.6% as of December 31, 2011 to 19.6% as of December 31, 2012 mainly due to the capital contributions from our shareholders. The return on assets ratio increased from 19.6% as of December 31, 2012 to 23.0% as of December 31, 2013 primarily because of an increase in our net profit.

CONTINGENT LIABILITIES

As of December 31, 2011, 2012 and 2013 and April 30, 2014, respectively, we did not have any significant contingent liabilities.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign exchange risk

We operate in the PRC with most of our transactions denominated and settled in RMB. Our assets and liabilities, and transactions arising from our operations do not expose us to material foreign exchange risk as our assets and liabilities as of December 31, 2011, 2012 and 2013 were denominated in RMB.

Cash flow and fair value interest rate risk

As we have no significant interest-bearing assets (other than available-for-sale financial assets, restricted bank deposits and cash and cash equivalents, details of which have been disclosed in Notes 23 and 24 of the Accountant's Report in Appendix I), our income and operating cash flows are substantially independent of changes in market interest rates. Our interest rate risk primarily arises from bank borrowings.

Bank borrowings issued at fixed rates expose us to fair value interest rate risk. We did not use any interest rate swap contracts or other financial instruments to hedge against our interest rate risk exposure during the Track Record Period. Our management will continue to monitor interest rate risk exposure and will consider hedging significant interest rate risk exposure should the need arise.

Our bank borrowings were all obtained at fixed rates during the Track Record Period. However, there is no guarantee that our future borrowings will not carry variable interest rates. As of December 31, 2011, 2012 and 2013, if interest rates on bank loans had been 50 basis points higher/lower with all other variables held constant, our net profit for the year would have been approximately RMB21,000 lower/higher, RMB90,000 lower/higher and RMB123,000 lower/higher, respectively, as a result of higher/lower interest expenses.

Credit risk

We have no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits and other receivables, available-for-sale financial assets, cash and cash equivalents and restricted cash with banks included in our combined balance sheets represent our maximum exposure to credit risk in relation to our financial assets.

We have policies in place to ensure credit terms are only granted to franchisees with an appropriate credit history, and we perform periodic credit evaluations on them, taking into account their financial position, past experience and other factors. For customers to whom we do not grant credit terms, we generally require them to pay deposits and/or advances prior to delivery of products. We typically do not require collaterals from customers. Provisions are made for the balance that is past due when our management considers the loss from non-performance by our customers is likely. Sales to retail customers are settled in cash or using major credit cards.

We also make deposits to the relevant landlords for lease of certain of our self-managed outlets. Our management does not expect to incur any loss from non-performance by these counterparties.

As of December 31, 2011, 2012 and 2013, all of our bank balances and restricted bank deposits were deposited with highly reputable and sizable banks and financial institutions without significant credit risk in the PRC. Our management does not expect to incur any loss from non-performance by these banks and financial institutions. As of December 31, 2011, 2012 and 2013, we held bank balances and restricted bank deposits totaling approximately RMB91.4 million, RMB200.4 million and RMB235.1 million, respectively, with the four major state-owned banks of the PRC.

As of December 31, 2013, we provided corporate guarantees to secure obligations of certain franchisees for repayments of their bank borrowings of approximately RMB69.0 million. These corporate guarantees were released in January 2014.

Liquidity risk

Our liquidity position is monitored closely by our management. In the management of our liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. See Note 3.1 of the Accountant's Report in Appendix I for details.

RELATED PARTY TRANSACTIONS

As of December 31, 2011 and 2012 and 2013, amounts due to related parties were RMB18.1 million, RMB25.8 million and RMB12.1 million, respectively. As of December 31, 2011 and 2012 and 2013, amounts due from a related party were RMB6.9 million, RMB4.5 million and nil, respectively. For a discussion of related party transactions, see Note 34 to the Accountant's Report in Appendix I. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and on normal commercial terms, and that all non-trade balances and guarantees with related parties will be settled and released before Listing. Our Directors are of the view that the related party transactions did not cause any distortion of our results of operations or make our historical results not reflective in the Trace Record Period.

DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. The Board will review the dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- our results of operations;
- our cash flows;
- our financial condition;
- our Shareholders' interests;
- general business conditions and strategies;
- our capital requirements;
- the payment by our subsidiaries of cash dividends to us; and
- other factors the Board may deem relevant.

We are a holding company incorporated in the Cayman Islands. Our ability to pay dividends depends substantially on the payment of dividends to us by our subsidiaries in China. In particular, each of our PRC subsidiaries may pay dividends only out of its accumulated distributable profits, if any, determined in accordance with its articles of association, and the accounting standards and regulations in China. Moreover, pursuant to relevant PRC laws and regulations applicable to our subsidiaries in the PRC, each of our PRC subsidiaries is required to set aside a certain amount of its accumulated after tax profits each year, if any, to fund statutory reserves. These reserves may not be distributed as cash dividends. Furthermore, if we or any of our subsidiaries incur debt on our or its own behalf in the future, the instruments governing the debt may restrict our or their ability to pay dividends or make other payments to our Shareholders or to us.

We did not declare any dividend in 2011. We declared dividends in an aggregate amount of RMB150.0 million and RMB200.0 million in 2012 and 2013, respectively, to our then Shareholders. We currently intend to adopt, after our Listing, a general annual dividend policy of declaring and paying dividends on an annual basis of no less than 30% of our distributable net profit attributable to our Group for any particular financial year.

DISTRIBUTABLE RESERVES

As of December 31, 2013, our Company had no distributable reserves available for distribution to our Shareholders.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, there has been no material adverse change in our financial or trading position or prospects since December 31, 2013 and there is no event since December 31, 2013 which would materially affect the information shown in "Accountant's Report" in Appendix I.

LISTING EXPENSE INCURRED AND TO BE INCURRED

During the Track Record Period, we incurred listing expenses of approximately RMB21.7 million, of which RMB16.5 million was recognized as general and administrative expenses in our combined statement of comprehensive income for the year ended December 31, 2013, and RMB5.2 million was capitalized as deferred expenses in our combined balance sheet as of December 31, 2013 to be recognized as a deduction in equity. We expect to incur additional listing expenses (excluding underwriting commission) of approximately RMB31.2 million, of which RMB24.1 million is expected to be recognized as general and administrative expenses for the year ending December 31, 2014 and RMB7.1 million is expected to be recognized as a deduction in equity directly. Our Directors do not expect such expenses to have a material and adverse impact on our financial results for the year ending December 31, 2014.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the [**REDACTED**] on the combined net tangible assets of the Group attributable to the equity holders of the Company as of December 31, 2013 as if the [**REDACTED**] had taken place on that date.

The unaudited pro forma adjusted net tangible assets have been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group had the [**REDACTED**] been completed as of December 31, 2013 or at any future dates.

	Audited combined net tangible assets of the Group attributable to the equity holders of the Company as of December 31, 2013 (1)	Estimated net proceeds from the [REDACTED]	Unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company	Unaudited pro forma adjusted net tangible assets per Share(3)	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The audited combined net tangible assets information of the Group attributable to the equity holders of the Company as of December 31, 2013 is extracted from "Accountant's Report" in Appendix I, which is based on the audited combined net assets of the Group attributable to the equity holders of the Company as of December 31, 2013 of [**REDACTED**] with an adjustment for the intangible assets as of December 31, 2013 of [**REDACTED**].

(2) The estimated net proceeds to be received by the Company from the [**REDACTED**] are based on the indicative [**REDACTED**] of HK$[**REDACTED**] (equivalent to RMB[**REDACTED**]) and HK$[**REDACTED**] (equivalent to RMB[**REDACTED**]) per Share, respectively, after deduction of the underwriting fees and other related expenses borne by the Company and takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or of any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [**REDACTED**] Shares were in issue assuming that the [**REDACTED**] and the Reorganization has been completed on December 31, 2013 but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or of any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.

(4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2013.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.7949.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

OUR CONTROLLING SHAREHOLDERS

Our ultimate Controlling Shareholders, namely, Mr. Zheng, Mr. Zhang, Mr. Lin and Mr. Cheng, established Cosmo Lady Guangdong, our primary PRC operating subsidiary, on September 29, 2009. Since then, our ultimate Controlling Shareholders have been acting in a consensual manner in the decision-making, operations, and management of the member companies of our Group. As part of the Reorganization, our ultimate Controlling Shareholders further consolidated their interest in our Company into Harmonious Composition and have since then together exercised their voting power of our Company through Harmonious Composition. Pursuant to an agreement among the shareholders of Harmonious Composition dated April 15, 2014, Great Brilliant is entitled to nominate three directors of Harmonious Composition, while each of the other three shareholders can nominate one director of Harmonious Composition.

As such, our ultimate Controlling Shareholders, their respective holding companies and Harmonious Composition, as a group of shareholders entitled to exercise more than 30% of the voting rights at the general meetings of our Company, are together regarded as our Controlling Shareholders under the Listing Rules. Upon completion of the [**REDACTED**] (assuming no exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), our Controlling Shareholders, will together be entitled to exercise approximately [63.19]% of the voting power in our Company.

COMPETING INTERESTS

Each of our Controlling Shareholders and the Directors confirms that he/she does not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

Mr. Zheng's sister, Ms. Zheng Yaoying, is the executive director and controlling shareholder of Dong Guan City Nv Ren Xin Industry Co., Ltd, a company engaged in the intimate wear business under the brand of Nv Ren Xin. Our Group does not have any transactions with Ms. Zheng Yaoying's business. Mr. Zheng does not have any financial or other interest in Ms. Zheng Yaoying's business. Mr. Cai Shaoqiang (a brother of Mr. Zhang's spouse), together with his wife, own the entire equity interest in Shantou City Shengqiang Knitting Industrial Co., Ltd, which is engaged in producing intimate wear products as an OEM supplier. Mr. Zhang does not have any financial or other interest in Shantou City Shengqiang Knitting Industrial Co., Ltd. Mr. Lin Zonglie, a brother of Mr. Lin, owns 60% of the equity interest in Shantou City Maosheng Knitting Underwear Co., Ltd, which is engaged in producing intimate wear products as an OEM supplier. Mr. Lin does not have any financial or other interest in Shantou City Maosheng Knitting Underwear Co., Ltd. The said interests do not constitute competing interest of Mr. Zheng, Mr. Zhang or Mr. Lin which would require disclosure under Rule 8.10 of the Listing Rules. Our Group purchases a small amount of intimate wear products from Shantou City Shengqiang Knitting Industrial Co., Ltd and Shantou City Maosheng Knitting Underwear Co., Ltd and sell these products under our brand. See "Connected Transactions — Partially-exempt Continuing Connected Transactions" for details.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their respective associates after the [**REDACTED**].

Management independence

The Board comprises nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors. Our Four Co-founders and Ms. Wu, who are our executive Directors, are also directors of Harmonious Composition. Each of Harmonious Composition, and the Four Co-founders' respective holding companies, namely Great Brilliant, Forever Flourish, Forever Shine and Mountain Dragon, is an investment holding company whose principal assets are its direct or indirect shareholding in our Company. All the other four Directors are independent from our Controlling Shareholders.

Each of our Directors is aware of his/her fiduciary duties as a director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. Further, we believe our independent non-executive Directors can bring independent judgment to the decision-making process of our Board. In addition, our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her associates has a material interest and shall not be counted in the quorum present at the particular Board meeting.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the managerial role in our Group independently.

Operational independence

Our Company has full rights to make all decisions on, and to carry out, our own business operations independently, despite of the controlling interest held by the Controlling Shareholders in our Company. We have sufficient independent premises, equipment, access to customers and suppliers and employees to operate our business independently from our Controlling Shareholders and their respective associates. Our organizational structure is made up of individual departments, each with specific areas of responsibilities. We have also established a set of internal controls to facilitate the effective operation of our business.

The Group purchases intimate wear products from Shantou City Shengqiang Knitting Industrial Co., Ltd, which is owned by Mr. Cai Shaoqiang (a brother of Mr. Zhang's spouse) and his wife as well as Shantou City Maosheng Knitting Underwear Co., Ltd, which is owned as to 60% by Mr. Lin's brother, and sell these products under our brand. See "Connected Transactions — Partially-exempt Continuing Connected Transactions" for details. Given the small amount of purchases from these two suppliers and the fact that we can readily switch to other suppliers in the market without incurring additional costs, our Directors are of the view that the said transactions do not affect our operational independence from the Controlling Shareholders.

Based on the above, our Directors are satisfied that we are able to operate independently from our Controlling Shareholders and their respective associates.

Financial independence

Our Group has its own financial management system and the ability to operate independently of our Controlling Shareholders and their respective associates from a financial perspective. Our Directors confirm that all amounts due to or from, and loans or guarantees provided by our Controlling Shareholders and their respective associates, will be fully repaid or released before the Listing.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders.

DEED OF NON-COMPETITION

Our Controlling Shareholders have entered into a deed of non-competition dated June 9, 2014 with and in favor of our Company (for itself and as trustee for the benefit of its subsidiaries) (the "**Deed of Non-competition**"), under which each of our Controlling Shareholders has undertaken to our Company (on its own behalf and as trustee for each of its subsidiaries) that he or it shall not, and shall use his or its best endeavors to procure that none of his or its respective associates (as defined in Rule 1.01 of the Listing Rules) (other than members of our Group) shall, directly or indirectly (including through any body corporate, partnership, joint venture or other contractual arrangement) or as principal or agent, either on his or its own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any members of our Group),

- carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, with or is likely to be in competition, directly or indirectly, with the Business (as defined below) (the "**Restricted Business**"), whether as a shareholder, director, officer, partner, agent, lender, employee, consultant or otherwise; and
- take any action which interferes with or disrupts or may interfere with or disrupt the Business (as defined below) of our Group including, but not limited to, solicitation of any of the then current customers, suppliers or employees from any members of our Group.

For the purpose of the Deed of Non-competition, our "**Business**" is defined to cover the design, research and development, manufacture, marketing, sale and distribution of intimate wear (including but not limited to bras, underpants, sleepwear and loungewear, thermal clothes, and others, which include leggings and tights, vests, hosiery and accessories).

The Deed of Non-competition does not apply to the relevant Controlling Shareholders' holding in the shares of a company where:

- the total number of shares held by all of our Controlling Shareholders does not exceed five per cent. of the issued shares of such company which is or whose holding company is listed on a stock exchange; or
- any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than five per cent. of its consolidated turnover or consolidated assets, as shown in its latest audited accounts.

The respective obligations of each of our Controlling Shareholders under the Deed of Non-competition shall terminate on the earliest of (i) the Shares cease to be listed on the Stock Exchange; and (ii) our Controlling Shareholders and their associates (as defined in Rule 1.01 of the Listing Rules) (other than members of our Group), individually or jointly, cease to hold or control, directly or indirectly, 30 per cent. or more of the entire issued share capital of our Company.

Each of our Controlling Shareholders has further undertaken to procure that if any new business investment or other business opportunity relating to the Business (the "**Business Opportunity**") is identified by or made available to him or it or any of his or its associates (as defined in Rule 1.01 of the Listing Rules), he or it shall and shall procure that his or its associates (as defined in Rule 1.01 of the Listing Rules) shall refer such Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Business Opportunity to our Company by giving written notice ("**Offer Notice**") to our Company of such Business Opportunity within 30 days of identifying the target company (if relevant) and the nature of the Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Business Opportunity;
- upon receiving the Offer Notice, our Company shall seek approval from the Board or a board committee (in each case comprising only independent non-executive Directors) who do not have an interest in the Business Opportunity (the "**Independent Board**") as to whether to pursue or decline the Business Opportunity (any Director who has actual or potential interest in the Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not count towards the quorum for, any meeting or part of a meeting convened to consider such Business Opportunity);
- the Independent Board shall consider the financial impact of pursuing the Business Opportunity offered, whether the nature of the Business Opportunity is consistent with the Group's strategies and development plans and the general market conditions of the Business; if appropriate, the Independent Board may appoint independent financial and legal advisors to assist in the decision-making process in relation to such Business Opportunity;
- the Independent Board shall, within 30 days of receipt of the written notice referred above, inform the relevant Controlling Shareholder in writing on behalf of our Company its decision whether to pursue or decline the Business Opportunity;
- the relevant Controlling Shareholder shall be entitled but not obliged to pursue such Business Opportunity if he or it has received a notice from the Independent Board declining such Business Opportunity or if the Independent Board failed to respond within such 30 days' period mentioned above; and
- if there is any material change in the nature, terms or conditions of such Business Opportunity pursued by the relevant Controlling Shareholder, he or it shall refer such Business Opportunity as so revised to our Company as if it were a new Business Opportunity.

Further undertakings

Each of our Controlling Shareholders has further undertaken to, among others:

- procure all relevant information relating to the implementation of the Deed of Non-competition in his or its possession and/or the possession of any of his or its associates (as defined under Rule 1.01 of the Listing Rules) to be provided to us;
- provide all information requested by our Company (or its auditors) which is necessary for an annual review by the independent non-executive Directors of its compliance with the Deed of Non-competition and the enforcement of the same;
- procure our Company to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition either through the annual report, or by way of announcements to the public; and
- upon the request of our Company, provide a written confirmation in respect of his or its compliance and that of its associates (as defined under Rule 1.01 of the Listing Rules) with the non-competition undertakings under the Deed of Non-competition and consent to the inclusion of such confirmation in our annual report.

Our Controlling Shareholders, for themselves and on behalf of their associates (as defined under Rule 1.01 of the Listing Rules) (except any members of our Group), have also acknowledged that we may be required by the relevant laws, regulations, rules of the stock exchange(s) on which we may be listed and the regulatory bodies to disclose, from time to time, information on the Business Opportunity, including but not limited to disclosure in public announcements or our annual report or decision made by us to pursue or decline the Business Opportunity (including why business opportunities referred to by the Controlling Shareholders were not taken up), and have agreed to the disclosure to the extent necessary to comply with any such requirement.

Assessment of compliance with non-competition undertakings

Our Directors who have no material interest in the matters discussed will, based on the information available to them, including information and confirmation provided by or obtained from our Controlling Shareholders and their associates (as defined under Rule 1.01 of the Listing Rules) (other than members of our Group) as described above, review on an annual basis (a) the compliance with the non-competition undertakings; and (b) all the decisions taken in relation to whether to pursue any business opportunities which may be referred or offered to us by our Controlling Shareholders or their associates (as defined under Rule 1.01 of the Listing Rules) (other than members of our Group) under the Deed of Non-competition. Findings of such review will be disclosed in our annual report after the Listing.

We will continue to carry out certain transactions with certain connected persons (as defined under Chapter 14A of the Listing Rules) upon Listing. Such transactions will therefore constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

The following persons will be our connected persons upon Listing:

- Mr. Zhang, an executive Director and a substantial Shareholder, hence our connected person;
- Mr. Lin, an executive Director and a substantial Shareholder, hence our connected person;
- Shantou City Shengqiang Knitting Industrial Co., Ltd (汕頭市盛強針織實業有限公司) ("**Shantou Shengqiang**"), a limited liability company incorporated in the PRC, in which Mr. Cai Shaoqiang (a brother of Mr. Zhang's spouse), together with his wife, in aggregate, own the entire equity interest, and hence an associate (as defined under Chapter 14A of the Listing Rules) of Mr. Zhang and our connected person; and
- Shantou City Maosheng Knitting Underwear Co., Ltd (汕頭市茂盛針織內衣有限公司) ("**Shantou Maosheng**"), a limited liability company incorporated in the PRC, in which Mr. Lin Zonglie, a brother of Mr. Lin, owns 60% of the equity interest, and hence an associate (as defined under Chapter 14A of the Listing Rules) of Mr. Lin and our connected person.

Accordingly, the following transactions with Mr. Zhang and Mr. Lin or their respective associates, which will continue after the Listing, will constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into the following agreements or transactions which will, upon Listing, constitute continuing connected transactions exempt from the independent Shareholders' approval requirement pursuant to Rule 14A.34 of the Listing Rules. These transactions include:

Framework Purchase Agreement with Shantou Shengqiang

Parties:	Shantou Shengqiang (as the supplier); and the Group (as the purchaser)
Principal terms:	We entered into a framework purchase agreement with Shantou Shengqiang on June 9, 2014, pursuant to which we purchase intimate wear products from Shantou Shengqiang, an OEM supplier, and sell such products under our brand. The term of the purchase agreement is three years commencing on the Listing Date.
Pricing policy:	Under the purchase agreement, the purchase prices shall be determined on a cost-plus basis, with a mark-up rate of no more than 9%. The purchase prices shall not be higher than the prices at which we purchase similar products from independent third party OEM suppliers. Shantou Shengqiang shall provide the price lists to the Group on a quarterly basis for our independent non-executive Directors to review and approve. As our independent non-executive Directors will compare the price lists provided by Shantou Shengqiang with those provided by our independent third party OEM suppliers from whom we purchase similar products, our Directors are of the view that the said procedures can ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.
Reasons for the transaction:	Shantou Shengqiang has been a reliable OEM supplier of the Group.

Historical figures: The historical figures of the procurement from Shantou Shengqiang are set out below:

	Historical Transaction Amount for the Year ended December 31		
	2011	2012	2013
		(RMB'000)	
Total procurement amount	26,249	19,443	25,563

Annual Caps: The maximum aggregate annual procurement amount from Shantou Shengqiang for the years ending December 31, 2014, 2015 and 2016 shall not exceed the caps set out below:

	Proposed Annual Cap for the Year ending December 31		
	2014	2015	2016
		(RMB'000)	
Total procurement amount	28,000	30,000	32,000

Basis of Caps: In determining the above annual caps, our Directors have considered the historical figures and the potential increase in purchase volume due to our business expansion plan as well as our intention to diversify our supplier base.

Framework Purchase Agreement with Shantou Maosheng

Parties: Shantou Maosheng (as the supplier); and

the Group (as the purchaser)

Principal terms: We entered into a framework purchase agreement with Shantou Maosheng on June 9, 2014, pursuant to which we purchase intimate wear products from Shantou Maosheng, an OEM supplier, and sell such products under our brand.

The term of the purchase agreement is three years commencing on the Listing Date.

Pricing policy:

Under the purchase agreement, the purchase prices shall be determined on a cost-plus basis, with a mark-up rate of no more than 9%. The purchase prices shall not be higher than the prices at which we purchase similar products from independent third party OEM suppliers. Shantou Maosheng shall provide the price lists to the Group on a quarterly basis for our independent non-executive Directors to review and approve. As our independent non-executive Directors will compare the price lists provided by Shantou Maosheng with those provided by our independent third party OEM suppliers from whom we purchase similar products, our Directors are of the view that the said procedures can ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

Reasons for the transaction:

Shantou Maosheng has been a reliable OEM supplier of our Group.

Historical figures:

The historical figures of the procurement from Shantou Maosheng are set out below:

	Historical Transaction Amount for the Year ended December 31		
	2011	2012	2013
		(RMB'000)	
Total procurement amount	16,526	11,338	21,257

Annual Caps:

The maximum aggregate annual procurement amount from Shantou Maosheng for the years ending December 31, 2014, 2015 and 2016 shall not exceed the caps set out below:

	Proposed Annual Cap for the Year ending December 31		
	2014	2015	2016
		(RMB'000)	
Total procurement amount	23,000	25,000	27,000

Basis of Caps:

In determining the above annual caps, our Directors have considered the historical figures and the potential increase in purchase volume due to our business expansion plan as well as our intention to diversify our supplier base.

APPLICATION FOR WAIVER

Following the completion of the [**REDACTED**], the above continuing connected transactions will be subject to the relevant annual review, reporting and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

In respect of these continuing connected transactions, pursuant to Rule 14A.42(3) of the Listing Rules, we have applied for[, and the Stock Exchange has granted,] a waiver from strict compliance with the announcement under Rule 14A.42(3), subject to the condition that the annual transactions value shall not exceed their respective estimated annual cap (as stated above). In addition, we confirm that we will comply with Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules in relation to the continuing connected transactions exempt from the independent Shareholders' approval requirement.

DIRECTORS' VIEW

The Directors (including the independent non-executive Directors) are of the opinion that the proposed annual caps set out above for the continuing connected transactions are fair and reasonable and in the interest of the Company's Shareholders as a whole.

The Directors (including the independent non-executive Directors) are also of the opinion that the above continuing connected transactions have been and will be entered into in the ordinary and usual course of business of the Group on normal commercial terms, and that the terms of these continuing connected transactions are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

JOINT SPONSORS' VIEW

The Joint Sponsors are of the view that:

(a) the continuing connected transactions described above for which waivers are sought have been and will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms and are fair and reasonable and in the interest of the Company's Shareholders as a whole; and

(b) the proposed annual caps for such continuing connected transactions are fair and reasonable and in the interests of the Company's Shareholders as a whole.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the [**REDACTED**]:

Authorized share capital

Shares	Total nominal value
	US$
As of the date of this document	
5,000,000	50,000
After the Capitalization Issue	
5,000,000,000	50,000,000

Issued share capital

Shares	Description of Shares	Total nominal value
		US$
100,000	Shares in issue as of the date of this document	1,000
1,499,900,000	Shares to be issued pursuant to the Capitalization Issue	14,999,000
[**REDACTED**]	Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Total	[**REDACTED**]

ASSUMPTIONS

The above table assumes that the [**REDACTED**] becomes unconditional and the Shares are issued pursuant to the Capitalization Issue and the [**REDACTED**]. The above does not take into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in "Structure of the [**REDACTED**] — Conditions of the [**REDACTED**]", our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to:

(a) a rights issue;

(b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association;

(c) a specific authority granted by the Shareholders in general meeting,

shall not exceed the aggregate of:

(i) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the [**REDACTED**] (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and

(ii) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in "— General Mandate to Repurchase Shares".

This general mandate to issue Shares will expire:

(1) at the conclusion of our next annual general meeting; or

(2) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(3) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see "Statutory and General Information — A. Further Information about Our Group — 3. Resolutions in Writing of the Shareholders of Our Company" in Appendix IV.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in "Structure of the [**REDACTED**] — Conditions of the [**REDACTED**]", our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in issue immediately following the completion of the Capitalization Issue and the [**REDACTED**] (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

This general mandate relates only to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in "Statutory and General Information — A. Further Information about Our Group — 7. Repurchases of Our Own Securities" in Appendix IV.

This general mandate to repurchase Shares will expire:

(i) at the conclusion of our next annual general meeting; or

(ii) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see "Statutory and General Information — A. Further Information about Our Group — 3. Resolutions in Writing of the Shareholders of Our Company" in Appendix IV.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks pari passu with the other Shares.

Pursuant to the Cayman Companies Law and the Articles of Association, the Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

Subject to the Cayman Companies Law and to confirmation by the court, the Company may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way. For details, see "Summary of the Constitution of Our Company and Cayman Islands Company Law — 2. Articles of Association — 2.5 Alteration of Capital" in Appendix III.

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special

resolution passed at a separate general meeting of the holders of the shares of that class. For details, please refer to "Summary of the Constitution of Our Company and Cayman Islands Company Law — 2. Articles of Association — 2.4 Variation of Rights of Existing Shares or Classes of Shares" in Appendix III.

Pursuant to the Articles of Association, extraordinary general meetings may be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

SHARE OPTION SCHEME

See "Statutory and General Information — D. Share Option Scheme" in Appendix IV for details of the Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] (assuming that the Over-allotment Option is not exercised), each of the following persons will have an interest or a short position in Shares or underlying Shares which will be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Shareholder	Nature of interest	Number of Shares held immediately after the [REDACTED]	Approximate percentage of shareholding in the share capital of the Company after the [REDACTED][(1)]
Mr. Zheng[(2)(3)]	Interests held jointly with another person; interest of controlled company	[**REDACTED**]	[**REDACTED**]
Great Brilliant[(2)]	Interests held jointly with another person; interest of controlled company	[**REDACTED**]	[**REDACTED**]
Ms. Wu[(3)(4)]	Interest of spouse	[**REDACTED**]	[**REDACTED**]
Mr. Zhang[(2)]	Interests held jointly with another person; interest of controlled company	[**REDACTED**]	[**REDACTED**]
Forever Flourish[(2)]	Interests held jointly with another person; interest of controlled company	[**REDACTED**]	[**REDACTED**]
Ms. Cai Shaoru[(5)]	Interest of spouse	[**REDACTED**]	[**REDACTED**]
Mr. Lin[(2)]	Interests held jointly with another person; interest of controlled company	[**REDACTED**]	[**REDACTED**]
Forever Shine[(2)]	Interests held jointly with another person; interest of controlled company	[**REDACTED**]	[**REDACTED**]
Ms. Cai Jingqin[(6)]	Interest of spouse	[**REDACTED**]	[**REDACTED**]
Mr. Cheng[(2)]	Interests held jointly with another person; interest of controlled company	[**REDACTED**]	[**REDACTED**]
Mountain Dragon[(2)]	Interests held jointly with another person; interest of controlled company	[**REDACTED**]	[**REDACTED**]
Harmonious Composition[(7)]	Beneficial owner	[**REDACTED**]	[**REDACTED**]
Capital Today Investment[(8)]	Beneficial owner	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The calculation is based on the total number of Shares in issue following the completion of the [**REDACTED**] (assuming that the Over-allotment Option is not exercised).

(2) Mr. Zheng, Mr. Zhang, Mr. Lin, Mr. Cheng, Great Brilliant, Forever Flourish, Forever Shine and Mountain Dragon, acting in concert, together control [**REDACTED**] in our Company through Harmonious Composition. As such, each of them is deemed to be interested in such [**REDACTED**] interest in the share capital of the Company.

(3) [**REDACTED**] Shares out of [1,242,150,000] Shares in which Mr. Zheng is deemed to be interested are held by Great Ray, a company wholly owned by Mr. Zheng, as a trustee for 95 employees of our Group, representing [**REDACTED**] of the total issued share capital of the Company. See "– Reorganization – Agreement to Hold the Shares on Trust for the Employees."

(4) Ms. Wu is the spouse of Mr. Zheng. Under Part XV of the SFO, Ms. Wu is deemed to be interested in the same number of Shares in which Mr. Zheng is interested.

(5) Ms. Cai Shaoru is the spouse of Mr. Zhang. Under Part XV of the SFO, Ms. Cai Shaoru is deemed to be interested in the same number of Shares in which Mr. Zhang is interested.

(6) Ms. Cai Jingqin is the spouse of Mr. Lin. Under Part XV of the SFO, Ms. Cai Jingqin is deemed to be interested in the same number of Shares in which Mr. Lin is interested.

(7) Harmonious Composition holds [**REDACTED**] of the total issued share capital of the Company.

(8) Capital Today Investment, a Hong Kong registered company, holds [**REDACTED**] Shares, representing [**REDACTED**] of the total issued share capital of the Company. Capital Today Investment is wholly owned by Capital Today Investment XVIII Limited, which is an exempted company incorporated in the British Virgin Islands. Capital Today China Growth Fund, LP, an exempted limited partnership registered in the Cayman Islands, holds 99.58% shareholding interest in Capital Today Investment XVIII Limited. The sole general partner of Capital Today China Growth Fund, LP is Capital Today China Growth GenPar, LTD, an exempted company registered in the Cayman Islands, 91.19% shareholding interest of which is owned by Capital Today Partners Limited. Capital Today Partners Limited is solely owned by Ms. Xu Xin. Therefore, under Part XV of the SFO, each of Capital Today Investment XVIII Limited, Capital Today China Growth Fund, LP, Capital Today China Growth GenPar, LTD, Capital Today Partners Limited and Ms. Xu Xin is deemed to be interested in [**REDACTED**] Shares held by Capital Today Investment, representing [**REDACTED**] of the total issued share capital of the Company.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the [**REDACTED**] (assuming that the Over-allotment Option is not exercised), have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

Our Directors are not aware of any arrangement which may result in any change of control in the Company at any subsequent date.

GENERAL

The following table sets forth certain information concerning our Directors and Senior Management:

Directors

Name	Age	Date of Joining the Group	Present Position	Date of Appointment	Roles and Responsibilities	Relationship with the Other Directors and Senior Management Members
Mr. ZHENG Yaonan (鄭耀南)	38	September 29, 2009	Chairman of the Board, executive Director, chief executive officer	January 30, 2014	• responsible for the strategic planning, business development, corporate management and overall performance of our Group • chairman of the Nomination Committee	Mr. Zheng is the husband of Ms. Wu
Mr. ZHANG Shengfeng (張盛鋒)	45	September 29, 2009	Executive Director, deputy Chairman of the Board, vice president	January 30, 2014	• responsible for the design, research and development and procurement of our Group • member of the Remuneration Committee	N/A
Mr. LIN Zonghong (林宗宏)	45	September 29, 2009	Executive Director, deputy Chairman of the Board, vice president	January 30, 2014	• responsible for the production and logistics of our Group	N/A
Mr. CHENG Zuming (程祖明)	37	September 29, 2009	Executive Director, vice president, chief operating officer	January 30, 2014	• responsible for the sales, marketing and customer relations of our Group	N/A
Ms. WU Xiaoli (吳小麗)	40	September 29, 2009	Executive Director, vice president	January 30, 2014	• responsible for the human resources and administration management of our Group	Ms. Wu is the wife of Mr. Zheng
Mr. WEN Baoma (溫保馬)	52	October 20, 2010	Non-executive Director	April 16, 2014	• responsible for giving strategic advice and making recommendations on the operations and management of our Group	N/A

Name	Age	Date of Joining the Group	Present Position	Date of Appointment	Roles and Responsibilities	Relationship with the Other Directors and Senior Management Members
Mr. YAU Chi Ming (丘志明)	46	June 9, 2014	Independent non-executive Director	June 9, 2014	• responsible for supervising the activities and decisions of the Audit Committee, giving strategic advice and making recommendations on the operations and management of our Group • chairman of the Audit Committee and member of the Nomination Committee	N/A
Dr. DAI Yiyi (戴亦一)	46	July 22, 2013[1]	Independent non-executive Director	June 9, 2014	• responsible for supervising the activities and decisions of the Remuneration Committee, giving strategic advice and making recommendations on the operations and management of our Group • chairman of the Remuneration Committee and member of the Audit Committee	N/A
Mr. CHEN Zhigang (陳志剛)	41	July 22, 2013[2]	Independent non-executive Director	June 9, 2014	• responsible for giving strategic advice and making recommendations on the operations and management of our Group • member of the Audit Committee, the Remuneration Committee and the Nomination Committee	N/A

Notes:

(1) Dr. Dai joined our Group as an independent non-executive director of Cosmo Lady Guangdong on July 22, 2013 and resigned from the position on January 10, 2014 in preparation for the conversion of Cosmo Lady Guangdong from a joint stock limited liability company into a limited liability company under the PRC Company Law on January 29, 2014.

(2) Mr. Chen joined our Group as an independent non-executive director of Cosmo Lady Guangdong on July 22, 2013 and resigned from the position on January 10, 2014 in preparation for the conversion of Cosmo Lady Guangdong from a joint stock limited liability company into a limited liability company under the PRC Company Law on January 29, 2014.

Senior management

The senior management team of our Group, in addition to the executive Directors listed above, comprises the following:

Name	Age	Date of Joining the Group	Present Position	Date of Appointment	Roles and Responsibilities	Relationship with the Other Directors and Senior Management Members
Mr. YU Chun Kau (余振球)	41	September 25, 2013	Vice president, chief financial officer, joint company secretary	February 24, 2014	• responsible for the overall financial management and reporting, internal control and compliance, corporate finance and company secretarial matters of our Group	N/A
Mr. XIAN Shunxiang (冼順祥)	49	October 20, 2011	Vice president	March 19, 2014	• responsible for the retail operations of our Group	N/A
Mr. SHA Shuang (沙爽)	41	April 1, 2012	Vice president, chief information officer	March 19, 2014	• responsible for the management of the information systems of our Group	N/A
Mr. WU Xiaobing (吳曉兵)	36	July 8, 2011	Assistant president, joint company secretary	March 19, 2014	• responsible for the administrative matters of the Board office and corporate communication of our Group	N/A

DIRECTORS

Our Board of Directors consists of nine Directors, five of whom are executive Directors, one of whom is a non-executive Director and three of whom are independent non-executive Directors.

Executive Directors

Mr. ZHENG Yaonan (鄭耀南), aged 38, is one of the founders of our Group and was appointed as our Chairman, executive Director and chief executive officer on January 30, 2014 and is the chairman of the Company's Nomination Committee. He also holds positions as the executive director and concurrently as the general manager in a number of the Company's subsidiaries. Mr. Zheng started the intimate wear sales business as early as in 1998 and served as the chairman and the president at Shenzhen City Beauty Fashion Co., Ltd. (深圳市都市麗人

風內衣有限公司), an intimate wear company, from March 2006 to August 2009. Mr. Zheng co-founded Cosmo Lady Guangdong, in September 2009, where he had served as the chairman and the president since then until July 2013, and has thereafter held the positions of executive director and chief executive officer. With approximately 15 years of experience in the intimate wear manufacturing and sales industry, Mr. Zheng has been the key driver of our business strategies and achievements to date. He is primarily responsible for the strategic planning, business development, corporate management and overall performance of our Group.

Mr. Zheng received a number of awards set forth below:

Year	Award	Authority/Organisation
2013	the Tenth "Fujian May Fourth Youth Medal" (第十屆 "福建青年五四獎章")	Communist Youth League of Fujian Province Committee (共青團福建省委); Youth Association of Fujian Province (福建省青年聯合會)
2013	2012 Dongguan Top Ten Economic Figures (2012年度東莞十大經濟人物)	Annual Meeting of Dongguan's Economy (東莞經濟年會)
2012	the Seventh "Guangdong Top 10 Outstanding Youth" (第七屆 "廣東省十大傑出青年")	Communist Youth League of Guangdong Province Committee (共青團廣東省委); Youth Association of Guangdong Province (廣東省青年聯合會)
2011	Dongguan Outstanding Private Entrepreneur (東莞市優秀民營企業家)	Dongguan People's Government (東莞市人民政府)
2011	the Eighth "Golden Tripod Award of Chinese Marketing Excellence — Outstanding Influential Men" (第八屆中國傑出營銷人金鼎獎之傑出風雲人物獎)	Sales and Marketing Magazine (銷售與市場雜誌社); Golden Tripod Award of Chinese Marketing Excellence Committee (中國傑出行銷人金鼎獎評委會)
2010	Top Ten Growing CEO of China (中國十大成長性CEO)	China Times (華夏時報); China CEO Forum (中國CEO峰會)

Mr. Zheng is currently a committee member of Guangdong Provincial Committee of Chinese People's Political Consultative Conference (政協廣東省委員會), a vice chairman of Guangdong Youth Association (廣東省青年聯合會), a vice chairman of Guangdong Provincial Youth Entrepreneur Association (廣東省青年企業家協會) and an executive committee member of Guangdong Federation of Industry and Commerce (廣東省工商業聯合會).

Mr. Zheng is studying for an executive master of business administration degree at the School of Management of Xiamen University (廈門大學), Xiamen, Fujian Province and has completed the China CEO Program and obtained an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院), Beijing, in December 2013.

As at the Latest Practicable Date, Mr. Zheng indirectly held approximately 62.1% of the total issued share capital of Harmonious Composition, which in turn held 80.31% of the total issued share capital of the Company.

Mr. Zheng is the husband of Ms. Wu, our executive Director and vice president.

Mr. Zheng did not hold any directorship in any listed companies during the three years immediately preceding the date of this document.

Mr. ZHANG Shengfeng (張盛鋒), aged 45, was appointed as our executive Director, deputy Chairman of the Board and vice president on January 30, 2014 and is a member of the Company's Remuneration Committee. He also holds positions as the executive director and concurrently as the general manager in a number of the Company's subsidiaries. Mr. Zhang was a co-founder of Cosmo Lady Guangdong, established in September 2009, where he had served as a deputy chairman since then until July 2013, and has thereafter held the positions of executive director and vice president. Previously, Mr. Zhang served as a director at Shenzhen City Beauty Fashion Co., Ltd. (深圳市都市麗人風內衣有限公司), an intimate wear company, from March 2006 to August 2009. Mr. Zhang is primarily responsible for the design, research and development and procurement of our Group.

Mr. Zhang has been a deputy chairman of Dongguan Fenggang Association of Enterprises with Foreign Investment (東莞市鳳崗外商投資協會) and a deputy chairman of Shenzhen Underwear Association (深圳市內衣協會) since September 2011 and August 2012, respectively.

Mr. Zhang is currently studying for an executive master of business administration degree at the School of Management of Xiamen University (廈門大學), Xiamen, Fujian Province and is also a participant of the EMBA Programme at Cheung Kong Graduate School of Business (長江商學院), Beijing branch. Mr. Zhang has obtained a college degree in industrial electric automation from Guangdong College of Engineering (廣東工學院), which was combined with the other two colleges and now known as Guangdong University of Technology (廣東工業大學), Guangzhou, Guangdong Province in July 1990.

As at the Latest Practicable Date, Mr. Zhang indirectly held approximately 19.3% of the total issued share capital of Harmonious Composition, which in turn held 80.31% of the total issued share capital of the Company.

Mr. Zhang did not hold any directorship in any listed companies during the three years immediately preceding the date of this document.

Mr. LIN Zonghong (林宗宏), aged 45, was appointed as our executive Director, deputy Chairman of the Board and vice president on January 30, 2014. He also holds positions as the executive director and concurrently as the general manager in a number of the Company's subsidiaries. Mr. Lin is also the supervisor of Fanxue Fashion (Zhengzhou), a wholly-owned subsidiary of our Company. Mr. Lin was a co-founder of Cosmo Lady Guangdong, established in September 2009, where he had served as a deputy chairman since then until July 2013, and has thereafter held the positions of executive director and vice president. Prior to that, Mr. Lin served as a director at Shenzhen City Beauty Fashion Co., Ltd. (深圳市都市麗人風內衣有限公司), an intimate wear company, from June 2006 to September 2009. Mr. Lin is primarily responsible for the production and logistics of our Group.

Mr. Lin is currently studying for an executive master of business administration degree at the School of Management of Xiamen University (廈門大學), Xiamen, Fujian Province, and has graduated from China Europe International Business School (中歐國際工商學院), Shanghai, upon finishing the study of the Advanced Management Programme in June 2013.

As at the Latest Practicable Date, Mr. Lin indirectly held approximately 14.5% of the total issued share capital of Harmonious Composition, which in turn held 80.31% of the total issued share capital of the Company.

Mr. Lin did not hold any directorship in any listed companies during the three years immediately preceding the date of this document.

Mr. CHENG Zuming (程祖明), aged 37, was appointed as our executive Director, vice president and chief operating officer on January 30, 2014. He also holds positions as the executive director and concurrently as the general manager in a number of the Company's subsidiaries. Mr. Cheng was a co-founder of Cosmo Lady Guangdong, established in September 2009, where he had served as a director since then until July 2013, and has thereafter held the positions of executive director, vice president and chief operating officer. Prior to that, Mr. Cheng worked at an intimate wear chain store from January 2003 to February 2005. From March 2005 to September 2009, he held the position of vice president in Shenzhen City Beauty Fashion Co., Ltd. (深圳市都市麗人風內衣有限公司), an intimate wear company. Mr. Cheng is primarily responsible for the sales, marketing and customer relations of our Group.

Mr. Cheng is currently studying for an executive master of business administration degree at the School of Management of Xiamen University (廈門大學), Xiamen, Fujian Province.

As at the Latest Practicable Date, Mr. Cheng indirectly held approximately 4.1% of the total issued share capital of Harmonious Composition, which in turn held 80.31% of the total issued share capital of the Company.

Mr. Cheng did not hold any directorship in any listed companies during the three years immediately preceding the date of this document.

Ms. WU Xiaoli (吳小麗), aged 40, was appointed as our executive Director and vice president on January 30, 2014. She also holds the position as the supervisor in a number of the Company's subsidiaries. Prior to that, Ms. Wu started working at Cosmo Lady Guangdong in September 2009, where she served as a supervisor until August 2010 and immediately following her resignation as a supervisor, Ms. Wu was appointed as a director and held the position until July 2013. And she was appointed as an executive director and a vice president in July 2013 and has held such positions since then. Previously, Ms. Wu was a supervisor of Shenzhen City Beauty Fashion Co., Ltd. (深圳市都市麗人風內衣有限公司), an intimate wear company, from March 2005 to April 2007 and a furniture/housewares manager of Shenzhen Sam's Club of Wal-Mart SZITIC Stores Co., Ltd. (沃爾瑪深國投百貨有限公司深圳山姆會員商店), which is affiliated with global supermarket chains run by Wal-Mart Stores Inc., from January 1996 to July 2005. Ms. Wu is responsible for the human resources and administration management of our Group.

Ms. Wu is currently attending the Executive Development Programme for Backbones of Private Enterprises of Guangdong Province at the School of Business Administration of South China University of Technology (華南理工大學), Guangzhou, Guangdong Province and the Programme for Elites of Leading Cantonese Enterprises at Cheung Kong Graduate School of Business (長江商學院), Guangdong Province.

Ms. Wu is the wife of Mr. Zheng, our Chairman, executive Director and chief executive officer.

Ms. Wu did not hold any directorship in any listed companies during the three years immediately preceding the date of this document.

Non-executive Director

Mr. WEN Baoma (溫保馬), aged 52, was appointed as our non-executive Director on April 16, 2014. Mr. Wen was a non-executive director from October 2010 to July 2013 and a supervisor from July 2013 to January 2014 at Cosmo Lady Guangdong. Mr. Wen is primarily responsible for giving strategic advice and making recommendations on the operations and management of our Group.

Mr. Wen has been a partner of Capital Today China Growth (HK) Limited, an investment company, since 2005, and currently serves on the board of directors of a number of Capital Today investee companies, including Wisdom Alliance Limited, an online diamond retailer through Zbird.com and Yuanmeng Household Products Co., Ltd. (遠夢家居用品股份有限公司), a company manufacturing and selling home textile products. Mr. Wen had held a number of senior positions in various investment companies and an investment bank set forth below:

Company and its Principal Business	Duration of Tenure	Last Position Held
Actis Capital LLP (Beijing), an investment company	from 2004 to 2005	Principal
Intel Capital (Hong Kong), an investment company	from 2000 to 2004	Investment Manager
AIG Investment Corporation (Asia) Ltd., an investment company	from 1998 to 2000	Investment Manager
Jardine Fleming Holdings Limited (later acquired by JP Morgan), an investment bank	from 1995 to 1997	Executive

Mr. Wen obtained a master of business administration degree from London Business School of the University of London, London, UK, in August 1995 and a master's degree and a bachelor's degree in engineering from Tsinghua University (清華大學), Beijing, in June 1988 and July 1984, respectively.

As at the Latest Practicable Date, Mr. Wen held 4.88% in Capital Today China Growth GenPar, LTD, the general partner of Capital Today China Growth Fund, LP, an indirect shareholder of Capital Today Investment.

Save as disclosed above, Mr. Wen did not hold any directorship in other listed companies during the three years immediately preceding the date of this document.

Independent non-executive Directors

Mr. YAU Chi Ming (丘志明), aged 46, was appointed as our independent non-executive Director on June 9, 2014 and is the chairman of the Audit Committee and a member of the Nomination Committee. Mr. Yau is responsible for supervising the activities and decisions of the Audit Committee, giving strategic advice and making recommendations on the operations and management of our Group.

Mr. Yau Chi Ming has over 20 years of experience in finance and accounting. He has been the company secretary of Consun Pharmaceutical Group Limited (康臣藥業集團有限公司), an integrated pharmaceutical company, which is listed on the Stock Exchange (stock code: 1681) and an independent non-executive director of Common Splendor International Health Industry Group Limited (同佳國際健康產業集團有限公司) (formerly known as G-Prop (Holdings) Limited (金匡企業有限公司)), a company engaged in the business of health management which is listed on the Stock Exchange (stock code: 0286), since March 2013 and February 2013, respectively. Prior to that, Mr. Yau worked at KPMG, one of the big four international accounting firms from August 1992 to October 1994 and from May 1995 to October 2012, during which he was promoted to partner in July 2007.

Mr. Yau Chi Ming became a fellow member of the Hong Kong Institute of Certified Public Accountants (香港會計師公會) in May 2013 and he has been registered as a Certified Public Accountant (Practising) with the Hong Kong Institute of Certified Public Accountants (香港會計師公會) since 2008.

Mr. Yau Chi Ming graduated from The University of Hong Kong (香港大學), Hong Kong, in December 1992 with a bachelor's degree in social sciences and he obtained a diploma in business studies from Hang Seng School of Commerce (恒生商學書院), Hong Kong, in July 1986.

Save as disclosed above, Mr. Yau Chi Ming did not hold any directorship in other listed companies during the three years immediately preceding the date of this document.

Dr. DAI Yiyi (戴亦一), aged 46, was appointed as our independent non-executive Director on June 9, 2014 and is the chairman of the Remuneration Committee and a member of the Audit Committee. Dr. Dai joined our Group as an independent non-executive director of Cosmo Lady Guangdong on July 22, 2013 and resigned from the position on January 10, 2014 in preparation for the conversion of Cosmo Lady Guangdong from a joint stock limited liability company into a limited liability company under the PRC Company Law on January 29, 2014. Dr. Dai is responsible for supervising the activities and decisions of the Remuneration Committee, giving strategic advice and making recommendations on the operations and management of our Group.

Dr. Dai Yiyi has been a full-time professor, a deputy dean and a Ph.D. supervisor of the School of Management of Xiamen University (廈門大學) since 2004, 2008 and 2009, respectively. Dr. Dai was a senior visiting scholar at the Kellogg School of Management of Northwestern University, IIllinois, USA from 2007 to 2008 and the School of Management of McGill University, Montreal, Quebec, Canada in 2002.

Dr. Dai Yiyi also holds the position of independent director in the following companies listed on the Shanghai Stock Exchange and independent non-executive director in the companies listed on the Stock Exchange:

Company and its Principal Business	Duration of Tenure	Stock Exchange	Stock Code
Mingfa Group (International) Company Limited (明發集團有限公司), a property development and management company	from October 2009 to present	The Stock Exchange	0846
China SCE Property Holdings Limited (中駿置業控股有限公司), a property development company	from February 2010 to present	The Stock Exchange	1966
Xiamen Dazhou Xingye Resources Holdings Limited (廈門大洲興業能源控股股份有限公司) (formerly known as Shanghai Xingye Resources Holdings Limited (上海興業能源控股股份有限公司)), a property development company	from March 2010 to present	Shanghai Stock Exchange	600603

Dr. Dai Yiyi had previously been an independent director of the listed companies set forth below:

Company and its Principal Business	Duration of Tenure	Stock Exchange	Stock Code
Xiamen ITG Group Co., Ltd. (廈門國貿集團股份有限公司), a company running businesses ranging from trading merchandise and technology to real estate development and management	from April 30, 2009 to May 14, 2014	Shanghai Stock Exchange	600755
Fujian Septwolves Industry Co., Ltd. (福建七匹狼實業股份有限公司), a company engaged in the design, production and sale of clothing	from July 9, 2007 to July 9, 2013	Shenzhen Stock Exchange	002029
Xiamen C&D Inc. (廈門建發股份有限公司), a company operating supply chains and developing real estate properties	from April 26, 2007 to May 21, 2013	Shanghai Stock Exchange	600153
GuangDong Shirongzhaoye Co., Ltd. (廣東世榮兆業股份有限公司), a company developing and manufacturing medical devices	from December 2008 to January 2013	Shenzhen Stock Exchange	002016

Dr. Dai Yiyi obtained his doctorate degree and a bachelor's degree in economics in 1999 and 1989, respectively, from Xiamen University (廈門大學), Xiamen, Fujian Province, and also graduated from the Sixth Ford Class of the Sino-American Economics Training Centre of Renmin University of China (中國人民大學), Beijing. In 2006, Dr. Dai completed a short-term study program named Program on Case Method and Participant-Centered Learning (PCMPCL) in Harvard Business School, Massachusetts, USA.

Dr. Dai Yiyi was awarded as the "Top-notch Personnel in Xiamen" ("廈門市拔尖人才") in August 2010.

Save as disclosed above, Dr. Dai Yiyi did not hold any directorship in other listed companies during the three years immediately preceding the date of this document.

Mr. CHEN Zhigang (陳志剛), aged 41, was appointed as our independent non-executive Director on June 9, 2014 and is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Chen joined our Group as an independent non-executive director of Cosmo Lady Guangdong on July 22, 2013 and resigned from the position on January 10, 2014 in preparation for the conversion of Cosmo Lady Guangdong from a joint stock limited liability company into a limited liability company under the PRC Company Law on January 29, 2014. Mr. Chen is responsible for giving strategic advice and making recommendations on the operations and management of our Group.

Mr. Chen Zhigang has been a partner and the department head of the Vocation International Certified Public Accountants Co., Ltd. (天職國際會計師事務所), an accounting firm, since 2004. Mr. Chen is a Certified Public Accountant with Securities and Futures Practice Qualification (持證券期貨相關業務資格的註冊會計師), certified by the China Securities Regulatory Commission (中國證券監督管理委員會) in January 2004 and a Chinese Certified Public Accountant (中國註冊會計師), certified by The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in September 2000.

Mr. Chen Zhigang served as an independent non-executive director from September 25, 2010 to October 13, 2011 at Guangdong Chaohua Technology Co., Ltd. (廣東超華科技股份有限公司) (stock code: 002288), a company manufacturing and distributing electronic components, which is listed on the Shenzhen Stock Exchange.

Save as disclosed above, Mr. Chen Zhigang did not hold any directorship in other listed companies during the three years immediately preceding the date of this document.

Save as disclosed in this section and in "Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders" in Appendix IV, there was no other information in respect of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there were no other material matters relating to the appointment of our Directors that need to be brought to the attention of our Shareholders as at the Latest Practicable Date.

SENIOR MANAGEMENT

Our executive Directors and senior management are responsible for the day-to-day management of our business. Information concerning our executive Directors is shown in "— Directors" above.

Mr. ZHENG Yaonan (鄭耀南), aged 38, was appointed as our chief executive officer on January 30, 2014 and he is also our Chairman of the Board and executive Director. Please refer to his biographical details in "— Directors — Executive Directors" above.

Mr. ZHANG Shengfeng (張盛鋒), aged 45, was appointed as our vice president on January 30, 2014 and he is also our deputy Chairman of the Board and executive Director. Please refer to his biographical details in "— Directors — Executive Directors" above.

Mr. LIN Zonghong (林宗宏), aged 45, was appointed as our vice president on January 30, 2014 and he is also our deputy Chairman of the Board and executive Director. Please refer to his biographical details in "— Directors — Executive Directors" above.

Mr. CHENG Zuming (程祖明), aged 37, was appointed as our vice president and chief operating officer on January 30, 2014 and he is also our executive Director. Please refer to his biographical details in "— Directors — Executive Directors" above.

Ms. WU Xiaoli (吳小麗), aged 40, was appointed as our vice president on January 30, 2014 and she is also our executive Director. Please refer to her biographical details in "— Directors — Executive Directors" above.

Mr. YU Chun Kau (余振球), aged 41, joined our Group in September 2013 and has thereafter held the positions of vice president and chief financial officer at Cosmo Lady Guangdong. Mr. Yu was appointed as our vice president, chief financial officer and joint company secretary on February 24, 2014. Mr. Yu is responsible for the overall financial management and reporting, internal control and compliance, corporate finance and company secretarial matters of our Group.

Mr. Yu Chun Kau possesses extensive experience in finance and auditing and had held a number of senior positions in the companies set forth below:

Company and its Principal Business	Duration of Tenure	Position
Sitoy Group Holdings Limited (時代集團控股有限公司), a handbag, small leather goods and travel goods manufacturer and retailer	from June 2010 to December 2012	Executive Director, Chief Financial Officer, Company Secretary
China Risun Coal Chemicals Group Limited (中國旭陽煤化工集團有限公司), a coke and coal chemicals producer and supplier in the PRC	from February 2008 to June 2010	Executive Director, Chief Financial Officer
Brigantine Group (栢堅集團), an A.P. Moller — Maersk group company which operates a shipping line	from June 2006 to February 2008	Chief Financial Officer
Kerry Beverages Ltd. (嘉里飲料有限公司), a company operating Coca-Cola bottling plants in the PRC	from December 2003 to June 2006	Assistant Director of Operations Strategy

Company and its Principal Business	Duration of Tenure	Position
First Dragoncom Agro-Strategy Holdings Ltd. (第一龍浩農業策略控股有限公司), an agriculture company	from July 2002 to December 2003	Financial Controller
KPMG Hong Kong, one of the big four international accounting firms	from August 1994 to July 2002	Audit Manager

Mr. Yu Chun Kau joined the International Financial Management Association (SIFM) as a senior international finance manager in 2007. He became a fellow member of the Hong Kong Institute of Certified Public Accountants (香港會計師公會) and an associate member of the Institute of Chartered Accountants in England & Wales (ACA), the Hong Kong Institute of Chartered Secretaries (ACS) (香港特許秘書公會) and the Institute of Chartered Secretaries & Administrators (ACIS) in 2005. In 2002, Mr. Yu became a fellow member of the Association of Chartered Certified Accountants (ACCA) and he was registered as a Certified Public Accountant (Practising) with Hong Kong Institute of Certified Public Accountants (香港會計師公會).

Mr. Yu Chun Kau obtained a master's degree in corporate governance from The Open University of Hong Kong (香港公開大學), Hong Kong, in 2005. He graduated from The Chinese University of Hong Kong (香港中文大學), Hong Kong, with first class honors and received a bachelor's degree in business administration with a major in professional accounting in 1994.

Save as disclosed above, Mr. Yu Chun Kau did not hold any directorship in other listed companies during the three years immediately preceding the date of this document.

Mr. XIAN Shunxiang (冼順祥), aged 49, was appointed as our vice president on March 19, 2014. Previously, Mr. Xian served as a deputy general manager of business operations from October 2011 to July 2013 and has thereafter held the position of vice president, at Cosmo Lady Guangdong. Mr. Xian is responsible for the retail operations of our Group.

From May 2008 to October 2011, Mr. Xian Shunxiang held the position of chief operating officer at Real Kung Fu Catering Management Co., Ltd. (真功夫餐飲管理有限公司), a company providing catering services. In 1990, Mr. Xian joined McDonald's (Shenzhen) Limited (麥當勞(深圳)有限公司), a subsidiary belonging to the chain of hamburger fast food restaurants. Mr. Xian was also one of the trainee managers and has received comprehensive overseas trainings in Hong Kong and the United States. Mr. Xian was eventually promoted to operations director.

Mr. Xian Shunxiang graduated from China Europe International Business School (中歐國際工商學院), Shanghai, upon finishing the China Europe Leadership Development of Senior Level Programme in January 2010. He obtained a college degree in Chinese from Shenzhen Institute of Education (深圳教育學院), Shenzhen, Guangdong Province in July 1988.

Mr. Xian Shunxiang did not hold any directorship in any listed companies during the three years immediately preceding the date of this document.

Mr. SHA Shuang (沙爽), aged 41, was appointed as our vice president and chief information officer on March 19, 2014. Previously, Mr. Sha served as a deputy general manager and chief information officer from April 2012 to July 2013 and has thereafter held the positions of vice president and chief information officer, at Cosmo Lady Guangdong. Mr. Sha is responsible for the management of the information systems of our Group.

From November 2005 to May 2012, Mr. Sha Shuang was an acting general manager of the information systems at Li Ning (China) Sports Goods Co., Ltd (李寧(中國)體育用品有限公司), a major Chinese athletic company which makes athletic shoes and sports-wear. Prior to that, Mr. Sha served as a senior manager of integrated service at the information systems integration and service operation department of Lenovo (Beijing) Co., Ltd. (聯想(北京)有限公司) from August 1999 to November 2005.

Mr. Sha Shuang obtained a finance master of business administration degree jointly offered by The Chinese University of Hong Kong (香港中文大學) in collaboration with Tsinghua University (清華大學) in Beijing in 2009 and a bachelor's degree in economics of technology (技術經濟) from the School of Economics and Management (now known as the School of Economics) of Jilin University (吉林大學), Changchun, Jilin Province, in 1998. Mr. Sha is an assistant engineer qualified by Chinese Academy of Sciences (中國科學院) in 2000.

Mr. Sha Shuang did not hold any directorship in any listed companies during the three years immediately preceding the date of this document.

Mr. WU Xiaobing (吳曉兵), aged 36, was appointed as our assistant president and joint company secretary on March 19, 2014. Previously, Mr. Wu served as the assistant president and the secretary to the board of Cosmo Lady Guangdong since July 2011. Mr. Wu is responsible for the administrative matters of the Board office and corporate communication of our Group.

Mr. Wu Xiaobing worked at Shenzhen Rural Commercial Bank (深圳農村商業銀行) for about 13 years. During which he served as a teller and an accountant at Dawang Branch, Buji Cooperative Association of Shenzhen Rural Commercial Bank (深圳農村商業銀行布吉聯社大望分社) from August 1998 to March 2000. He was promoted to director and served at Gangtong Branch, Buji Cooperative Association of Shenzhen Rural Commercial Bank (深圳農村商業銀行布吉聯社崗頭分社) and Shuijing Branch, Buji Cooperative Association of Shenzhen Rural Commercial Bank (深圳農村商業銀行布吉聯社水徑分社), from March 2000 to March 2001 and March 2001 to December 2005, respectively. Mr. Wu was further promoted to president of Shuijing Branch of Shenzhen Rural Commercial Bank (深圳農村商業銀行水徑支行) in December 2005 and worked there until September 2010. Mr. Wu worked as an assistant president at the business department of the Head Office of Shenzhen Rural Commercial Bank (深圳農村商業銀行總行) and at the same time as the person in charge of the preparatory group of Yantian Branch of Shenzhen Rural Commercial Bank (深圳農村商業銀行鹽田支行) from October 2010 to June 2011. Mr. Wu was recognized as the role model of the credit cooperative association in the city by City Cooperative Association (市聯社) during his service as a director at Shuijing Branch, Buji Cooperative Association of Shenzhen Rural Commercial Bank (深圳農村商業銀行布吉聯社水徑分社).

Mr. Wu Xiaobing obtained a bachelor's degree in finance from The Open University of China (中央廣播電視大學, now known as 國家開放大學), Shenzhen, Guangdong Province in 2005.

Mr. Wu Xiaobing did not hold any directorship in any listed companies during the three years immediately preceding the date of this document.

JOINT COMPANY SECRETARIES

Mr. YU Chun Kau (余振球), aged 41, joined our Group in September 2013 and was appointed as our vice president, chief financial officer and joint company secretary on February 24, 2014. As the joint company secretary, Mr. Yu is responsible for the supervision of the corporate governance matters of our Group. Please refer to his biographical details in "— Senior Management" above.

Mr. WU Xiaobing (吳曉兵), aged 36, joined our Group in July 2011 and was appointed as our assistant president and joint company secretary on March 19, 2014. As the joint company secretary, Mr. Wu is responsible for the administrative matters of the Board office and corporate communication of our Group. Please refer to his biographical details in "— Senior Management" above.

COMPLIANCE (Chairman and Chief Executive Officer)

Paragraphs A.2.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same person, and the division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

The Company deviates from this provision because Mr. Zheng performs both the roles of the Chairman of the Board and the chief executive officer of the Company. Mr. Zheng with the established market reputation in the PRC intimate wear industry is the founder of the Group and has extensive experience in business operation and management in general. Given the current stage of development of the Group, the Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies which is in the best interests of the Company.

Under the leadership of Mr. Zheng, the Board works effectively and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions are made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.

COMPLIANCE ADVISER

We have appointed CMB International Capital Limited as our compliance adviser pursuant to Rule 3A. 19 of the Listing Rules. Pursuant to Rule 3A. 23 of the Listing Rules, the compliance adviser will provide advice to us when consulted by us in any of the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the [**REDACTED**] in a manner different from that detailed in this document or when our business activities, developments or results deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry to us regarding unusual movements in the price or trading volume of our Shares, the possible development of a false market in our Shares, or any other matters.

The term of this appointment shall commence on the Listing Date and is expected to end on the date on which we distribute our annual report in respect of the financial results for the first full financial year commencing after the Listing Date.

BOARD COMMITTEES

We have established the following committees under the Board: the Audit Committee, the Nomination Committee and the Remuneration Committee. The committees operate in accordance with terms of reference established by the Board.

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraphs C3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three independent non-executive Directors, being Mr. Yau Chi Ming, Dr. Dai Yiyi and Mr. Chen Zhigang. The chairman of the Audit Committee is Mr. Yau Chi Ming, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The primary duties of the Audit Committee include, but are not limited to, the following: (i) to propose the appointment or removal of the external auditor of the Company and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (ii) to review and monitor the independence and objectivity of the external auditors and the effectiveness of the audit process; (iii) to discuss with the auditor on the nature and scope of the audit and reporting obligations prior to the commencement of the audit; (iv) to develop and implement policy on engaging an external auditor to supply non-audit services and to report to the Board, identifying and making recommendations on any matters

where action or improvement is needed; (v) to monitor integrity of the issuer's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them; (vi) to oversee the Company's financial controls, internal control and risk management systems and their implementation; (vii) to discuss the internal control systems with management to ensure that management has performed its duty to maintain an effective internal control; (viii) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings systems; (ix) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the issuer, and to review and monitor its effectiveness; (x) to review the group's financial and accounting policies and practices; (xi) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response; (xii) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter and to report to the Board on the matters in this code provision and (xiii) to review the arrangements for employees to raise concerns about financial reporting improprieties.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraphs B1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of two independent non-executive Directors, being Dr. Dai Yiyi and Mr. Chen Zhigang, and one executive Director, being Mr. Zhang Shengfeng. The chairman of the Remuneration Committee is Dr. Dai Yiyi.

The primary duties of the Remuneration Committee include, but are not limited to, the following: (i) to make recommendations to the Board on our policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) to review and approve senior management's remuneration proposals with reference to the Board's corporate goals and objectives; (iii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management or to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management; (iv) to make recommendations to the board on the remuneration of non-executive Directors; (v) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group; (vi) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; (vii) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and (viii) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with paragraphs A.5.1 of the Corporate Governance Code and Code on Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of one executive Director, being Mr. Zheng Yaonan and two independent non-executive Directors, being Mr. Yau Chi Ming and Mr. Chen Zhigang. The chairman of the Nomination Committee is Mr. Zheng Yaonan.

The primary duties of the Nomination Committee include, but are not limited to, the following: (i) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement our corporate strategy; (ii) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) to assess the independence of independent non-executive Directors; and (iv) to make recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The remunerations (including fees, salaries, contributions to pensions schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to our Directors in aggregate for the years ended December 31, 2011, 2012 and 2013 were approximately RMB1,352,000, RMB1,801,000 and RMB2,353,000, respectively.

The remuneration (including fees, salaries, contributions to pensions schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to our Group's five highest paid individuals in aggregate for the years ended December 31, 2011, 2012 and 2013 were approximately RMB1,352,000, RMB1,883,000 and RMB2,314,000, respectively.

Save as disclosed above, no other payments have been made or are payable in respect of the years ended December 31, 2011, 2012 and 2013 by any member of the Group to any of our Directors.

Under the arrangements currently in force at the date of this document, we estimate the aggregate remuneration and benefits in kind, excluding discretionary bonus, of our Directors for the year ending December 31, 2014 to be approximately HK$3.3 million.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or is receivable by, our Directors or past Directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

SHARE OPTION SCHEME

We have adopted the Share Option Scheme. For details of the Share Option Scheme, please refer to "Statutory and General Information — D. Share Option Scheme" in Appendix IV.

AGREEMENT TO HOLD THE SHARES ON TRUST FOR EMPLOYEES

Great Ray has agreed that approximately 2.25% (before the [**REDACTED**]) interest held by it in our Company are held on trust for 95 employees of our Group. The relevant employees may, upon the fulfillment of certain conditions (including, among other things, being employed by our Group upon the Listing Date) request Great Ray to dispose of 35.0%, 35.0% and 30.0% of the Shares held by Great Ray after the first, second and third anniversary from the Listing Date, respectively. The relevant employees are entitled to the net proceeds from the disposal of such Shares.

FUTURE PLANS

See "Business — Our Business Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the [**REDACTED**] which we will receive, assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**] range stated in this document), will be approximately HK$[**REDACTED**], after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the [**REDACTED**] and assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds of the [**REDACTED**] for the following purposes assuming the [**REDACTED**] is fixed at HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] Range):

- approximately [39.0]%, or HK$[**REDACTED**], will be used to expand our retail network, in particular, to increase the number of our self-managed outlets, including the related working capital. We intend to open approximately 2,000 more self-managed outlets by the end of 2018. For details, see "Business — Our Business Strategies — Expand our retail network" and "Business — Sales and Distribution — Expansion Plan".

- approximately [25.3]%, or HK$[**REDACTED**], will be used to finance the capital expenditures required in connection with the establishment of our three regional logistics centers in Dongguan, Tianjin and Chongqing. We intend to allocate (i) HK$[**REDACTED**] to establish our regional logistics center in Dongguan; (ii) HK$[**REDACTED**] to establish our regional logistics center in Tianjin; and (iii) HK$[**REDACTED**] to establish our regional logistics center in Chongqing. For details, see "Business — Our Business Strategies — Enhance our supply chain and logistics management capabilities" and "Business — Our Facilities".

- approximately [12.6]%, or HK$[**REDACTED**], will be used to selectively pursue acquisitions of businesses, brands or products and further develop strategic alliances. We intend to selectively acquire businesses in the intimate wear industry to get access to attractive locations. We also plan to selectively pursue strategic acquisitions of other brands to diversify our brand portfolio to target a broader range of consumer groups. As of the Latest Practicable date, we had not identified or committed to any acquisition targets for our use of net proceeds from the [**REDACTED**]. For details, see "Business — Our Business strategies — Selectively pursue acquisitions of businesses, brands or products and further develop strategic alliances".

- approximately [6.6]%, or HK$[**REDACTED**], will be used to finance the capital expenditures required in connection with the establishment of our design, research and development center. We expect to commence constructing this center in the third quarter of 2014 and expect this center to commence operation by the third quarter of 2017.

- approximately [6.6]%, or HK$[**REDACTED**], will be used to finance the capital expenditures required in connection with the upgrade of our information technology infrastructure. For details, see "Business — Our Business Strategies — Enhance information and human resources management systems".
- the remaining amount of approximately HK$[**REDACTED**], representing not more than [**REDACTED**] of the net proceeds, will be used to provide funding for our working capital and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the midpoint of the estimated [**REDACTED**] range or the Over-allotment Option is exercised.

If the [**REDACTED**] is fixed at HK$[**REDACTED**] per [**REDACTED**] (being the high end of the [**REDACTED**] range stated in this document) and assuming the Over-allotment Option is not exercised, we will receive additional net proceeds of approximately HK$[**REDACTED**], after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the [**REDACTED**].

If the [**REDACTED**] is fixed at HK$[**REDACTED**] per [**REDACTED**] (being the low end of the [**REDACTED**] range stated in this document) and assuming the Over-allotment Option is not exercised, the net proceeds we receive will be reduced by approximately HK$[**REDACTED**], after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the [**REDACTED**].

In the event that the Over-allotment Option is exercised in full, we will receive additional net proceeds ranging from approximately HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the low end of the proposed [**REDACTED**] range) to HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the high end of the proposed [**REDACTED**] range), after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the [**REDACTED**].

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

Harmonious Composition estimates that (upon the exercise of the Over-allot Option in full), it will receive net proceeds from the [**REDACTED**] of approximately HK$[**REDACTED**], after deduction of underwriting fees and commissions and estimated expenses payable by them in the [**REDACTED**] and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the midpoint of the [**REDACTED**] range set forth on the cover of this document). If the [**REDACTED**] is fixed at the high-end of the indicative [**REDACTED**] range, being HK$[**REDACTED**] per Share, the net proceeds the [**REDACTED**] receives from the [**REDACTED**] will increase by approximately HK$[**REDACTED**]. If the [**REDACTED**] is set at the low-end of the indicative [**REDACTED**] range, being HK$[**REDACTED**] per Share, the net proceeds the [**REDACTED**] receives from the [**REDACTED**] will decrease by approximately HK$[**REDACTED**].

HONG KONG UNDERWRITERS

[**REDACTED**]

THE HONG KONG PUBLIC OFFERING

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is initially offering [**REDACTED**] [**REDACTED**] for subscription and for sale under the [**REDACTED**] on the terms and subject to the conditions set out in this document and the related Application Forms.

Subject to (i) the Listing Committee granting listing of, and permission to deal in the Shares in issue and to be issued pursuant to the [**REDACTED**] (including any additional Shares to be issued pursuant to the exercise of the Over-allotment Option and upon exercise of any options which may be granted pursuant to the Share Option Scheme), and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Joint Global Coordinators (on behalf of the Underwriters) and us agreeing on the [**REDACTED**]), the Hong Kong Underwriters have severally but not jointly agreed to subscribe or procure subscribers for their respective applicable proportions (set out in the Hong Kong Underwriting Agreement) of the [**REDACTED**] now being offered and which are not taken up under the [**REDACTED**], on the terms and subject to the conditions set out in this document, the related Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed, becoming unconditional and not having been terminated.

Grounds for termination of the Hong Kong Underwriting Agreement

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

Undertakings to the Stock Exchange under the Listing Rules

(A) Undertaking by us

Under Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except under the Global Offering or for the circumstances provided under Rule 10.08 of the Listing Rules which includes the issue of Shares pursuant to the Share Option Scheme.

(B) Undertaking by the Controlling Shareholders

[**REDACTED**]

Undertakings to the Hong Kong Underwriters

(A) Undertaking by us

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

(B) Undertaking by the Controlling Shareholders

[**REDACTED**]

[**REDACTED**]

(C) Undertakings by Cosmic Vanguard and Capital Today Investment

[**REDACTED**]

[**REDACTED**]

Commission and expenses

[**REDACTED**]

THE INTERNATIONAL OFFERING

In connection with the [**REDACTED**], it is expected that our Company and the Controlling Shareholders will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, it is expected that the International Underwriters would, subject to certain conditions, severally and not jointly, agree to subscribe for or purchase, or to procure subscribers to subscribe for or purchasers to purchase, their respective applicable proportions (set out in the International Underwriting Agreement) of the [**REDACTED**] being offered pursuant to the [**REDACTED**].

Under the International Underwriting Agreement, our Company and Harmonious Composition are expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the Listing Date until 30 days from the last day for the lodging of applications under the [**REDACTED**], to require our Company to allot and issue and Harmonious Composition to sell up to [**REDACTED**] additional Shares, representing approximately 15% of the number of [**REDACTED**] initially available under the [**REDACTED**]. These Shares will be sold at the [**REDACTED**] per [**REDACTED**] (plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% of the [**REDACTED**]) and will be for the purpose of, among other things, covering over-allocations, if any, in the [**REDACTED**]. An announcement will be made in the event that the Over-allotment Option is exercised.

The International Underwriting Agreement is conditional on and subject to the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that undertakings similar to those given to the Hong Kong Underwriters will be given by our Company, our Controlling Shareholders to the International Underwriters under the International Underwriting Agreement.

HONG KONG UNDERWRITERS' INTERESTS IN OUR COMPANY

As of the Latest Practicable Date, Cosmic Vanguard, an affiliate company of China International Capital Corporation Hong Kong Securities Limited, held 4.5% of the total issued share capital of our Company, and would hold 5.18% of the total issued share capital of our Company (assuming the Exchangeable Note having been fully exchanged but before the completion of the [**REDACTED**]).

Save as disclosed above, and for their obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or any of our subsidiaries or any right or options (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

JOINT SPONSORS' INDEPENDENCE

Morgan Stanley Asia Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

As of the Latest Practicable Date, Cosmic Vanguard, an affiliate company of China International Capital Corporation Hong Kong Securities Limited, holds 4.5% of the total issued share capital of our Company, and would hold 5.18% of the total issued share capital of our Company (assuming the Exchangeable Note having been fully exchanged but before the completion of the [**REDACTED**]). China International Capital Corporation Hong Kong Securities Limited is therefore not considered as an independent sponsor according to the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

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[**REDACTED**]

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

[To insert the firm's letterhead]

DRAFT

[**REDACTED**]

The Directors
Cosmo Lady (China) Holdings Company Limited

Morgan Stanley Asia Limited (摩根士丹利亞洲有限公司)
China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司)

Dear Sirs,

We report on the financial information (the "Financial Information") of Cosmo Lady (China) Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the combined balance sheets as at December 31, 2011, 2012 and 2013, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended December 31, 2011, 2012 and 2013 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. The Financial Information has been prepared by the directors of the Company and is set out in Sections I to IV below for inclusion in Appendix I to the document of the Company dated [**REDACTED**] (the "Document") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on January 28, 2014 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. Pursuant to a group reorganization as described in Note 1.2 of Section II headed "Reorganization" below (the "Reorganization"), which was completed on February 28, 2014, the Company became the holding company of the subsidiaries now comprising the Group.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 35 of Section II below. All of these companies are private companies, or if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the Reorganization. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their respective places of incorporation. The details of the statutory auditors of these companies are set out in Note 35 of Section II below.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Company for the Relevant Periods (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with IFRSs. We have audited the Underlying Financial Statements in accordance with International Standards on Auditing (the "ISAs") issued by the International Auditing and Assurance Standards Board (the "IAASB") pursuant to separate terms of engagement with the Company.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with the basis of presentation set out in Note 1.3 of Section II below and in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Opinion

In our opinion, the Financial Information gives, for the purpose of this report and presented on the basis set out in Note 1.3 of Section II below, a true and fair view of the combined state of affairs of the Group as at December 31, 2011, 2012 and 2013, and of the Group's combined results and cash flows for the Relevant Periods then ended.

I FINANCIAL INFORMATION

The following is the financial information of the Group prepared by the directors of the Company as at December 31, 2011, 2012 and 2013 and for each of the years then ended (the "Financial Information"), presented on the basis set out in Note 1.3 of Section II below.

Combined Statements of Comprehensive Income

	Section II Note	Year ended December 31,		
		2011	2012	2013
		RMB'000	RMB'000	RMB'000
Revenue	6	1,655,803	2,257,626	2,916,266
Cost of sales	9	(1,255,607)	(1,640,951)	(1,847,409)
Gross profit		400,196	616,675	1,068,857
Selling and marketing expenses	9	(132,713)	(295,303)	(588,906)
General and administrative expenses	9	(59,651)	(90,297)	(147,410)
Other income	7	16,424	24,962	38,957
Other losses — net	8	(1,591)	(195)	(32)
Operating profit		222,665	255,842	371,466
Finance income		4,706	9,217	4,829
Finance costs		(12)	(1,917)	(1,422)
Finance income — net	12	4,694	7,300	3,407
Profit before income tax		227,359	263,142	374,873
Income tax expense	13	(58,750)	(70,400)	(99,365)
Profit and total comprehensive income for the year		168,609	192,742	275,508
Profit and total comprehensive income attributable to:				
Equity holders of the Company		168,609	192,742	275,508
Earnings per share	14	Not applicable	Not applicable	Not applicable
Dividends	15	—	150,000	200,000

Combined Balance Sheets

	Section II Note	As at December 31, 2011	2012	2013
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	16	105,970	195,717	198,723
Land use rights	17	5,260	48,639	72,289
Intangible assets	18	7,159	15,496	28,117
Deferred income tax assets	19	11,689	17,432	15,595
Deposits, prepayments and other receivables	22	56,278	13,404	19,949
		186,356	290,688	334,673
Current assets				
Inventories	20	202,766	327,322	404,356
Trade receivables	21	66,244	180,794	170,609
Deposits, prepayments and other receivables	22	38,816	71,894	91,206
Available-for-sale financial assets	23	216,000	10,000	—
Restricted bank deposits	24	—	30,000	16,225
Cash and cash equivalents	24	162,106	179,870	290,027
		685,932	799,880	972,423
Total assets		872,288	1,090,568	1,307,096
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Capital	25	103,172	103,172	420,000
Other reserves	26	294,804	318,171	236,265
Retained earnings		165,457	184,980	31,292
Total equity		563,433	606,323	687,557
LIABILITIES				
Non-current liabilities				
Borrowings	28	22,722	—	—
Current liabilities				
Trade payables	29	145,760	237,653	219,300
Accruals and other payables	30	127,226	174,447	189,286
Borrowings	28	4,735	27,000	—
Dividends payable		—	20,882	200,000
Current income tax liabilities		8,412	24,263	10,953
		286,133	484,245	619,539
Total liabilities		308,855	484,245	619,539
Total equity and liabilities		872,288	1,090,568	1,307,096
Net current assets		399,799	315,635	352,884
Total assets less current liabilities		586,155	606,323	687,557

Combined Statements of Changes in Equity

	Capital	Other reserves	Retained earnings	Total equity
	RMB'000 (Note 25)	RMB'000 (Note 26)	RMB'000	RMB'000
As at January 1, 2011	60,000	1,747	14,658	76,405
Comprehensive income				
Profit and total comprehensive income for the year	—	—	168,609	168,609
Transactions with equity holders				
Capital contributions by investors (Note 25(a))	43,172	275,247	—	318,419
Appropriation to statutory reserves	—	17,810	(17,810)	—
Total transactions with equity holders	43,172	293,057	(17,810)	318,419
As at December 31, 2011	103,172	294,804	165,457	563,433
As at January 1, 2012	103,172	294,804	165,457	563,433
Comprehensive income				
Profit and total comprehensive income for the year	—	—	192,742	192,742
Transactions with equity holders				
Appropriation to statutory reserves	—	23,219	(23,219)	—
Equity-settled share-based compensation	—	148	—	148
Dividends distributed to the then equity holders	—	—	(150,000)	(150,000)
Total transactions with equity holders	—	23,367	(173,219)	(149,852)
As at December 31, 2012	103,172	318,171	184,980	606,323
As at January 1, 2013	103,172	318,171	184,980	606,323
Comprehensive income				
Profit and total comprehensive income for the year	—	—	275,508	275,508
Transactions with equity holders				
Capitalization upon conversion of a subsidiary of the Company into a joint stock company (Note 25(b))	316,828	(119,645)	(197,183)	—
Appropriation to statutory reserves	—	32,013	(32,013)	—
Equity-settled share-based compensation	—	5,726	—	5,726
Dividends distributed to the then equity holders	—	—	(200,000)	(200,000)
Total transactions with equity holders	316,828	(81,906)	(429,196)	(194,274)
As at December 31, 2013	420,000	236,265	31,292	687,557

Combined Statements of Cash Flows

	Section II Note	Year ended December 31,		
		2011	2012	2013
		RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Cash generated from operations	31(a)	207,740	103,027	328,433
Income tax paid		(65,254)	(60,292)	(110,838)
Net cash generated from operating activities		142,486	42,735	217,595
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	31(b)	58	785	38
Net (addition of)/proceeds from available-for-sale financial assets		(216,000)	206,000	10,000
Interest income		4,706	9,217	4,829
Purchases of land use rights		(10,367)	(38,744)	(24,389)
Purchases of property, plant and equipment		(69,890)	(63,008)	(30,211)
Purchases of intangible assets		(4,889)	(5,116)	(21,014)
Net cash (used in)/generated from investing activities		(296,382)	109,134	(60,747)
Cash flows from financing activities				
Cash received from capital contributions		318,419	—	—
Proceeds from borrowings		66,880	27,000	80,000
Repayments of borrowings		(78,303)	(27,457)	(107,000)
Dividends paid to the then equity holders		—	(101,771)	(48,229)
Interest paid for borrowings		(12)	(1,877)	(1,462)
Placement of restricted bank deposits		—	(30,000)	—
Release of restricted bank deposits		—	—	30,000
Net cash generated from/(used in) financing activities		306,984	(134,105)	(46,691)
Net increase in cash and cash equivalents		153,088	17,764	110,157
Cash and cash equivalents at beginning of the year	24	9,018	162,106	179,870
Cash and cash equivalents at end of the year	24	162,106	179,870	290,027

II NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on January 28, 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 Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY-1108, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries now comprising the group (the "Group") are principally engaged in the designing, marketing and selling of intimate wear products (the "Listing Business") in the People's Republic of China (the "PRC").

1.2 REORGANIZATION

Prior to the incorporation of the Company and the completion of the Reorganization as described below, the Listing Business was operated through Cosmo Lady Guangdong Holdings Limited (廣東都市麗人實業有限公司) ("Cosmo Lady Guangdong") and its subsidiaries. Cosmo Lady Guangdong, initially known as Dongguan City Beauty Industry Co., Ltd. (東莞市都市麗人實業有限公司), was established in the PRC on September 29, 2009 as a limited liability company, subsequently converted into a joint stock company with limited liability under the Company Law of the PRC on July 29, 2013 with the name of Cosmo Lady Garment Co., Ltd. (都市麗人服飾股份有限公司) and further converted back to a limited liability company on January 28, 2014 and changed its current name. Cosmo Lady Guangdong was effectively owned as to 52.662% by Mr. ZHENG Yaonan, 16.377% by Mr. ZHANG Shengfeng, 12.282% by Mr. LIN Zonghong, 3.489% by Mr. CHENG Zuming, 12.69% by Capital Today Investment XVIII (HK) Limited ("Capital Today Investment"), 2.0% by Tianjin Urban Daming Enterprise Management Partnership (Limited Partnership) ("Tianjin Daming") and 0.5% by Shenzhen Urban Boshi Investments Company Limited ("Shenzhen Boshi"). Mr. ZHENG Yaonan is regarded as the ultimate controlling party, and together with Mr. ZHANG Shengfeng, Mr. LIN Zonghong and Mr. CHENG Zuming are the founders of the Group.

In preparation for the initial listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Reorganization was undertaken pursuant to which Cosmo Lady Guangdong and its subsidiaries, engaged in the Listing Business, were transferred to the Company. The Reorganization involved the following:

(i) On January 22, 2014, Great Brilliant Investment Holdings Limited ("Great Brilliant"), Forever Flourish Investment Holdings Limited ("Forever Flourish"), Forever Shine Holdings Limited ("Forever Shine") and Mountain Dragon Investment Limited ("Mountain Dragon") were incorporated in the British Virgin Islands (the "BVI") with an authorized share capital of 50,000 shares with a par value of US$1.00 each, 1 share of each of Great Brilliant, Forever Flourish, Forever Shine and Mountain Dragon was allotted and issued to Mr. ZHENG

Yaonan, Mr. ZHANG Shengfeng, Mr. LIN Zonghong and Mr. CHENG Zuming credited as fully paid, respectively on January 30, 2014.

(ii) On January 22, 2014, Great Ray Investment Holdings Limited ("Great Ray") was incorporated in the BVI with an authorized share capital of 50,000 shares with a par value of US$1.00 each, 1 share was allotted and issued to Mr. ZHENG Yaonan and credited as fully paid on January 30, 2014.

(iii) On January 23, 2014, Harmonious Composition Investment Holdings Limited ("Harmonious Composition") was incorporated in the BVI with an authorized share capital of 50,000 shares with a par value of US$1.00 each, 621 shares, 193 shares, 145 shares and 41 shares were allotted and issued to Great Brilliant, Forever Flourish, Forever Shine and Mountain Dragon respectively and credited as fully paid on January 30, 2014.

(iv) On January 28, 2014, the Company was incorporated in the Cayman Islands with an authorized share capital of US$50,000, divided into 5,000,000 shares with a par value of US$0.01 each. Upon its incorporation, 1 share was allotted and issued to Reid Services Limited and transferred to Harmonious Composition at par on January 30, 2014. On January 30, 2014, 8,480 ordinary shares, 1,269 ordinary shares and 250 ordinary shares of US$0.01 each were allotted and issued to Harmonious Composition, Capital Today Investment and Great Ray, respectively on January 30, 2014.

(v) On January 29, 2014, Cosmo Lady (International) Holdings Company Limited (都市麗人(香港)控股有限公司) ("Cosmo Lady International") was incorporated in the BVI with an authorized share capital of 50,000 shares with a par value of US$1.00 each, 1 share was allotted and issued to the Company and credited as fully paid on January 30, 2014. As a result, Cosmo Lady International became a wholly owned subsidiary of the Company.

(vi) On February 12, 2014, Cosmo Lady (Hong Kong) Holdings Company Limited ("Cosmo Lady Hong Kong") was incorporated in Hong Kong with an authorized share capital of HK$10,000, divided into 10,000 shares with a par value of HK$1.00. Upon its incorporation, one ordinary share of HK$1.00 was allotted and issued to Cosmo Lady International as fully paid. As a result, Cosmo Lady Hong Kong became a wholly owned subsidiary of Cosmo Lady International.

(vii) On February 25, 2014, 71,829 ordinary shares, 11,421 ordinary shares and 2,250 ordinary shares of the Company were allotted and issued to Harmonious Composition, Capital Today Investment and Great Ray at considerations of approximately RMB130,682,000, RMB54,567,000 and RMB10,750,000, respectively.

(viii) On February 25, 2014, 4,500 ordinary shares of the Company were allotted and issued to Cosmic Vanguard Group Limited, a company incorporated in the BVI, at a consideration of approximately RMB234,000,000 pursuant to a share subscription agreement.

(ix) Pursuant to the share transfer agreements dated February 13, 2014, Cosmo Lady Hong Kong acquired the 100% equity interest in Cosmo Lady Guangdong from its then equity holders including 52.662% equity interest from Mr. ZHENG Yaonan, 16.377% equity interest from Mr. ZHANG Shengfeng, 12.282% equity interest from Mr. LIN Zonghong, 3.489% equity interest from Mr. CHENG Zuming, 12.69% equity interest from Capital Today Investment, 2.0% equity interest from Tianjin Daming and 0.5% equity interest from Shenzhen Boshi, respectively. As a result, Cosmo Lady Guangdong became an indirect wholly owned subsidiary of the Company.

(x) Pursuant to the resolutions in writing of all of the Company's shareholders passed on June 9, 2014: (a) the authorized share capital of the Company was increased from US$50,000 to US$50,000,000 by the creation of an additional 4,995,000,000 shares, and (b) conditional on share premium account of the Company being credited as a result of the issue of the [**REDACTED**] by the Company pursuant to the proposed [**REDACTED**] as described in the document, the Company will capitalise an amount of US$14,999,000, standing to the credit of its share premium account of the Company by applying such sum to pay up in full at par a total of 1,499,900,000 shares for allotment and issue to the shareholders on a pro rata basis immediately before the [**REDACTED**].

Upon completion of the Reorganization, the Company became the holding company of all the companies now comprising the Group. The Company's direct and indirect interests in its subsidiaries as at the date of this report are set out in Note 35.

1.3 BASIS OF PRESENTATION

Immediately prior to and after the Reorganization, the Listing Business is held by Cosmo Lady Guangdong and its subsidiaries. Pursuant to the Reorganization, Cosmo Lady Guangdong and the Listing Business are transferred to and held by the Company. The Company and its other subsidiaries have not been involved in any business prior to and at the time of the Reorganization. The Reorganization is merely a reorganization of the Listing Business with no change in the ultimate controlling party and management of the Listing Business. Accordingly, the Financial Information of the companies now comprising the Group is presented using the carrying values of the Listing Business under Cosmo Lady Guangdong for all the years presented.

The combined balance sheets, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Relevant Periods have been prepared on the basis that the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation/establishment, or since the date when the combining companies first came under the control of the controlling shareholder, whichever is the shorter period.

Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on combination.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied during the Relevant Periods, unless otherwise stated.

2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") and under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

The preparation of the Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

New standards, amendments and interpretation to the existing standards that are effective during the Relevant Periods have been adopted by the Group consistently throughout the Relevant Periods unless prohibited by the relevant standards to apply retrospectively.

New standards, amendments and interpretations published by the International Accounting Standards Board (the "IASB") that are not yet effective and have not been early adopted by the Group.

	Effective for annual years beginning on or after
Amendment to IAS 32 "Financial instruments: Presentation — offsetting financial assets and financial liabilities"	January 1, 2014
Amendments to IFRS 10,12 and IAS 27 "Investment entities"	January 1, 2014
Amendment to IAS 36 "Recoverable amount disclosures for non-financial assets"	January 1, 2014
IFRIC — lnt 21 "Levies"	January 1, 2014
Amendment to IAS 39 "Novation of derivatives"	January 1, 2014
Amendment to IAS 19 "Defined benefit plans"	July 1, 2014
Annual improvements 2012 and 2013	July 1, 2014
IFRS 14 "Regulatory deferral accounts"	January 1, 2016
IFRS 15 "Revenue from contracts with customers"	January 1, 2017
IFRS 9 "Financial Instruments"	To be determined

The Group is in the process of making an assessment on the impact of these standards, amendments and interpretations on the Financial Information of the Group in the initial application.

2.2 SUBSIDIARIES

2.2.1 Consolidation

The Financial Information incorporated the assets and liabilities of all the companies now comprising the Group as at December 31, 2011, 2012 and 2013, and the results of all these companies for the relevant years then ended, presented on the basis as described in Note 1.3.

Subsidiaries are all entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intra-group transactions, balances and unrealized gains on transactions between the combining entities or businesses are eliminated. Unrealized losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or businesses have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Business combinations

Except for the Reorganization, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree

over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statements of comprehensive income.

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the Financial Information of the investee's net assets including goodwill.

2.3 SEGMENT REPORTING

Operating segments are 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 segments, has been identified as executive directors of the Company that makes strategic decisions.

2.4 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in Renminbi ("RMB") throughout the Relevant Periods, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are

re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the combined statement of comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognized in other comprehensive income.

2.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than construction in progress, are stated at historical cost less depreciation and provision for impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over, where appropriate, their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	2 to 3 years
Machinery and equipment	5–10 years
Furniture, fittings and equipment	3–5 years
Vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

Construction in progress represents buildings under construction and is stated at cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains/losses — net" in the combined statement of comprehensive income.

2.6 LAND USE RIGHTS

Land use rights represent upfront prepayments made for the land use rights at historical cost, and are expensed in the combined statement of comprehensive income on a straight-line basis over the terms of the leases. Whenever there is impairment, the impairment is recognized in the combined statement of comprehensive income.

2.7 INTANGIBLE ASSETS

(a) Acquired trademark

Separately acquired trademark is carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization of trademark that has definite useful lives is calculated using the straight-line method to allocate the costs of acquired trademark over its estimated useful lives of 10 years.

(b) Computer software

Acquired computer software license is capitalized on the basis of the costs incurred to acquire the specific software. These costs are amortized over a period ranging from 3 to 10 years.

2.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 FINANCIAL ASSETS

2.9.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting year. These are classified as non-current assets. The Group's loans and receivables comprise "trade receivables and other receivables", "cash and cash equivalents" and "restricted bank deposits", in the combined balance sheets.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date-the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the combined statement of comprehensive income as "other gains/losses — net".

Interest on available-for-sale financial assets is recognized in the combined statement of comprehensive income as part of finance income.

2.10 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the combined balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.11 IMPAIRMENT OF FINANCIAL ASSETS

(a) Assets carried at amortized cost

The Group assesses at the end of each reporting year whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the combined statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the combined statement of comprehensive income.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss — is removed from equity and recognized in profit or loss. Impairment losses recognized in the combined statement of comprehensive income on equity instruments are not reversed through the combined statement of comprehensive income. If, in a subsequent year, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the combined statement of comprehensive income.

2.12 INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises costs of merchandise, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for products sold in the ordinary course of business. If collection of trade receivables and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.15 RESTRICTED BANK DEPOSITS

Restricted bank deposits represent guaranteed deposits placed at designated bank accounts as cash collateral for bank borrowings and construction of certain property, plant and equipment. Such restricted bank deposits are released after full repayment of borrowings or settlement of the construction contract.

2.16 CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 TRADE AND OTHER PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.18 BORROWINGS

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the combined statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the year of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.19 BORROWING COSTS

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial year of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the year in which they are incurred.

2.20 CURRENT AND DEFERRED INCOME TAX

The tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, deferred tax liabilities are not recognized if they arise from the initial

recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 EMPLOYEE BENEFITS

(a) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS37 and involves the payment of termination benefits.

(c) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year.

(d) Bonus entitlements

The expected cost of bonus payments are recognized as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2.22 SHARE-BASED PAYMENTS

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the awards, and:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognized over the different length vesting periods of each grant which is the period over which all of the specified vesting conditions are to be satisfied, with a credit recognized in equity.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-market performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the combined statement of comprehensive income, with a corresponding adjustment to equity.

2.23 PROVISION AND CONTINGENT LIABILITIES

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

2.24 OPERATING LEASES — AS LEASEE

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.25 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for products supplied, stated net of discounts, returns and value added taxes.

The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods — sales to franchisees

Sales of goods are recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to the franchisees and title has been passed. Accumulated experience is used to estimate and provide for sales returns at the time of sale.

(b) Sales of goods — retail sales

Revenue from the sales of goods is recognized when the risk and reward of the products have been transferred to the retail customer, which is usually at the time when a group entity has

delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Accumulated experience is used to estimate and provide for sales returns at the time of sale.

(c) Franchise fee and software usage fee income

Franchise fee and software usage fee income is recognized when the services are rendered to franchisees.

(d) Interest income

Interest income is recognized using the effective interest method.

2.26 GOVERNMENT GRANTS

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the combined statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to the combined statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

2.27 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's equity holders is recognized as a liability in the Company's and the Group's combined financial statements in the period in which the dividends were approved by the Company's equity holders or directors, where appropriate.

2.28 FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks on behalf of certain customers of the Group to secure their loans.

Financial guarantees are initially recognized in the combined financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognized. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of fees recognized in accordance with IAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognized on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the combined statement of comprehensive income within other operating expenses.

Where guarantees in relation to borrowings or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment in the separate financial statements of the Company.

3. FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow 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 minimize 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 Relevant Periods.

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates in the PRC with most of the Group's transactions denominated and settled in RMB. The Group's assets and liabilities, and transactions arising from its operations do not expose the Group to material foreign exchange risk as the Group's assets and liabilities as at December 31, 2011, 2012 and 2013 are denominated in the respective group companies' functional currencies.

(b) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets (other than available-for-sale financial assets, restricted bank deposits and cash and cash equivalents, details of which have been disclosed in Notes 23 and 24), the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk primarily arises from bank borrowings.

Bank borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group did not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk exposure during the Relevant Periods. Management will continue to monitor interest rate risk exposure and will consider hedging significant interest rate risk exposure should the need arise.

(c) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits and other receivables, available-for-sale financial assets, cash and cash equivalents and restricted cash with banks included in the combined balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

For wholesale to customers, the Group has policies in place to ensure credit terms are only granted to franchise customers with an appropriate credit history and the Group performs

periodic credit evaluations of these customers, taking into account their financial position, past experience and other factors. For other customers without credit terms granted, deposits and advances are received in most cases before delivery is made. Normally the Group does not require collaterals from trade debtors. Provisions are made for the balance past due when management considers the loss from non-performance by the customers is likely. Sales to retail customers are settled in cash or using major credit cards.

The Group also makes deposits for rental of certain of its retail outlets with the relevant landlords. Management does not expect any loss arising from non-performance by these counterparties.

As at December 31, 2011, 2012 and 2013, substantially all the bank balances, restricted bank deposits with banks as detailed in Note 24 are held in major banks located in the PRC, which management believes are of high credit quality. The management does not expect any loss arising from non-performance by these counterparties. As at December 31, 2011, 2012 and 2013, bank balances and restricted bank deposits totaling approximately RMB91,365,000, RMB200,373,000 and RMB235,080,000, respectively, are held with major state-owned banks in the PRC.

As at December 31, 2013, the Group provides corporate guarantees to secure outstanding bank borrowings of approximately RMB69,010,000 of certain franchisees of the Group as detailed in Note 32. Such corporate guarantee has been released in January 2014.

As at December 31, 2011 and 2012, the Group does not provide any guarantee to banks to secure any franchises' bank borrowings.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been for payment for capital expenditures, purchases and operating expenses. The Group finances its working capital requirements through a combination of internal generated funds, bank borrowings and issuing shares to investors, as necessary.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed credit facilities to meet its working capital requirements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining year at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	On demand	Less than 3 months	Between 3 and 6 months	Between 6 and 12 months	More than one year	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2011						
Borrowings, including interest payables	—	1,664	1,664	3,328	26,624	33,280
Trade payables	—	145,760	—	—	—	145,760
Financial liabilities as included in accruals and other payables	33,435	41,639	—	—	—	75,074
	33,435	189,063	1,664	3,328	26,624	254,114
As at December 31, 2012						
Borrowings, including interest payables	—	—	—	27,714	—	27,714
Trade payables	—	237,653	—	—	—	237,653
Financial liabilities as included in accruals and other payables	44,313	31,560	—	—	—	75,873
Dividends payable	20,882	—	—	—	—	20,882
	65,195	269,213	—	27,714	—	362,122
As at December 31, 2013						
Trade payables	—	219,300	—	—	—	219,300
Financial liabilities as included in accruals and other payables	50,179	24,145	15,937	—	—	90,261
Dividends payable	200,000	—	—	—	—	200,000
	250,179	243,445	15,937	—	—	509,561

3.2 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. The Group's strategy remains consistent throughout the Relevant Periods.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, issue new shares or sell assets to reduce debt.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt calculated as total borrowings less cash and cash equivalents and restricted bank deposits. Total capital is calculated as "equity" as shown in the combined balance sheets plus net debts. As at December 31, 2011, 2012 and 2013, the Group has a net cash position.

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents and restricted bank deposits (Note 24)	162,106	209,870	306,252
Total borrowings (Note 28)	(27,457)	(27,000)	—
Net cash	134,649	182,870	306,252
Total equity	563,433	606,323	687,557
Gearing ratio	Not applicable	Not applicable	Not applicable

3.3 FAIR VALUE ESTIMATION

The Group's financial instruments recognized in the combined balance sheet are mainly receivables and financial liabilities carried at amortized cost. The fair values of these financial instruments approximate their carrying amounts.

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 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 December 31, 2011 and 2012, except for the Group's wealth management products that classified as available-for-sale financial assets of RMB216,000,000 and RMB10,000,000, respectively were measured at level 3 of the fair value measurement hierarchy, the Group does not have any other financial instruments that are measured in the combined balance sheet at fair value. As at December 31, 2013, the Group does not have any financial instruments that are measured in the combined balance sheet at fair value. The fair values of the available-for-sale financial assets approximate their carrying amounts.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

(b) Income tax

The Group is subject to income taxes in different locations in the PRC. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

5. SEGMENT INFORMATION

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

The Group is principally engaged in designing, marketing and selling of intimate wear products. All of its revenue are derived in the PRC during the Relevant Periods.

None of the revenue derived from any single external customer amounted to more than 10% of the Group's revenue during the Relevant Periods.

6. REVENUE

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Sales to franchisees	1,592,420	2,069,687	2,240,433
Retail sales	63,383	187,939	675,833
	1,655,803	2,257,626	2,916,266

7. OTHER INCOME

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Franchise fee income	6,706	4,039	3,091
Software usage fee income	5,885	6,719	6,403
Government grants (Note)	1,366	11,684	22,952
Others	2,467	2,520	6,511
	16,424	24,962	38,957

Note: Government grants received during the years ended December 31, 2011, 2012 and 2013 primarily comprised financial subsidies received from various local governments in the PRC. There are no unfulfilled conditions or contingencies relating to these incomes.

8. OTHER LOSSES — NET

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Loss on disposal of property, plant and equipment — net	668	195	32
Loss on disposal of intangible assets — net	49	—	—
Net foreign exchange losses	874	—	—
	1,591	195	32

9. EXPENSES BY NATURE

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Costs of inventories recognized in cost of sales	1,223,206	1,606,921	1,792,171
Employee benefit expenses (including directors' emoluments) (Note 10)	87,336	139,746	228,940
Operating lease rentals in respect of land and buildings	28,809	67,017	183,560
Concessionaire fee in respect of outlets under cooperative arrangements	—	—	78,516
Marketing and promotion expenses	9,938	58,728	61,364
Government charges and levies	10,056	21,559	19,313
Consulting service expenses	8,695	16,778	21,126
Listing expenses	—	—	16,466
Depreciation and amortization (Notes 16, 17 and 18)	7,942	15,937	29,762
Consumables recognized in expenses	11,196	15,703	25,726
Write-down of inventories (Note 20)	15,588	7,082	27,415
Auditors' remuneration	40	70	136
Provision for impairment of trade receivables (Note 21)	8	216	2,607
Miscellaneous	45,157	76,794	96,623
Total cost of sales, selling and marketing expenses and general and administrative expenses	1,447,971	2,026,551	2,583,725

10. EMPLOYEE BENEFIT EXPENSES

The employee benefit expenses, including directors' and senior management's emoluments, are as follows:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	81,796	129,531	206,123
Social insurance and housing fund (Note)	2,639	4,331	11,591
Other welfare and allowance	2,901	5,736	5,500
Equity-settled share-based compensation (Note 27(d))	—	148	5,726
	87,336	139,746	228,940

Note: As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement schemes for its employees in the PRC. The Group contributes 13% to 22% of the relevant income (comprising wages, salaries and bonuses, and subject to maximum caps) of the employees to these schemes and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on approximately 9% to 23% of the relevant income (comprising wages, salaries and bonuses) of the employees, subject to maximum caps. The Group's liability in respect of these funds is limited to the contributions payable in each year.

11. DIRECTORS AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and chief executive's emoluments

Directors' and chief executive's emoluments are set out below:

	Fees	Wages, salaries and bonuses	Social insurance and housing fund	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2011				
Executive Directors				
Mr. ZHENG Yaonan [1] [2]	—	360	12	372
Mr. ZHANG Shengfeng [2]	—	240	12	252
Mr. LIN Zonghong [2]	—	240	12	252
Mr. CHENG Zuming [2]	—	240	8	248
Ms. WU Xiaoli [2]	—	216	12	228
Non-executive Director				
Mr. WEN Baoma [3]	—	—	—	—
Independent Non-executive Directors				
Dr. DAI Yiyi [4]	—	—	—	—
Mr. CHEN Zhigang [4]	—	—	—	—
	—	1,296	56	1,352
Year ended December 31, 2012				
Executive Directors				
Mr. ZHENG Yaonan [1] [2]	—	420	27	447
Mr. ZHANG Shengfeng [2]	—	330	27	357
Mr. LIN Zonghong [2]	—	330	27	357
Mr. CHENG Zuming [2]	—	330	25	355
Ms. WU Xiaoli [2]	—	258	27	285
Non-executive Director				
Mr. WEN Baoma [3]	—	—	—	—
Independent Non-executive Directors				
Dr. DAI Yiyi [4]	—	—	—	—
Mr. CHEN Zhigang [4]	—	—	—	—
	—	1,668	133	1,801

	Fees	Wages, salaries and bonuses	Social insurance and housing fund	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2013				
Executive Directors				
Mr. ZHENG Yaonan [1] [2]	—	480	39	519
Mr. ZHANG Shengfeng [2]	—	420	39	459
Mr. LIN Zonghong [2]	—	420	39	459
Mr. CHENG Zuming [2]	—	420	37	457
Ms. WU Xiaoli [2]	—	300	39	339
Non-executive Director				
Mr. WEN Baoma [3]	—	—	—	—
Independent Non-executive Directors				
Dr. DAI Yiyi [4]	—	67	—	67
Mr. CHEN Zhigang [4]	—	53	—	53
	—	2,160	193	2,353

Notes:

(1) Mr. ZHENG Yaonan was also the chief executive during the Relevant Periods.

(2) Mr. ZHENG Yaonan, Mr. ZHANG Shengfeng, Mr. LIN Zonghong, Mr. CHENG Zuming and Ms. WU Xiaoli were appointed as executive directors effective from January 30, 2014. They were also employees of the Group and the Group paid employee emoluments to them in their capacity as employees before their appointments as executive directors during the Relevant Periods.

(3) Mr. WEN Baoma was appointed as a non-executive director effective from April 16, 2014.

(4) Mr. CHEN Zhigang and Dr. DAI Yiyi were appointed as independent non-executive directors effective from June 9, 2014. They were also independent non-executive directors of a subsidiary of the Company and the Group paid directors' emoluments to them in their capacity as independent non-executive directors during the Relevant Periods.

No director or chief executive has waived or agreed to waive any emoluments during the Relevant Periods.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included five, four and four directors for the years ended December 31, 2011, 2012 and 2013, respectively. Their emoluments are reflected in the analysis presented above. The emoluments of the remaining individual during the Relevant Periods are as follows:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	—	330	400
Social insurance and housing fund	—	24	20
Equity-settled share-based compensation	—	13	—
	—	367	420

The emoluments fell within the following bands:

	Year ended December 31,		
	2011	2012	2013
	Number of individual		
Emolument bands:			
Nil to HK$500,000	—	1	—
HK$500,001 to HK$1,000,000	—	—	1

During the Relevant Periods, no director or none of the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

12. FINANCE INCOME — NET

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Finance income			
Interest income on short-term bank deposits	447	1,483	1,752
Interest income on available-for-sale financial assets	4,259	7,734	3,077
	4,706	9,217	4,829
Finance cost			
Interest expense on bank borrowings, wholly repayable within five years	(12)	(1,917)	(1,422)
Finance income — net	4,694	7,300	3,407

13. INCOME TAX EXPENSE

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current income tax — PRC corporate income tax ("CIT")	66,924	76,143	97,528
Deferred income tax (Note 19)	(8,174)	(5,743)	1,837
Income tax expense	58,750	70,400	99,365

The income tax provision of the Company and its subsidiaries was calculated at the tax rate of 25% on the estimated assessable profits for each of the Relevant Periods, based on the existing legislation, interpretations and practices in respect thereof.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory CIT rates applicable to Relevant Periods as follows:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Profit before income tax	227,359	263,142	374,873
Tax calculated at statutory tax rates applicable to each group entity	56,840	65,786	93,718
Tax effect of:			
Expenses not deductible for tax purposes	1,910	4,614	5,647
Income tax expense	58,750	70,400	99,365

14. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the presentation of the results for the Relevant Periods on a combined basis as disclosed in Note 1.3 above.

15. DIVIDENDS

	Year ended December 31,		
	2011	2012	2013
Dividends declared by Cosmo Lady Guangdong to its then equity holders	—	150,000	200,000

The dividends of RMB150,000,000 and RMB200,000,000 were approved by the board of directors of Cosmo Lady Guangdong on December 21, 2012 and December 31, 2013, respectively. These dividends have been reflected as an appropriation of retained earnings for the years ended December 31, 2012 and 2013.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery and equipment	Furniture, fittings and equipment	Vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2011							
Cost	68,446	821	1,226	5,800	1,787	1,322	79,402
Accumulated depreciation	—	—	(54)	(233)	(114)	—	(401)
Net book amount	68,446	821	1,172	5,567	1,673	1,322	79,001
Year ended December 31, 2011							
Opening net book amount	68,446	821	1,172	5,567	1,673	1,322	79,001
Additions	5,224	320	15,178	9,711	464	4,269	35,166
Transfer	5,591	—	—	—	—	(5,591)	—
Disposals	—	—	(3)	(115)	(608)	—	(726)
Depreciation (Note 9)	(3,397)	(974)	(763)	(1,931)	(406)	—	(7,471)
Closing net book amount	75,864	167	15,584	13,232	1,123	—	105,970
At December 31, 2011							
Cost	79,261	1,141	16,401	15,381	1,470	—	113,654
Accumulated depreciation	(3,397)	(974)	(817)	(2,149)	(347)	—	(7,684)
Net book amount	75,864	167	15,584	13,232	1,123	—	105,970
Year ended December 31, 2012							
Opening net book amount	75,864	167	15,584	13,232	1,123	—	105,970
Additions	69,998	13,433	8,192	11,871	1,109	—	104,603
Disposals	(970)	—	—	(10)	—	—	(980)
Depreciation (Note 9)	(5,316)	(2,032)	(2,760)	(3,439)	(329)	—	(13,876)
Closing net book amount	139,576	11,568	21,016	21,654	1,903	—	195,717
At December 31, 2012							
Cost	148,234	14,574	24,593	27,236	2,579	—	217,216
Accumulated depreciation	(8,658)	(3,006)	(3,577)	(5,582)	(676)	—	(21,499)
Net book amount	139,576	11,568	21,016	21,654	1,903	—	195,717
Year ended December 31, 2013							
Opening net book amount	139,576	11,568	21,016	21,654	1,903	—	195,717
Additions	6,360	8,212	917	9,274	728	2,018	27,509
Disposals	—	—	—	(70)	—	—	(70)
Depreciation (Note 9)	(7,059)	(7,557)	(2,949)	(5,731)	(1,137)	—	(24,433)
Closing net book amount	138,877	12,223	18,984	25,127	1,494	2,018	198,723
At December 31, 2013							
Cost	154,594	22,786	25,510	36,402	3,307	2,018	244,617
Accumulated depreciation	(15,717)	(10,563)	(6,526)	(11,275)	(1,813)	—	(45,894)
Net book amount	138,877	12,223	18,984	25,127	1,494	2,018	198,723

During the Relevant Periods, depreciation of property, plant and equipment has been charged to the combined statement of comprehensive income as follows:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cost of sales	689	489	400
Selling and marketing expenses	4,218	9,005	15,638
General and administrative expenses	2,564	4,382	8,395
	7,471	13,876	24,433

17. LAND USE RIGHTS

The Group's land use rights relate to land situated in the PRC and held on leases of between 10 and 50 years. The land use rights are amortized over their unexpired lease terms on a straight-line basis, the net book value of which are analysed as follows:

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
At January 1	5,368	5,260	48,639
Additions	—	44,072	24,928
Amortization charges (Note 9)	(108)	(693)	(1,278)
At December 31	5,260	48,639	72,289

During the Relevant Periods, amortization of land use right has been charged to the combined statement of comprehensive income as follows:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Selling and marketing expenses	58	265	414
General and administrative expenses	50	428	864
	108	693	1,278

18. INTANGIBLE ASSETS

	Acquired trademark	Computer software	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2011			
Cost	—	58	58
Accumulated amortization	—	(4)	(4)
Net book amount	—	54	54
Year ended December 31, 2011			
Opening net book amount	—	54	54
Additions	—	7,517	7,517
Disposals	—	(49)	(49)
Amortization charges (Note 9)	—	(363)	(363)
Closing net book amount	—	7,159	7,159
At December 31, 2011			
Cost	—	7,517	7,517
Accumulated amortization	—	(358)	(358)
Net book amount	—	7,159	7,159
Year ended December 31, 2012			
Opening net book amount	—	7,159	7,159
Additions	2,990	6,715	9,705
Amortization charges (Note 9)	(249)	(1,119)	(1,368)
Closing net book amount	2,741	12,755	15,496
At December 31, 2012			
Cost	2,990	14,232	17,222
Accumulated amortization	(249)	(1,477)	(1,726)
Net book amount	2,741	12,755	15,496
Year ended December 31, 2013			
Opening net book amount	2,741	12,755	15,496
Additions	100	16,572	16,672
Amortization charges (Note 9)	(308)	(3,743)	(4,051)
Closing net book amount	2,533	25,584	28,117
At December 31, 2013			
Cost	3,090	30,804	33,894
Accumulated amortization	(557)	(5,220)	(5,777)
Net book amount	2,533	25,584	28,117

During the Relevant Periods, amortization of intangible assets has been charged to the combined statement of comprehensive income as follows:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Selling and marketing expenses	53	472	2,597
General and administrative expenses	310	896	1,454
	363	1,368	4,051

19. 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. As at December 31, 2011, 2012 and 2013, majority of the Group's deferred income tax assets are expected to be recovered within 12 months.

The analysis of deferred tax assets of the Group is as follows:

Deferred income tax assets	Write-down of inventories	Provision for trade receivables	Provision for sales return	Unrealized profit	Tax losses carried forward	Others	Total
	RMB'000		RMB'000	RMB'000	RMB'000		RMB'000
At January 1, 2011	1,641	—	1,819	—	55	—	3,515
Credited to the combined statement of comprehensive income	3,670	—	2,220	170	2,114	—	8,174
At December 31, 2011	5,311	—	4,039	170	2,169	—	11,689
(Charged)/credited to the combined statement of comprehensive income	(2,102)	—	(1,381)	6,045	3,181	—	5,743
At December 31, 2012	3,209	—	2,658	6,215	5,350	—	17,432
Credited/(charged) to the combined statement of comprehensive income	3,645	666	(1,668)	(4,093)	(1,819)	1,432	(1,837)
At December 31, 2013	6,854	666	990	2,122	3,531	1,432	15,595

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of related tax benefits through future taxable profits is probable.

As at December 31, 2011, 2012 and 2013, temporary differences relating to the undistributed profits of certain subsidiaries of the Group in the PRC amounted to RMB165,457,000, RMB184,980,000 and RMB31,292,000, respectively. Deferred tax liabilities of RMB16,546,000, RMB18,498,000 and RMB3,129,000 have not been recognized 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.

20. INVENTORIES

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Raw materials	2,439	3,457	6,191
Work in progress	3,955	3,149	5,456
Finished goods	217,546	333,368	420,124
Consumables	69	185	—
	224,009	340,159	431,771
Less: provision for impairment losses	(21,243)	(12,837)	(27,415)
	202,766	327,322	404,356

Inventories are valued at the lower of cost and estimated net realizable value. Provision is made for obsolete and slow-moving items. The inventory write-down recognized in the combined statement of comprehensive income amounted to approximately RMB15,588,000, RMB7,082,000 and RMB27,415,000 for the years ended December 31, 2011, 2012 and 2013, respectively.

The cost of inventories recognized as "cost of sales" amounted to approximately RMB1,223,206,000, RMB1,606,921,000 and RMB1,792,171,000 for the years ended December 31, 2011, 2012 and 2013, respectively.

21. TRADE RECEIVABLES

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Due from a related party (Note 34 (c)(i))	6,941	4,467	—
Due from third parties	59,311	176,551	173,275
	66,252	181,018	173,275
Less: provision for impairment	(8)	(224)	(2,666)
Trade receivables — net	66,244	180,794	170,609

(a) As at December 31, 2011, 2012 and 2013, the fair values of the trade receivables of the Group approximate their carrying amounts.

(b) As at December 31, 2011, 2012 and 2013, the carrying amounts of the Group's trade receivables are all denominated in RMB.

(c) 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 gives franchise customers a credit

period of 180 to 360 days for their first order of products for new outlets. The ageing analysis of trade receivables based on invoice date, as at December 31, 2011, 2012 and 2013 is as follows:

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade receivables, gross			
— Within 30 days	24,285	34,474	123,513
— Over 30 days and within 60 days	29,492	51,509	32,751
— Over 60 days and within 90 days	9,176	40,751	7,483
— Over 90 days and within 180 days	3,128	51,972	8,457
— Over 180 days and within 360 days	48	2,025	636
— Over 360 days	123	287	435
	66,252	181,018	173,275

(d) Trade receivables of the Group are analyzed as below:

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Fully performing under credit terms	44,716	123,451	156,516
Past due but not impaired	21,528	57,343	14,093
Non-performing and impaired	8	224	2,666
	66,252	181,018	173,275
Less: provision for impairment	(8)	(224)	(2,666)
Trade receivables — net	66,244	180,794	170,609

As at December 31, 2011, 2012 and 2013, trade receivables of RMB8,000, RMB224,000 and RMB2,666,000, respectively, of the Group are impaired and fully provided for. The individually impaired receivables mainly relate to certain franchise customers who are in unexpectedly difficult economic situations.

For past due but not impaired receivables, based on the past experiences, the directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in their credit quality and the balances are considered fully recoverable. These trade receivables relate to a number of independent debtors for whom there is no recent history of default. The Group does not hold any collateral as security over these debtors.

The ageing analysis of the Group's trade receivables which are past due but not impaired at respective balance sheet dates is as follows:

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
— Within 30 days	14,271	26,196	9,025
— Over 30 days and within 60 days	5,718	25,075	1,617
— Over 60 days and within 90 days	1,183	3,826	1,667
— Over 90 days and within 180 days	194	1,957	713
— Over 180 days and within 360 days	39	2	636
— Over 360 days	123	287	435
	21,528	57,343	14,093

(e) Movements in the Group's provision for impairment of trade receivables are as follows:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
At January 1	—	8	224
Provision for impairment (Note 9)	8	216	2,607
Receivables written off as uncollectible	—	—	(165)
At December 31	8	224	2,666

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Prepayments for acquisition of land use rights	10,367	5,039	4,500
Prepayments for acquisition of property, plant and equipment	38,897	1,277	3,571
Prepayments for acquisition of intangible assets	2,000	—	618
Value added tax recoverable	6,267	50,162	39,225
Prepayments and deposits	21,799	12,022	26,532
Prepaid rental expenses	5,347	10,614	28,042
Others	10,417	6,184	8,667
	95,094	85,298	111,155
Less: non-current portion	(56,278)	(13,404)	(19,949)
Current portion	38,816	71,894	91,206

As at December 31, 2011, 2012 and 2013, the fair values of the Group's deposits, prepayments and other receivables, except for the prepayments which are not financial assets, approximate their carrying amounts.

As at December 31, 2011, 2012 and 2013, the carrying amounts of the Group's deposits and other receivables are denominated in RMB.

As at December 31, 2011, 2012 and 2013, the Group's deposits, prepayments and other receivables, except for the prepayments which are not financial assets, are fully performing under normal business terms.

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Unlisted wealth management products in the PRC with floating interest	216,000	10,000	—

None of these financial assets is either past due or impaired.

As at December 31, 2011 and 2012, the fair value of the Group's available-for-sale financial assets approximate their carrying amounts. The carrying amounts of the Group's available-for-sale financial assets represent the Group's maximum risk exposure in relation to its interests in unconsolidated structured entities.

24. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cash at bank and in hand	162,106	209,870	306,252
Less: restricted bank deposits (a)	—	(30,000)	(16,225)
Cash and cash equivalents	162,106	179,870	290,027

(a) Restricted bank deposits were pledged to banks as follows:

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
As collateral for the Group's bank borrowings (Note 28)	—	30,000	—
As collateral for outstanding bank borrowings of certain franchisees of the Group (Note 32)	—	—	7,000
As collateral for construction of certain property, plant and equipment	—	—	9,225
	—	30,000	16,225

(b) Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

25. CAPITAL

The capital represents the paid-in capital/share capital of Cosmo Lady Guangdong, the principal operating company of the Group.

	Capital
	RMB'000
As at January 1, 2011	60,000
Capital contributions by investors (a)	43,172
As at December 31, 2011 and 2012	103,172
Capitalization upon conversion of Cosmo Lady Guangdong into a joint stock company on July 29, 2013 (b)	316,828
As at December 31, 2013	420,000

(a) Capital contributions by investors

	Capital	Other reserves	Total
	RMB'000	RMB'000	RMB'000
Capital contributions by investors	43,172	275,247	318,419

Pursuant to the investment agreement entered into between Capital Today Investment and the then equity holders of Cosmo Lady Guangdong on October 20, 2010, Mr. ZHENG Yaonan, Mr. ZHANG Shengfeng, Mr. LIN Zonghong and Mr. CHENG Zuming made capital contributions of RMB33,000,000 to Cosmo Lady Guangdong and transferred 3.22% of Cosmo Lady Guangdong's equity interest to Capital Today Investment. In addition, Capital Today Investment made further capital contributions of RMB147,049,000 to Cosmo Lady Guangdong. Excess of the cash consideration over the paid-in capital with the amount of RMB140,049,000 was recognized as "other reserves" in the combined balance sheet. The above share transfer and capital contributions were completed on January 21, 2011.

Pursuant to the investment agreement entered into between the then equity holders of Cosmo Lady Guangdong on August 15, 2011, Capital Today Investment and Shenzhen Boshi made additional capital contributions of RMB135,000,000 and RMB3,370,000, respectively, to Cosmo Lady Guangdong. Excess of the cash considerations over paid-in capital with the amounts of RMB131,907,000 and RMB3,291,000 was recognized as "other reserves" in the combined balance sheets. The above capital contributions were completed on November 14, 2011. Shenzhen Boshi was set up for the operation of the Group's share award scheme, as discussed in Note 27.

(b) Capitalization upon conversion of Cosmo Lady Guangdong into a joint stock company on July 29, 2013

On July 29, 2013, Cosmo Lady Guangdong was converted into a joint stock company with limited liability by converting total equity as at December 31, 2012 into 420,000,000 ordinary shares of nominal value of RMB1.00 each. Excess of total equity of Cosmo Lady Guangdong over the nominal value of total issued share capital with the amount of RMB192,790,000 has been recognized as "other reserves" in the combined balance sheets (Note 26).

26. OTHER RESERVES

	Statutory reserve	Capital reserve	Capital reserve — equity settled share-based compensation	Total other reserve
	RMB'000	RMB'000	RMB'000 (Note 27)	RMB'000
At January 1, 2011	1,747	—	—	1,747
Capital contributions from investors (Note 25(a))	—	275,247	—	275,247
Appropriation to statutory reserve	17,810	—	—	17,810
At December 31, 2011	19,557	275,247	—	294,804
Equity-settled share-based compensation	—	—	148	148
Appropriation to statutory reserve	23,219	—	—	23,219
At December 31, 2012	42,776	275,247	148	318,171
Capitalization upon conversion of Cosmo Lady Guangdong into a joint stock company on July 29, 2013 (Note 25(b))	(37,040)	(82,457)	(148)	(119,645)
Equity-settled share-based compensation	—	—	5,726	5,726
Appropriation to statutory reserve	32,013	—	—	32,013
At December 31, 2013	37,749	192,790	5,726	236,265

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.

27. EQUITY-SETTLED SHARE-BASED COMPENSATION

(a) Contributions from certain shareholders by awarding their equity instruments to the employees of the Group

Shenzhen Boshi and Tianjin Daming, entities which were set up for the benefits of the Group's employees and hold an aggregate 2.5% equity interest in Cosmo Lady Guangdong, operates a share award scheme (the "Share Award Scheme") in exchange for employee services to the Group. The equity interests in Cosmo Lady Guangdong held by Shenzhen Boshi and Tianjin Daming have been indirectly transferred to the Company and the Share Award Scheme has been effectively taken up by Great Ray upon the completion of the Reorganization.

Details of the Share Award Scheme are summarized as follows:

Shenzhen Boshi and Tianjin Daming, which were established by Mr. ZHENG Yaonan, Mr. ZHANG Shengfeng and Mr. LIN Zonghong and were subsequently became the equity holders of Cosmo Lady Guangdong and held 0.5% and 2% of the equity interest in Cosmo Lady Guangdong, respectively.

On September 25, 2010, Shenzhen Boshi subscribe for RMB2,500,000 in the increased registered capital in Cosmo Lady Guangdong at a consideration equal to the book value of the corresponding registered capital. On August 15, 2011, Shenzhen Boshi subscribed for RMB79,000 in the increased registered capital of Cosmo Lady Guangdong at a consideration of RMB3,370,000. The aggregate cash considerations for these capital injections of RMB5,870,000 were paid by Mr. ZHENG Yaonan, Mr. ZHANG Shengfeng and Mr. LIN Zonghong. After these two rounds of capital injection, Shenzhen Boshi held 2.5% of the equity interest in Cosmo Lady Guangdong. On November 10, 2012, Shenzhen Boshi transferred 2% equity interest in Cosmo Lady Guangdong to Tianjin Daming.

Great Ray was incorporated in the BVI by Mr. ZHENG Yaonan to subscribe for 2.5% of the issued share capital of the Company and take up the Share Award Scheme.

Under the Share Award Scheme prior to the Reorganization, eligible employees are entitled to acquire the equity interest in Shenzhen Boshi/Tianjin Daming at a pre-determined subscription price. Upon the completion of the Reorganization, these eligible employees are entitled to the beneficial interest in Great Ray. The excess of the fair value of the Company over the cash consideration paid by the eligible employees was considered as management incentive.

Details of each grant under the Share Award Scheme and the percentage of equity interest in the Company indirectly held by the eligible employees through Shenzhen Boshi/Tianjin Daming/Great Ray during the Relevant Periods are as follows:

	Year ended December 31,		
	2011	2012	2013
	Percentage of equity interest in the Company indirectly held by the eligible employees		
Beginning of the year	–	–	1.54%
Grant date:			
December 18, 2012	–	1.54%	–
March 12, 2013	–	–	0.67%
End of the year	–	1.54%	2.21%

(b) Vesting condition of the Share Award Scheme

Pursuant to the Share Award Scheme, vesting of shares awarded under the scheme are subject to the successful listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing") as well as a 3-year service period after the Listing.

The vesting schedule of the shares awarded under the scheme is as follows:

- 35% will vest on the first anniversary of the date of the Listing;
- 35% will vest on the second anniversary of the date of the Listing;
- 30% will vest on the third anniversary of the date of the Listing.

(c) Fair value estimation of the equity instruments granted

As a private company with no quoted market price of the Company's equity instruments, the Company needs to estimate the fair value of its equity interest at the relevant grant dates. The discounted cash flow method under the income approach has been applied in the determination of the fair value of the equity interest in the Company. The discounted cash flow derived by management considered the Group's future business plan, specific business and financial risks, the stage of development of the Group's operations and economic and competitive elements affecting the Group's business, industry and market.

The fair value of each grant under Share Award Scheme are summarized as follows:

Grant date	RMB'000
December 18, 2012	13,695
March 12, 2013	5,906

(d) Accounting treatment of the share-based compensation

As the Company received the benefits associated with the services of the eligible employees, the fair value of the employee services received in exchange for the grant of the

equity instruments is recognized as an expense. The total amount to be expensed is determined by the fair value of the equity instruments granted less the subscription cost of the instruments, and amortized over the different length vesting years of each grant with a credit recognized in equity as capital contribution.

During the Relevant Periods, expenses arising from the share-based compensation have been charged in the combined statement of comprehensive income as follows:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
General and administrative expenses. . . .	–	92	3,186
Selling and marketing expenses.	–	56	2,540
	–	148	5,726

28. BORROWINGS

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Non-Current			
Bank borrowings — unsecured	27,457	—	—
Less: current portion of non-current bank borrowings	(4,735)	—	—
	22,722	—	—
Current			
Bank borrowings — secured	—	27,000	—
Current portion of non-current bank borrowings	4,735	—	—
	4,735	27,000	—
Total borrowings.	27,457	27,000	—

The Group's borrowings are denominated in RMB.

The Group's borrowings were repayable as follows:

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within 1 year	4,735	27,000	—
Between 1 and 2 years	5,107	—	—
Between 2 and 5 years	17,615	—	—
Wholly repayable within 5 years	27,457	27,000	—

The Group has no significant exposure to interest rate changes as the borrowings are carried at fixed interest rate. As at December 31, 2011 and 2012, the weighted average effective interest rates were 7.59% and 4.80% respectively.

The fair value of the borrowings approximates their carrying amount.

As at December 31, 2012, bank borrowings – secured of RMB27,000,000 were secured by the restricted bank deposits of the Group to the extent of RMB30,000,000.

As at December 31, 2011, bank borrowings – unsecured of RMB27,457,000 were jointly guaranteed by Mr. ZHENG Yaonan and Ms. WU Xiaoli, executive directors of the Company.

The Group had the following undrawn bank borrowing facilities:

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Facilities in RMB	543	—	80,000

29. TRADE PAYABLES

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Due to related parties (Note 34 (c)(ii))	18,117	21,750	12,108
Due to third parties	127,643	215,903	207,192
	145,760	237,653	219,300

As at December 31, 2011, 2012 and 2013, trade payables of the Group were non-interest bearing, and their fair values approximate their carrying amounts due to their short maturities.

As at December 31, 2011, 2012 and 2013, trade payables are denominated in RMB.

The ageing analysis of the trade payables based on invoice date is as follows:

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade payables			
— Within 30 days	65,806	66,741	51,580
— Over 30 days and within 60 days	34,351	91,471	69,172
— Over 60 days and within 90 days	22,688	57,818	51,663
— Over 90 days and within 180 days	17,249	19,846	35,913
— Over 180 days and within 360 days	5,221	1,650	10,565
— Over 360 days	445	127	407
	145,760	237,653	219,300

30. ACCRUALS AND OTHER PAYABLES

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Due to a related party (Note 34 (c)(ii))	—	4,000	—
Due to third parties			
Payables for purchases of property, plant and equipment and intangible assets	4,071	10,635	6,503
Receipts in advance from customers	39,435	52,081	65,928
Salaries and welfare payables	12,114	18,296	28,800
Accrued taxes other than income tax	603	28,197	4,297
Deposits from franchisees	33,435	44,313	50,179
Provision for sales return	16,154	10,631	3,961
Rental payables	1,525	1,516	2,908
Accrued listing expenses	—	—	15,937
Other accrued expenses and payables	19,889	4,778	10,773
	127,226	174,447	189,286

As at December 31, 2011, 2012 and 2013, accruals and other payables of the Group were non-interest bearing, and their fair value, except for the receipts in advance from customers which were not financial liabilities, approximated their carrying amounts due to their short maturities.

As at December 31, 2011, 2012 and 2013, accruals and other payables of the Group were denominated in RMB.

31. NOTE TO COMBINED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash generated from operations

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Profit for the year before income tax	227,359	263,142	374,873
Adjustments for:			
— Depreciation of property, plant and equipment (Note 16)	7,471	13,876	24,433
— Amortization of land use rights (Note 17)	108	693	1,278
— Amortization of intangible assets (Note 18)	363	1,368	4,051
— Provision for impairment of trade receivables (Note 21)	8	216	2,607
— Write-down of inventories (Note 20)	15,588	7,082	27,415
— Finance income (Note 12)	(4,706)	(9,217)	(4,829)
— Finance costs (Note 12)	12	1,917	1,422
— Equity-settled share-based compensation (Note 27(d))	—	148	5,726
— Loss on disposal of property, plant and equipment — net (Note 8)	668	195	32
— Loss on disposal of intangible assets — net (Note 8)	49	—	—
	246,920	279,420	437,008
Changes in working capital:			
— (Increase)/decrease in trade receivables	(52,750)	(114,766)	7,578
— Increase in restricted bank deposits	—	—	(16,225)
— Increase in deposits, prepayments and other receivables	(38,209)	(35,152)	(23,484)
— Increase in inventories	(115,447)	(131,638)	(104,449)
— Increase/(decrease) in trade payables	118,193	91,893	(18,353)
— Increase in accruals and other payables	49,033	13,270	46,358
Cash generated from operations	207,740	103,027	328,433

(b) Proceeds from disposal of property, plant and equipment

In the combined statements of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Net book amount of property, plant and equipment (Note 16)	726	980	70
Loss on disposal of property, plant and equipment (Note 8)	(668)	(195)	(32)
Proceeds from disposal of property, plant and equipment	58	785	38

32. FINANCIAL GUARANTEE CONTRACTS

As at December 31, 2013, the Group provided corporate guarantees to secure obligations of certain franchise customers for repayments of their bank borrowings of approximately RMB69,010,000. The maximum credit risk exposure as at December 31, 2013 is the amount of outstanding guarantees.

Pursuant to the supplemental agreement entered into by the bank and the Group on January 26, 2014, such guarantees were terminated with immediate effect on that day.

33. COMMITMENTS

(a) Capital commitments

Capital expenditure of property, plant and equipment authorised by the board of directors which has not been contracted for is as follows:

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	—	141,000	377,736

Capital expenditure contracted for at each balance sheet date, but not yet incurred is as follows:

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	23,324	829	89,619
Land use rights	37,740	4,500	16,935
Intangible assets	990	3,946	920
	62,054	9,275	107,474

(b) Operating lease commitments

As at December 31, 2011, 2012 and 2013, the future aggregate minimum lease payments in respect of buildings under non-cancellable operating leases were as follows:

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
No later than 1 year	29,020	70,348	97,778
Later than 1 year and no later than 5 years	30,253	101,162	137,111
Later than 5 years	5	3,938	4,406
	59,278	175,448	239,295

34. 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 operation 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 during the years ended December 31, 2011, 2012 and 2013, and balances arising from related party transactions as at December 31, 2011, 2012 and 2013.

(a) Name and relationship with related parties

	Relationship with the Group
Mr. ZHENG Yaonan	Founder, director and ultimate controlling party
Mr. ZHANG Shengfeng	Founder and director
Mr. LIN Zonghong	Founder and director
Mr. CHENG Zuming	Founder and director
Capital Today Investment	Shareholder of Cosmo Lady Guangdong
Tianjin Daming	Shareholder of Cosmo Lady Guangdong
Shenzhen Boshi	Shareholder of Cosmo Lady Guangdong
Ms. WU Xiaoli	Director and spouse of Mr. ZHENG Yaonan
Mr. WU Shouyuan	Brother of Ms. WU Xiaoli
Shantou City Maosheng Knitting Underwear Co., Ltd (汕頭市茂盛針織內衣有限公司, "Shantou Maosheng")	Controlled by Mr. LIN Zonghong
Shantou City Shengqiang Knitting Industrial Co., Ltd (汕頭市盛強針織實業有限公司, "Shantou Shengqiang")	Controlled by Mr. ZHANG Shengfeng
Shantou City Chaoyang District Shifen Knitting Factory(汕頭市潮陽區時芬針織廠, "Shantou Shifen")	Controlled by Mr. ZHANG Shengfeng
Shantou City Hengtaifa Underwear Industrial Co., Ltd (汕頭市恒泰發內衣實業有限公司, "Shantou Hengtaifa")	Controlled by Mr. ZHANG Shengfeng
Shantou City Routai Beauty Weaving Co., Ltd (汕頭市柔太美織造有限公司, "Shantou Routai")	Controlled by Mr. ZHANG Shengfeng

(b) Transactions with related parties

(i) Sales of goods:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Discontinued transactions:			
Mr. WU Shouyuan (Note)	63,242	72,569	—

Note: The Group ceased its business relationship with Mr. WU Shouyuan effective from January 1, 2013. Sales of goods to this related party are on normal commercial terms and conditions.

(ii) Purchases of goods:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Continuing transactions:			
Shantou Shengqiang	26,249	19,443	25,563
Shantou Maosheng	16,526	11,338	21,257
	42,775	30,781	46,820
Discontinued transactions:			
Shantou Routai (Note)	47,977	48,935	—
Shantou Shifen (Note)	13,982	6,074	—
Shantou Hengtaifa (Note)	5,852	9,862	—
	67,811	64,871	—
	110,586	95,652	46,820

Purchases of goods from these related parties are on normal commercial terms and conditions.

Note: The Group ceased its business relationship with these related parties effective from January 1, 2013.

(iii) Purchases of properties:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Discontinued transactions:			
Mr. ZHENG Yaonan and Ms. WU Xiaoli	—	9,554	—
Mr. ZHENG Yaonan, Mr. ZHANG Shengfeng and Mr. LIN Zonghong	—	9,155	—
	—	18,709	—

Purchase of properties from these related parties were conducted at prices and terms mutually agreed with these related parties.

(iv) Lease of properties from related parties:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Discontinued transactions:			
Ms. WU Xiaoli (Note)	360	451	407

Note: The operating lease agreement with Ms. WU Xiaoli was terminated in December 2013. Lease of properties from this related party is on normal commercial terms and conditions

(v) Guarantees for bank borrowings

As at December 31, 2011, 2012 and 2013, bank borrowings of the Group were jointly guaranteed by Mr. ZHENG Yaonan and Ms. WU Xiaoli are as follows:

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Discontinued transactions:			
Jointly guaranteed by Mr. ZHENG Yaonan and Ms. WU Xiaoli	27,457	—	—

The financial guarantee was released on December 24, 2012.

(c) Balances with related parties

(i) Receivable from a related party:

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade balance (Note 21):			
Mr. WU Shouyuan	6,941	4,467	—

The balance is unsecured, interest-free and has no fixed payment terms.

(ii) Payables to related parties

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade balances (Note 29):			
Shantou Routai	6,106	12,759	—
Shantou Hengtaifa	356	4,206	—
Shantou Shengqiang	6,088	3,341	9,490
Shantou Maosheng	4,844	935	2,618
Shantou Shifen	723	509	—
	18,117	21,750	12,108
Non-trade balance (Note 30):			
Mr. WU Shouyuan (Note)	—	4,000	—
	18,117	25,750	12,108

Note: The non-trade balance was settled in January 2013. The maximum balance during the year ended December 31, 2012 was RMB4,000,000.

(iii) Dividends payable

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Capital Today Investment	—	17,132	25,380
Shenzhen Boshi	—	3,750	1,000
Mr. ZHENG Yaonan	—	—	105,324
Mr. CHENG Zuming	—	—	6,978
Mr. ZHANG Shengfeng	—	—	32,754
Mr. LIN Zonghong	—	—	24,564
Tianjin Daming	—	—	4,000
	—	20,882	200,000

The payables due to related parties were unsecured, non-interest bearing and repayable on demand.

(d) Key management compensation

The remuneration of directors of the Company and other members of key management of the Group during the Relevant Periods are as follows:

	Year ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	1,335	2,608	3,580
Social insurance and housing fund	59	216	331
Equity-settled share-based compensation	—	35	971
	1,394	2,859	4,882

35. PARTICULARS OF THE SUBSIDIARIES OF THE GROUP

Particulars of the subsidiaries of the Group as at the date of this report and during the Relevant Periods are set out below:

Company name	Country/place and date of incorporation	Paid-in capital/ registered capital	Effective interests held by the Group			Direct / Indirect	Principal activities	Statutory auditors		
			December 31,							
			2011	2012	2013			2011	2012	2013
Cosmo Lady Guangdong Holdings Limited (廣東都市麗人實業有限公司)	PRC, September 29, 2009	RMB420,000,000	100%	100%	100%	Indirect	Sale of intimate wear	(2)	(2)	(18)
Beijing Ziseyangguang Sale Co., Ltd. (北京紫色陽光銷售有限公司)	PRC, November 23, 2010	RMB1,000,000	100%	100%	100%	Indirect	Sale of intimate wear	(3)	(3)	(18)
Cosmo Lady Fashion (Shenzhen) Co., Ltd. (深圳市都市麗人服裝有限公司)	PRC, January 11, 2011	RMB2,000,000	100%	100%	100%	Indirect	Sale of intimate wear	(4)	(1)	(18)
Cosmo Lady Fashion (Wuhan) Co., Ltd. (武漢市都市麗人銷售有限公司)	PRC, May 24, 2011	RMB1,000,000	100%	100%	100%	Indirect	Sale of intimate wear	(5)	(14)	(18)
Cosmo Lady Fashion (Guangzhou) Co., Ltd. (廣州市都市麗人服裝有限公司)	PRC, June 27, 2011	RMB2,000,000	100%	100%	100%	Indirect	Sale of intimate wear	(6)	(15)	(18)
Fanxue Fashion (Changsha) Co., Ltd. (長沙市凡雪服裝貿易有限公司)	PRC, June 7, 2011	RMB1,000,000	100%	100%	100%	Indirect	Sale of intimate wear	(7)	(16)	(18)
Nanjing Caoyise Fashion Co., Ltd. (南京草一色服裝銷售有限公司)	PRC, June 8, 2011	RMB1,000,000	100%	100%	100%	Indirect	Sale of intimate wear	(8)	(17)	(18)
Xiamen Kexuan Fashion Co., Ltd. (廈門可軒服裝有限公司)	PRC, July 25, 2011	RMB1,000,000	100%	100%	100%	Indirect	Sale of intimate wear	(9)	(9)	(18)
Tianjin Dushifengshang Fashion Co., Ltd. (天津都市風尚服裝銷售有限公司)	PRC, February 13, 2012	RMB30,000,000	—	100%	100%	Indirect	Sale of intimate wear	(1)	(10)	(18)
Fanxue Fashion (Chongqing) Co., Ltd. (重慶市凡雪服裝有限公司)	PRC, July 23, 2012	RMB20,000,000	—	100%	100%	Indirect	Sale of intimate wear	(1)	(11)	(18)
Fanxue Fashion (Shanghai) Co., Ltd. (上海市凡雪服裝有限公司)	PRC, August 3, 2012	RMB3,000,000	—	100%	100%	Indirect	Sale of intimate wear	(1)	(12)	(18)
Cosmo Lady Fashion (Chengdu) Co., Ltd. (成都市都市麗人服裝有限公司)	PRC, September 13, 2012	RMB2,000,000	—	100%	100%	Indirect	Sale of intimate wear	(1)	(13)	(18)
Cosmo Lady Fashion (Guiyang) Co., Ltd. (貴陽都市麗人服裝有限公司)	PRC, March 19, 2013	RMB1,000,000	—	—	100%	Indirect	Sale of intimate wear	(1)	(1)	(18)
Fanxue Fashion (Huizhou) Co., Ltd. (惠州市凡雪服裝有限公司)	PRC, March 20, 2013	RMB1,000,000	—	—	100%	Indirect	Sale of intimate wear	(1)	(1)	(18)
Haodai Fashion (Hangzhou) Co., Ltd. (杭州好戴服裝有限公司)	PRC, March 26, 2013	RMB1,000,000	—	—	100%	Indirect	Sale of intimate wear	(1)	(1)	(18)
Fanxue Fashion (Ningbo) Co., Ltd. (寧波市凡雪服裝有限公司)	PRC, March 28, 2013	RMB1,000,000	—	—	100%	Indirect	Sale of intimate wear	(1)	(1)	(18)
Cosmo Lady Fashion (Yunnan) Co., Ltd. (雲南都市麗人服裝有限公司)	PRC, April 10, 2013	RMB1,000,000	—	—	100%	Indirect	Sale of intimate wear	(1)	(1)	(18)
Cosmo Lady Fashion (Fuzhou) Co., Ltd. (福州都市麗人服裝有限公司)	PRC, April 19, 2013	RMB3,000,000	—	—	100%	Indirect	Sale of intimate wear	(1)	(1)	(18)
Fanxue Fashion (Zhengzhou) Co., Ltd. (鄭州市凡雪服裝有限公司)	PRC, April 28, 2013	RMB1,000,000	—	—	100%	Indirect	Sale of intimate wear	(1)	(1)	(18)

Company name	Country/place and date of incorporation	Paid-in capital/ registered capital	Effective interests held by the Group December 31, 2011	2012	2013	Direct / Indirect	Principal activities	Statutory auditors 2011	2012	2013
Cosmo Lady (International) Company Limited (都市麗人(國際)集團有限公司)	Hong Kong, August 27, 2013	1 share of HK$1	—	—	100%	Indirect	Investment holding	(1)	(1)	(1)
Cosmo Lady (International) Holdings Co., Ltd. (都市麗人(國際)控股有限公司)	BVI, January 29, 2014	1 share of US$1	(1)	(1)	(1)	Direct	Investment holding	(1)	(1)	(1)
Cosmo Lady (Hong Kong) Holdings Co., Ltd. (都市麗人(香港)控股有限公司)	Hong Kong, February 12, 2014	1 share of HK$1	(1)	(1)	(1)	Indirect	Investment holding	(1)	(1)	(1)

Notes:
(1) Not applicable
(2) Dongguan Jinqiao Certified Public Accountants Partnership (東莞市金橋會計師事務所(普通合夥))
(3) Beijing Yongqin Certified Public Accountants Co, Ltd. (北京永勤會計師事務所有限公司)
(4) Shenzhen Junda Certified Public Accountants Co. Ltd. (深圳市均達會計師事務所有限公司)
(5) Hubei Chengyi Lianhe Certified Public Accountants (湖北誠意聯合會計師事務所)
(6) Guangzhou Haizheng Certified Public Accountants Co., Ltd. (廣州海正會計師事務所有限公司)
(7) Hunan Deheng Lianhe Certified Public Accountants (湖南德恒聯合會計師事務所)
(8) Nanjing Yongxin Lianhe Certified Public Accountants (南京永信聯合會計師事務所)
(9) Xiamen Yimeng Lianhe Certified Public Accountants (廈門怡盟聯合會計師事務所)
(10) Tianjin Zhengtai Certified Public Accountants Co., Ltd.(天津市正泰有限責任會計師事務所)
(11) Chongqing Taiyuan Certified Public Accountants (重慶泰源會計師事務所)
(12) Shanghai Qianyi Certified Public Accountants Co., Ltd. (上海仟一會計師事務所有限公司)
(13) Sichuan Tianyi Certified Public Accountants Co., Ltd. (四川天一會計師事務所有限責任公司)
(14) Hubei Chuntian Certified Public Accountants Co., Ltd. (湖北春天會計師事務所有限公司)
(15) Guangdong Xinhua Certified Public Accountants Co., Ltd. (廣東新華會計師事務所有限公司)
(16) Hunan Xiwang Certified Public Accountants Co., Ltd. (湖南希望會計師事務所有限責任公司)
(17) Jiangsu Zihua Certified Public Accountants (江蘇諮華會計師事務所)
(18) No audited financial statements for the year ended December 31, 2013 were issued as of the date of this report.

The English names of the PRC companies and statutory auditors referred to the above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

36. CONTINGENT LIABILITIES

As at December 31, 2011, 2012 and 2013, the Group did not have significant contingent liabilities.

37. SUBSEQUENT EVENTS

Other than the completion of the Reorganization on February 28, 2014 as disclosed in Note 1.2, there have been no other significant events taken place subsequent to December 31, 2013 until the date of this Financial Information.

III. FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated on January 28, 2014 in the Cayman Islands with an authorized share capital of 5,000,000 shares with a par value of US$0.01 each and has not entered into any significant business transactions other than the Reorganization. As the Company was incorporated after the Relevant Periods, no company stand-alone balance sheet was presented in this report.

IV SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any year subsequent to December 31, 2013 and up to the date of this report. Saved as disclosed in this report, no dividend has been declared or made by the Company or its subsidiaries in respect of any period subsequent to December 31, 2013.

Yours faithfully,

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and Appendix I.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the [**REDACTED**] on the combined net tangible assets of the Group attributable to the equity holders of the Company as of December 31, 2013 as if the [**REDACTED**] had taken place on that date.

The unaudited pro forma adjusted net tangible assets have been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group had the [**REDACTED**] been completed as at December 31, 2013 or at any future dates.

	Audited combined net tangible assets of the Group attributable to the equity holders of the Company as at December 31, 2013 (Note 1)	**Estimated net proceeds from the [REDACTED] (Note 2)**	**Unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company**	**Unaudited pro forma adjusted net tangible assets per Share (Note 3)**	
	RMB'000	**RMB'000**	**RMB'000**	**RMB**	**HK$**
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The audited combined net tangible assets information of the Group attributable to the equity holders of the Company as at December 31, 2013 is extracted from the Accountant's Report set out in Appendix I, which is based on the audited combined net assets of the Group attributable to the equity holders of the Company as at December 31, 2013 of [**REDACTED**] with an adjustment for the intangible assets as at December 31, 2013 of [**REDACTED**].

(2) The estimated net proceeds to be received by the Company from the [**REDACTED**] are based on the indicative [**REDACTED**] of HK$[**REDACTED**] (equivalent to RMB[**REDACTED**]) and HK$[**REDACTED**] (equivalent to RMB[**REDACTED**]) per Share, respectively, after deduction of the underwriting fees and other related expenses borne by the Company and takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or of any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [**REDACTED**] Shares were in issue assuming that the [**REDACTED**] and the Reorganization has been completed on December 31, 2013 but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or of any Shares which may be issued upon the exercise of any option which may be granted under the Share Option Scheme or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate.

(4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2013.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.7949.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

This Appendix contains a summary of the Memorandum and Articles of Association of our Company. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. As stated in "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V, a copy of the Memorandum and Articles of Association is available for inspection.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28 January 2014 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and the Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on June 9, 2014 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

2.1 SHARES

2.1.1 Classes of shares

The share capital of the Company consists of ordinary shares.

2.1.2 Share certificates

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or

either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words "restricted voting" or "limited voting" or "non-voting" or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

2.2 DIRECTORS

2.2.1 Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

2.2.2 Power to dispose of the assets of the Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

2.2.3 Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

2.2.4 Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

2.2.5 Disclosure of interest in contracts with the Company or with any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

(a) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(c) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(d) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or

(e) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

2.2.6 Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

2.2.7 Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

(a) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;

(b) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(c) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;

(d) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(e) if he is prohibited from being a director by law;

(f) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;

(g) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or

(h) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

2.2.8 Borrowing powers

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

2.2.9 Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

2.2.10 Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 ALTERATIONS TO THE CONSTITUTIONAL DOCUMENTS

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

2.4 VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 ALTERATION OF CAPITAL

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital – subject to the Cayman Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

2.6 SPECIAL RESOLUTION – MAJORITY REQUIRED

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

2.7 VOTING RIGHTS (GENERALLY AND ON A POLL) AND RIGHT TO DEMAND A POLL

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

2.7.1 the chairman of the meeting; or

2.7.2 at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

2.7.3 any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

2.7.4 a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and

be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

2.8 ANNUAL GENERAL MEETINGS

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

2.9 ACCOUNTS AND AUDIT

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.10 NOTICES OF MEETINGS AND BUSINESS TO BE CONDUCTED THEREAT

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

2.10.1 in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

2.10.2 in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(a) the declaration and sanctioning of dividends;

(b) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(c) the election of Directors in place of those retiring;

(d) the appointment of auditors;

(e) the fixing of the remuneration of the Directors and of the auditors;

(f) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and

(g) the granting of any mandate or authority to the Board to repurchase securities in the Company.

2.11 TRANSFER OF SHARES

Subject to the Cayman Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

2.12 POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

2.13 POWER OF ANY SUBSIDIARY OF THE COMPANY TO OWN SHARES IN THE COMPANY

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

2.14 DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

2.14.1 all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and

2.14.2 all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

(a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.15 PROXIES

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

2.16 CALLS ON SHARES AND FORFEITURE OF SHARES

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

2.17 INSPECTION OF CORPORATE RECORDS

Members of the Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and

require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

2.18 QUORUM FOR MEETINGS AND SEPARATE CLASS MEETINGS

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

2.19 RIGHTS OF MINORITIES IN RELATION TO FRAUD OR OPPRESSION

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

2.20 PROCEDURES ON LIQUIDATION

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

2.20.1 if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

2.20.2 if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.21 UNTRACEABLE MEMBERS

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

2.21.1 all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;

2.21.2 upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and

2.21.3 the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

2.22 SUBSCRIPTION RIGHTS RESERVE

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on January 28, 2014 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 COMPANY OPERATIONS

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

3.2 SHARE CAPITAL

In accordance with the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

3.2.1 paying distributions or dividends to members;

3.2.2 paying up unissued shares of the company to be issued to members as fully paid bonus shares;

3.2.3 any manner provided in section 37 of the Cayman Companies Law;

3.2.4 writing-off the preliminary expenses of the company; and

3.2.5 writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Cayman Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Cayman Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

3.3 FINANCIAL ASSISTANCE TO PURCHASE SHARES OF A COMPANY OR ITS HOLDING COMPANY

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 PURCHASE OF SHARES AND WARRANTS BY A COMPANY AND ITS SUBSIDIARIES

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Cayman Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the

purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 DIVIDENDS AND DISTRIBUTIONS

With the exception of sections 34 and 37A(7) of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Cayman Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

3.6 PROTECTION OF MINORITIES AND SHAREHOLDERS' SUITS

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

3.6.1 an act which is ultra vires the company or illegal;

3.6.2 an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and

3.6.3 an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 DISPOSAL OF ASSETS

There are no specific restrictions in the Cayman Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

3.8 ACCOUNTING AND AUDITING REQUIREMENTS

Section 59 of the Cayman Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Cayman Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 EXCHANGE CONTROL

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 TAXATION

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

3.10.1 that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

3.10.2 in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(a) on or in respect of the shares, debentures or other obligations of the Company; or

(b) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of twenty years from March 11, 2014.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 STAMP DUTY ON TRANSFERS

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 LOANS TO DIRECTORS

The Cayman Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

3.13 INSPECTION OF CORPORATE RECORDS

The members of the company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 REGISTER OF MEMBERS

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Cayman Companies Law

contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

3.15 WINDING UP

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.16 RECONSTRUCTIONS

Reconstructions and amalgamations are governed by specific statutory provisions under the Cayman Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.17 TAKE-OVERS

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.18 INDEMNIFICATION

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal advisors on Cayman Islands law, have sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in "Documents Delivered to the Registrar of Companies and Available for Inspection — 2. Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were incorporated in the Cayman Islands under Cayman Companies Law as an exempted company with limited liability on January 28, 2014. We have established a principal place of business in Hong Kong at Suite 2012, Tower 1, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XVI of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) on March 18, 2014 under the same address. Mr. Zheng and Mr. Yu Chun Kau have been appointed as the authorized representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As we were incorporated in the Cayman Islands, our corporate structure and Memorandum of Association and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum of Association and Articles of Association is set out in "Summary of the Constitution of Our Company and Cayman Islands Company Law" in Appendix III.

2. Change in Share Capital of Our Company

The authorized share capital of our Company as of the date of its incorporation was US$50,000 divided into 5,000,000 ordinary shares of US$0.01 each.

On January 28, 2014, we allotted and issued one Share to Reid Services Limited.

On January 30, 2014, Reid Services Limited transferred the one Share it held to Harmonious Composition. On the same day, we issued and allotted 8,480 Shares, 250 Shares and 1,269 Shares to Harmonious Composition, Great Ray and Capital Today Investment, respectively.

On February 25, 2014, we allotted and issued 71,829 Shares, 2,250 Shares, 11,421 Shares and 4,500 Shares to Harmonious Composition, Great Ray, Capital Today Investment and Cosmic Vanguard, respectively.

Pursuant to the resolutions in writing of all our Shareholders passed on June 9, 2014, the authorized share capital of our Company was increased from US$50,000 to US$50,000,000 by the creation of an additional 4,995,000,000 Shares.

Immediately following the Capitalization Issue and completion of the [**REDACTED**] but not taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme, the issued share capital of our Company will be US$25,000,000 divided into 2,500,000,000 Shares of US$0.01 each, all fully paid or credited as fully paid and 2,500,000,000 Shares of US$0.01 each will remain unissued.

Save as above and as mentioned in "— 3. Resolutions in Writing of the Shareholders of Our Company" below, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in Writing of the Shareholders of Our Company

Pursuant to the written resolutions passed by the Shareholders on [June 9], 2014:

Special Resolution

(a) our Company approved and adopted the Memorandum and Articles of Association conditional upon Listing;

Ordinary Resolutions

(b) the authorized share capital of our Company was increased from US$50,000 to US$50,000,000 by the creation of an additional 4,995,000,000 shares with a nominal value of US$0.01 each;

(c) conditional on the share premium account of the Company being credited as a result of the issue of the [**REDACTED**] by the Company pursuant to the [**REDACTED**], the Directors were authorized to capitalize US$[**REDACTED**] standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par [**REDACTED**] Shares for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on the date immediately preceding the date on which the [**REDACTED**] becoming unconditional in accordance with their respective shareholdings (as nearly as possible without involving fractions) in the Company or in accordance with the direction of such member;

(d) conditional on (1) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document and (2) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:

(i) the [**REDACTED**] was approved and the Directors were authorized to allot and issue the new Shares pursuant to the [**REDACTED**];

(ii) the granting of the Over-allotment Option was approved;

(iii) the allocation of the [**REDACTED**] among the two tranches of the [**REDACTED**] subject to adjustments as stated in and upon the terms set out in "Structure of the Global Offering — Conditions of the Global Offering — Allocation" was approved;

(iv) the rules of the Share Option Scheme (a summary of which is set out in "— D. Share Option Scheme") was approved and adopted and our Directors were authorized to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant thereto and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;

(v) the proposed Listing was approved and the Directors were authorized to implement the Listing;

(vi) the waiver by each shareholder of all its pre-emptive rights under any agreements in relation to the allotment and issue of new Shares by the Company was noted.

(e) a general unconditional mandate was granted to the Directors to allot, issue and deal with Shares (otherwise than pursuant to, or in consequence of, the [**REDACTED**], a rights issue, the exercise of any subscription rights which may be granted under any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for Shares under options and warrants or a special authority granted by our Shareholders) with a nominal value not exceeding the sum of 20% of the aggregate nominal amount of the share capital in issue immediately following completion of the [**REDACTED**] (excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme);

(f) a general unconditional mandate was granted to the Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed representing up to 10% of the total nominal value of the share capital of our Company in issue immediately following completion of the [**REDACTED**] (excluding any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and

(g) the general unconditional mandate mentioned in paragraph (e) above be extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above.

Each of the general mandates referred to in paragraphs (e), (f) and (g) above will remain in effect until the earlier of (i) the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law of the Cayman Islands or the Articles of Association to be held; or (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

4. Our Corporate Reorganization

The companies comprising the Group underwent the Reorganization in preparation for the Listing. Please refer to "History, Development and Reorganization" for further details.

5. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries are referred to in the Accountant's Report, the text of which is set out in Appendix I to this document. Save for the subsidiaries mentioned in the Accountant's Report, we do not have any other subsidiaries.

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this document:

Cosmo Lady Guangdong

On July 29, 2013, Cosmo Lady Guangdong was converted from a limited liability company into a joint stock company with limited liability under the laws of the PRC, pursuant to which, the registered capital of Cosmo Lady Guangdong was increased from RMB103,171,800 to RMB420,000,000, which had been fully paid up. On January 29, 2014, Cosmo Lady Guangdong was further converted into a limited liability company and the registered capital remains unchanged since then.

Save as disclosed above, there have been no alterations in the share capital of our subsidiaries within the two years immediately preceding the date of this document.

6. Further information about our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the table below:

Company name	Country/place and date of incorporation	Issued/registered capital	Effective interests held by the Group immediately following the [REDACTED]	Direct/Indirect	General nature of business
Cosmo Lady (International) Holdings	BVI, January 29, 2014	US$1	100%	Direct	Investment holding
Cosmo Lady (Hong Kong) Holdings	HK, February 12, 2014	HK$1	100%	Indirect	Investment holding
Cosmo Lady Guangdong	PRC, September 29, 2009	RMB420,000,000	100%	Indirect	Manufacturing and sale of intimate wear
Cosmo Lady (International)	HK, August 27, 2013	HK$10,000	100%	Indirect	Investment holding
Cosmo Lady (Guiyang)	PRC, March 19, 2013	RMB1,000,000	100%	Indirect	Sale of intimate wear
Fanxue Fashion (Huizhou)	PRC, March 20, 2013	RMB1,000,000	100%	Indirect	Sale of intimate wear
Haodai Fashion (Hangzhou)	PRC, March 26, 2013	RMB1,000,000	100%	Indirect	Sale of intimate wear
Fanxue Fashion (Ningbo)	PRC, March 28, 2013	RMB1,000,000	100%	Indirect	Sale of intimate wear
Cosmo Lady (Yunnan)	PRC, April 10, 2013	RMB1,000,000	100%	Indirect	Sale of intimate wear
Cosmo Lady (Fuzhou)	PRC, April 19, 2013	RMB3,000,000	100%	Indirect	Sale of intimate wear
Fanxue Fashion (Zhengzhou)	PRC, April 28, 2013	RMB1,000,000	100%	Indirect	Sale of intimate wear

Company name	Country/place and date of incorporation	Issued/registered capital	Effective interests held by the Group immediately following the [REDACTED]	Direct/Indirect	General nature of business
Fanxue Fashion (Chongqing)	PRC, July 23, 2012	RMB20,000,000	100%	Indirect	Sale of intimate wear
Tianjin Fashion Ltd.	PRC, February 13, 2012	RMB30,000,000	100%	Indirect	Sale of intimate wear
Fanxue Fashion (Shanghai)	PRC, August 3, 2012	RMB3,000,000	100%	Indirect	Sale of intimate wear
Cosmo Lady (Chengdu)	PRC, September 13, 2012	RMB2,000,000	100%	Indirect	Sale of intimate wear
Cosmo Lady (Shenzhen)	PRC, January 11, 2011	RMB2,000,000	100%	Indirect	Sale of intimate wear
Cosmo Lady (Wuhan)	PRC, May 24, 2011	RMB1,000,000	100%	Indirect	Sale of intimate wear
Cosmo Lady (Guangzhou)	PRC, June 27, 2011	RMB2,000,000	100%	Indirect	Sale of intimate wear
Fanxue Fashion (Changsha)	PRC, June 7, 2011	RMB1,000,000	100%	Indirect	Sale of intimate wear
Nanjing Caoyise	PRC, June 8, 2011	RMB1,000,000	100%	Indirect	Sale of intimate wear
Xiamen Kexuan	PRC, July 25, 2011	RMB1,000,000	100%	Indirect	Sale of intimate wear
Beijing Ziseyangguang	PRC, November 23, 2010	RMB1,000,000	100%	Indirect	Sale of intimate wear

None of the securities of our subsidiaries are listed on any stock exchange.

7. Repurchases of Our Own Securities

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our then Shareholders on June 9, 2014, a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the

Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the [**REDACTED**] and the Capitalization Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by the Cayman Companies Law or by our Articles of Association or any other applicable laws of the Cayman Islands to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles of Association of our Company and the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by our Company may be made out of the profits of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Law, out of capital.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their associates and a connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for Repurchases

The Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. The Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

(c) Funding of Repurchases

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with its Memorandum and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

There could be a material adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this document) in the event that the Repurchase Mandate were to be carried out in full at any time during the share repurchase period. However, the Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of [**REDACTED**] Shares in issue immediately following the completion of the [**REDACTED**] and assuming the Over-allotment Option or the options which may be granted under the Share Option Scheme are not exercised, could accordingly result in up to approximately [**REDACTED**] Shares being repurchased by our Company during the period prior to:

(i) the conclusion of our next annual general meeting; or

(ii) the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(iii) the date when the Repurchase Mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective associates currently intends to sell any Shares to our Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this document and are or may be material:

(a) a shares subscription agreement dated February 25, 2014 entered into between Cosmic Vanguard, the Four Co-founders, the Company and Harmonious Composition regarding the subscription of 4,500 Shares in the Company by Cosmic Vanguard at a consideration of US$38,473,554;

(b) an amended and restated shareholders agreement dated February 25, 2014 entered into between the Four Co-founders, Harmonious Composition, Great Ray, Capital Today Investment, Cosmic Vanguard and the Company;

(c) a share transfer agreement dated February 13, 2014 entered into between Mr. Zheng, Mr. Zhang, Mr. Lin, Mr. Cheng, Capital Today Investment, Tianjin Daming and Shenzhen Boshi Investment, as transferors and Cosmo Lady (Hong Kong) Holdings as transferee regarding the transfer of his/its entire equity interests in Cosmo Lady Guangdong to Cosmo Lady (Hong Kong) Holdings at a consideration of RMB225,916,556.97, RMB70,256,265.50, RMB52,688,981.67, RMB14,967,583.22, RMB54,439,275.15, RMB8,579,870.00 and RMB2,144,967.50, respectively;

(d) the Deed of Non-Competition;

(e) the Deed of Indemnity; and

(f) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of the Group

As of the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which are material to our business:

No.	Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Date of Registration	Expiry Date
1.	紫色陽光	35	Cosmo Lady Guangdong	PRC	4808598	February 21, 2009	February 20, 2019
2.	紫色陽光	25	Cosmo Lady Guangdong	PRC	4808602	June 21, 2009	June 20, 2019
3.	草一色	25	Cosmo Lady Guangdong	PRC	3948181	June 21, 2007	June 20, 2017
4.	都市丽人 CITY BEAUTY WIND	35	Cosmo Lady Guangdong	PRC	4554912	October 7, 2009	October 6, 2019
5.	都市丽人的秘密 SECRET OF CITY BEAUTY	3	Cosmo Lady Guangdong	PRC	7342309	August 14, 2010	August 13, 2020
6.	都市丽人的秘密 SECRET OF CITY BEAUTY	18	Cosmo Lady Guangdong	PRC	7344100	October 14, 2010	October 13, 2020
7.	都市丽人的秘密 SECRET OF CITY BEAUTY	25	Cosmo Lady Guangdong	PRC	7344150	February 7, 2011	February 6, 2021
8.	都市丽人的秘密 SECRET OF CITY BEAUTY	35	Cosmo Lady Guangdong	PRC	7347229	October 21, 2010	October 20, 2020
9.	都市丽人风	35	Cosmo Lady Guangdong	PRC	3876379	June 7, 2006	June 6, 2016
10.	都市丽人风	25	Cosmo Lady Guangdong	PRC	3948182	June 21, 2007	June 20, 2017
11.	都市丽人风	18	Cosmo Lady Guangdong	PRC	7344104	December 21, 2010	December 20, 2020
12.	都市丽人风 CITY·BEAUTY·WIND	18	Cosmo Lady Guangdong	PRC	7389442	December 7, 2012	December 6, 2022
13.	都市丽人风 CITY·BEAUTY·WIND	25	Cosmo Lady Guangdong	PRC	7392266	October 7, 2012	October 6, 2022
14.	衣之密語	35	Cosmo Lady Guangdong	PRC	4808600	February 28, 2009	February 27, 2019
15.	衣之密語	25	Cosmo Lady Guangdong	PRC	4808604	September 28, 2009	September 27, 2019
16.	COSMO Lady	25	Cosmo Lady Guangdong	PRC	10064816	December 14, 2012	December 13, 2022
17.	COSMO Lady	35	Cosmo Lady Guangdong	PRC	10096790	December 21, 2012	December 20, 2022
18.	COSMO Lady	26	Cosmo Lady Guangdong	PRC	10096851	December 21, 2012	December 20, 2022

No.	Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Date of Registration	Expiry Date
19.	COSMO Lady	24	Cosmo Lady Guangdong	PRC	10096852	December 21, 2012	December 20, 2022
20.	COSMO Lady	10	Cosmo Lady Guangdong	PRC	10096856	December 21, 2012	December 20, 2022
21.	COSMO Lady	9	Cosmo Lady Guangdong	PRC	10096857	January 7, 2013	January 6, 2023
22.	COSMO Lady	8	Cosmo Lady Guangdong	PRC	10096858	January 7, 2013	January 6, 2023
23.	COSMO Lady	5	Cosmo Lady Guangdong	PRC	10096859	December 21, 2012	December 20, 2022
24.	百分百缘分	25	Cosmo Lady Guangdong	PRC	4810245	February 28, 2009	February 27, 2019
25.	百分百缘分	35	Cosmo Lady Guangdong	PRC	4810248	February 21, 2009	February 20, 2019
26.	国王的秘密 SECRET OF KING	18	Cosmo Lady Guangdong	PRC	7344085	October 14, 2010	October 13, 2020
27.	国王的秘密 SECRET OF KING	25	Cosmo Lady Guangdong	PRC	7344115	November 7, 2010	November 6, 2020
28.	国王的秘密 SECRET OF KING	35	Cosmo Lady Guangdong	PRC	7347216	October 21, 2010	October 20, 2020
29.		25	Cosmo Lady Guangdong	PRC	10064815	June 7, 2013	June 6, 2023
30.		18	Cosmo Lady Guangdong	PRC	10096781	January 14, 2013	January 13, 2023
31.		9	Cosmo Lady Guangdong	PRC	10096785	January 7, 2013	January 6, 2023
32.		8	Cosmo Lady Guangdong	PRC	10096786	January 7, 2013	January 6, 2023
33.		5	Cosmo Lady Guangdong	PRC	10096787	January 28, 2013	January 27, 2023
34.		26	Cosmo Lady Guangdong	PRC	10097299	December 21, 2012	December 20, 2022
35.		24	Cosmo Lady Guangdong	PRC	10097300	December 21, 2012	December 20, 2022
36.	都市缤纷派	25	Cosmo Lady Guangdong	PRC	10064812	December 14, 2012	December 13, 2022
37.	都市缤纷派	10	Cosmo Lady Guangdong	PRC	10096761	December 21, 2012	December 20, 2022
38.	都市缤纷派	18	Cosmo Lady Guangdong	PRC	10096762	December 21, 2012	December 20, 2022
39.	都市馨尚	25	Cosmo Lady Guangdong	PRC	10064814	April 21, 2013	April 20, 2023

No.	Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Date of Registration	Expiry Date
40.	都市锋尚	35	Cosmo Lady Guangdong	PRC	10096756	April 21, 2013	April 20, 2023
41.	都市锋尚	26	Cosmo Lady Guangdong	PRC	10096757	December 21, 2012	December 20, 2022
42.	都市锋尚	16	Cosmo Lady Guangdong	PRC	10096760	January 28, 2013	January 27, 2023
43.	都市锋尚	10	Cosmo Lady Guangdong	PRC	10097292	December 21, 2012	December 20, 2022
44.	都市锋尚	9	Cosmo Lady Guangdong	PRC	10097293	December 21, 2012	December 20, 2022
45.	都市锋尚	8	Cosmo Lady Guangdong	PRC	10097294	June 7, 2013	June 6, 2023
46.	都市锋尚	5	Cosmo Lady Guangdong	PRC	10097295	December 21, 2012	December 20, 2022
47.	都市锋尚	3	Cosmo Lady Guangdong	PRC	10097296	December 21, 2012	December 20, 2022
48.	都市丽人	25	Cosmo Lady Guangdong	PRC	6960681	May 21, 2012	May 20, 2022
49.	都市丝語	35	Cosmo Lady Guangdong	PRC	10096764	December 21, 2012	December 20, 2022
50.	都市丝語	25	Cosmo Lady Guangdong	PRC	10064813	August 21, 2013	August 20, 2023
51.	都市丽人	35	Cosmo Lady Guangdong	PRC	10096792	September 14, 2013	September 13, 2023
52.	都市丽人	25	Cosmo Lady Guangdong	PRC	10351324	May 14, 2013	May 13, 2023
53.		25	Cosmo Lady Guangdong	PRC	8631988	August 28, 2012	August 27, 2022
54.	都市俪人	25	Cosmo Lady Guangdong	PRC	10643056	October 14, 2013	October 13, 2023
55.	都市俪人	25	Cosmo Lady Guangdong	PRC	1071101	August 7, 2007	August 6, 2017
56.		10, 18, 25, 35	Cosmo Lady (International) Company	Hong Kong	302770849	October 18, 2013	October 17, 2023
57.	都市缤纷派	10, 18, 25, 35	Cosmo Lady (International) Company	Hong Kong	302770867	October 18, 2013	October 17, 2023
58.	都市锋尚	10, 18, 25, 35	Cosmo Lady (International) Company	Hong Kong	302770876	October 18, 2013	October 17, 2023

As of the Latest Practicable Date, we have applied for the registration of the following trademarks:

No.	Trademark	Type and Class	Name of Applicant	Place of Application	Application Number	Application Date
1.	都市锋尚	25	Cosmo Lady Guangdong	PRC	10639423	March 19, 2012
2.	都市缤纷派	25	Cosmo Lady Guangdong	PRC	10639616	March 19, 2012
3.	都市丝語	25	Cosmo Lady Guangdong	PRC	12423205	April 15, 2013
4.	COSMO·ESQUIRE	25	Cosmo Lady Guangdong	PRC	12821435	June 27, 2013
5.		25	Cosmo Lady Guangdong	PRC	12821436	June 27, 2013
6.	CITY BEAUTY	N/A	Cosmo Lady Guangdong	Canada	1495808	September 14, 2010
7.	CITY BEAUTY	25	Cosmo Lady Guangdong	Pakistan	288683	September 14, 2010
8.	CITY BEAUTY	N/A	Cosmo Lady Guangdong	Brazil	902986384	September 24, 2010
9.	都市丽人	10, 18, 25, 35	Cosmo Lady (International) Company	Hong Kong	302735415	September 12, 2013
10.	COSMO LADY	10, 25, 35	Cosmo Lady (International) Company	Hong Kong	302735424	September 12, 2013
11.		10, 18, 25, 35	Cosmo Lady (International) Company	Hong Kong	302735433	September 12, 2013
12.	都市丝語	10, 18, 25, 35	Cosmo Lady (International) Company	Hong Kong	302770830	October 18, 2013
13.	COSMO·ESQUIRE	10, 18, 25, 35	Cosmo Lady (International) Company	Hong Kong	302770858	October 18, 2013
14.		16	Cosmo Lady (International) Company	Hong Kong	302946141	April 1, 2014

(b) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which are material to our business:

No.	Domain Name	Registrant	Date of Registration	Expiry Date
1.	dslrdmm.com	Cosmo Lady Guangdong	April 1, 2011	April 1, 2021
2.	szneiyi.cn	Cosmo Lady Guangdong	April 1, 2011	April 1, 2021
3.	都市丽人	Cosmo Lady Guangdong	April 19, 2011	April 19, 2021
4.	都市丽人.TM	Cosmo Lady Guangdong	April 29, 2011	April 29, 2021
5.	都市丽人的秘密	Cosmo Lady Guangdong	March 31, 2011	March 31, 2021
6.	都市丽人的秘密.com	Cosmo Lady Guangdong	April 1, 2011	April 1, 2021
7.	都市丽人的秘密.net	Cosmo Lady Guangdong	April 1, 2011	April 1, 2021
8.	都市丽人的秘密	Cosmo Lady Guangdong	March 31, 2011	March 31, 2021
9.	深圳內衣	Cosmo Lady Guangdong	May 10, 2006	May 10, 2021
10.	中国內衣	Cosmo Lady Guangdong	March 31, 2011	March 31, 2021
11.	Cosmo-lady.tel	Cosmo Lady Guangdong	February 27, 2012	February 26, 2022
12.	都市丽人.com	Cosmo Lady Guangdong	December 1, 2011	December 1, 2021
13.	Szneiyi.com	Cosmo Lady Guangdong	September 9, 2005	September 9, 2021
14.	cosmo-lady.net	Cosmo Lady Guangdong	February 27, 2012	February 27, 2022
15.	cosmo-lady.com	Cosmo Lady Guangdong	February 27, 2012	February 27, 2022
16.	cosmo-lady.cn	Cosmo Lady Guangdong	February 27, 2012	February 27, 2022
17.	cosmo-lady.net.cn	Cosmo Lady Guangdong	February 27, 2012	February 27, 2022
18.	cosmo-lady.mobi	Cosmo Lady Guangdong	February 27, 2012	February 27, 2022
19.	dslr-fashion.cn	Cosmo Lady Guangdong	February 27, 2012	February 27, 2022
20.	cosmo-lady.com.cn	Cosmo Lady Guangdong	February 27, 2012	February 27, 2022
21.	dslr-fashion.mobi	Cosmo Lady Guangdong	February 27, 2012	February 27, 2022
22.	dslr-fashion.com.cn	Cosmo Lady Guangdong	February 27, 2012	February 27, 2022
23.	dslr-fashion.com	Cosmo Lady Guangdong	February 27, 2012	February 27, 2022
24.	dslr-fashion.net.cn	Cosmo Lady Guangdong	February 27, 2012	February 27, 2022
25.	dslr-fashion.net	Cosmo Lady Guangdong	February 27, 2012	February 27, 2022
26.	cosmolady-park.com	Cosmo Lady Guangdong	September 3, 2013	September 3, 2014

(c) Patents

As of the Latest Practicable Date, we have registered the following patents:

No.	Patent	Type	Registered Owner	Place of Registration	Registration Number	Registration Period
1.	Health care underwear (保健內衣)	Utility Model	Cosmo Lady Guangdong	PRC	ZL201120171249.0	10 years starting from May 26, 2011
2.	Radiation – proof underpants for men (防輻射男士內褲)	Utility Model	Cosmo Lady Guangdong	PRC	ZL201120286195.2	10 years starting from August 8, 2011
3.	Brassiere with integration of bra cup and straps (肩帶與罩杯一體化的文胸)	Utility Model	Cosmo Lady Guangdong	PRC	ZL201120445442.9	10 years starting from November 11, 2011
4.	Tube-top wore in multi-ways (具有多種穿法的抹胸內衣)	Utility Model	Cosmo Lady Guangdong	PRC	ZL201320024034.5	10 years starting from January 16, 2013

No.	Patent	Type	Registered Owner	Place of Registration	Registration Number	Registration Period
5.	Underwear wore in multi-ways (具有多種穿法的內褲)	Utility Model	Cosmo Lady Guangdong	PRC	ZL201320024047.2	10 years starting from January 16, 2013
6.	Brassiere wore in multi-ways (具有多種穿法的文胸)	Utility Model	Cosmo Lady Guangdong	PRC	ZL201220504684.5	10 years starting from September 29, 2012
7.	Adjusted brassiere of tube-top style (可調節抹胸式文胸)	Utility Model	Cosmo Lady Guangdong	PRC	ZL201220575549.X	10 years starting from November 2, 2012
8.	Combined cotton pad for underwear (內衣組合棉墊)	Utility Model	Cosmo Lady Guangdong	PRC	ZL201120474942.5	10 years starting from November 24, 2011
9.	Brassiere with comfort (舒適型文胸)	Utility Model	Cosmo Lady Guangdong	PRC	ZL201220572402.5	10 years starting from November 2, 2012
10.	Brassiere free of steel ring (無鋼圈文胸)	Utility Model	Cosmo Lady Guangdong	PRC	ZL201120445406.2	10 years starting from November 11, 2011
11.	A kind of band changeable brassiere (一種後比能換的文胸)	Utility Model	Cosmo Lady Guangdong	PRC	ZL201220173348.7	10 years starting from April 20, 2012
12.	A kind of underwear (一種內衣)	Utility Model	Cosmo Lady Guangdong	PRC	ZL201220342131.4	10 years starting from July 13, 2012
13.	A kind of 1 into 2 underwear (一種一變二內褲)	Utility Model	Cosmo Lady Guangdong	PRC	ZL201220230426.2	10 years starting from May 21, 2012
14.	Chinese medical health care brassiere (中藥保健胸圍)	Utility Model	Cosmo Lady Guangdong	PRC	ZL201120286271.X	10 years starting from August 8, 2011
15.	Chinese medical sporting underwear (中藥運動內衣)	Utility Model	Cosmo Lady Guangdong	PRC	ZL201220027602.2	10 years starting from January 19, 2012
16.	Hook for fitting room (試衣間掛鉤)	Design	Cosmo Lady Guangdong	PRC	ZL201230108677.9	10 years starting from April 13, 2012
17.	Brassiere (文胸)	Design	Cosmo Lady Guangdong	PRC	ZL201130411536.X	10 years starting from November 10, 2011
18.	Image panel (形象面板)	Design	Cosmo Lady Guangdong	PRC	ZL201230108724.X	10 years starting from April 13, 2012
19.	Display rack (butterfly shape) (展示架(蝶形板))	Design	Cosmo Lady Guangdong	PRC	ZL201230108747.0	10 years starting from April 13, 2012
20.	Display rack (focus wall) (展示架(焦點板牆))	Design	Cosmo Lady Guangdong	PRC	ZL201230108758.9	10 years starting from April 13, 2012
21.	Display rack (men wall) (展示架(男子板牆))	Design	Cosmo Lady Guangdong	PRC	ZL201230108763.X	10 years starting from April 13, 2012

No.	Patent	Type	Registered Owner	Place of Registration	Registration Number	Registration Period
22.	Display rack (cross Nakajima) (展示架(十字中島))	Design	Cosmo Lady Guangdong	PRC	ZL201230108753.6	10 years starting from April 13, 2012
23.	Display rack (integrated Nakajima) (展示架(綜合中島)	Design	Cosmo Lady Guangdong	PRC	ZL201230108710.8	10 years starting from April 13, 2012
24.	Brassiere with pendants of multi-utility (具有多用吊墜的文胸)	Utility Model	Cosmo Lady Guangdong	PRC	ZL201220394887.3	10 years starting from August 9, 2012
25.	Brassiere with multi-functional straps (具有多功能肩帶的文胸)	Utility Model	Cosmo Lady Guangdong	PRC	ZL201220473961.0	10 years starting from September 17, 2012
26.	Multi-functional "8" shape buckle (多功能8字扣)	Utility Model	Cosmo Lady Guangdong	PRC	ZL201320230965.0	10 years starting from April 28, 2013

As of the Latest Practicable Date, we have applied for the registration of the following patents:

No.	Patent	Type	Applicant	Place of Registration	Application Number	Date of Application
1.	A kind of skid-proof buckle (一種防滑肩帶扣)	Utility Model	Cosmo Lady Guangdong	PRC	201320288697.8	May 23, 2013
2.	A kind of outside wore shapewear (一種外穿束身衣)	Utility Model	Cosmo Lady Guangdong	PRC	201320297120.3	May 27, 2013
3.	A kind of underwear which is air permeable by releasing pressure (一種減壓透氣內衣)	Utility Model	Cosmo Lady Guangdong	PRC	201320402099.9	July 5, 2013
4.	A kind of anti-galactorrhea underwear (一種防溢乳內衣)	Utility Model	Cosmo Lady Guangdong	PRC	201320402096.5	July 5, 2013

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of the Directors and the Chief Executive of Our Company

Immediately following the completion of the [**REDACTED**] and assuming the Over-allotment Option or the options which may be granted under the Share Option Scheme are not exercised, the interests or short positions of the Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

(i) Interest in our Company

Name of Director	Nature of Interest	Immediate following the completion of the [REDACTED]	
		Number of Shares held[1]	Approximate percentage of shareholding interest[2]
Mr. Zheng[3][4]	Interests held jointly with another person; interest of controlled company	[**REDACTED**]	[**REDACTED**]
Ms. Wu[4][5]	Interest of spouse	[**REDACTED**]	[**REDACTED**]
Mr. Zhang[3]	Interests held jointly with another person; interest of controlled company	[**REDACTED**]	[**REDACTED**]
Mr. Lin[3]	Interests held jointly with another person; interest of controlled company	[**REDACTED**]	[**REDACTED**]
Mr. Cheng[3]	Interests held jointly with another person; interest of controlled company	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) The calculation is based on the total number of Shares in issue following the completion of the [**REDACTED**] (assuming that the Over-allotment Option is not exercised).

(3) Mr. Zheng, Mr. Zhang, Mr. Lin, Mr. Cheng, Great Brilliant, Forever Flourish, Forever Shine and Mountain Dragon, acting in concert, together control [**REDACTED**] in our Company through Harmonious Composition. As such, each of them is deemed to be interested in such [**REDACTED**] interest in the share capital of the Company.

(4) [**REDACTED**] Shares out of [1,242,150,000] Shares in which Mr. Zheng is deemed to be interested are held by Great Ray, a company wholly owned by Mr. Zheng, as a trustee for 95 employees of our Group, representing [**REDACTED**] of the total issued share capital of the Company. See "– Reorganization – Agreement to Hold the Shares on Trust for the Employees."

(5) Ms. Wu is the spouse of Mr. Zheng. Under Part XV of the SFO, Ms. Wu is deemed to be interested in the same number of Shares in which Mr. Zheng is interested.

(ii) Interest in associated corporations of our Company

Name of Director	Name of associated corporation	Nature of Interest	Number of Shares held	Approximate percentage of shareholding interest
Mr. Zheng	Harmonious Composition	Interest of controlled company	622,183	62.1%
Mr. Zhang	Harmonious Composition	Interest of controlled company	193,488	19.3%
Mr. Lin	Harmonious Composition	Interest of controlled company	145,108	14.5%
Mr. Cheng	Harmonious Composition	Interest of controlled company	41,221	4.1%

(b) Interests of the Substantial Shareholders

So far as is known to any Director or chief executive of our Company, immediately following the completion of the [**REDACTED**] and assuming the Over-allotment Option or the options which may be granted under the Share Option Scheme are not exercised, the following persons (other than a Director or chief executive of our Company) will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Nature of Interest	Immediate following the completion of the [REDACTED]	
		Number of Shares held[1]	Approximate percentage of shareholding interest[2]
Great Brilliant[3]	Interests held jointly with another person; interest of controlled company	[**REDACTED**]	[**REDACTED**]
Forever Flourish[3]	Interests held jointly with another person; interest of controlled company	[**REDACTED**]	[**REDACTED**]
Forever Shine[3]	Interests held jointly with another person; interest of controlled company	[**REDACTED**]	[**REDACTED**]
Mountain Dragon[3]	Interests held jointly with another person; interest of controlled company	[**REDACTED**]	[**REDACTED**]
Harmonious Composition[3]	Beneficial owner	[**REDACTED**]	[**REDACTED**]
Capital Today Investment[4]	Beneficial owner	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) The calculation is based on the total number of Shares in issue following the completion of the [**REDACTED**] (assuming that the Over-allotment Option is not exercised).

(3) Mr. Zheng, Mr. Zhang, Mr. Lin, Mr. Cheng, Great Brilliant, Forever Flourish, Forever Shine and Mountain Dragon, acting in concert, together control [**REDACTED**] in our Company through Harmonious Composition. As such, each of them is deemed to be interested in such [**REDACTED**] interest in the share capital of the Company. Harmonious Composition holds [**REDACTED**] of the total issued share capital of the Company.

(4) Capital Today Investment, a Hong Kong registered company, holds [**REDACTED**] Shares, representing [**REDACTED**] of the total issued share capital of the Company. Capital Today Investment is wholly owned by Capital Today Investment XVIII Limited, which is an exempted company incorporated in the British Virgin Islands. Capital Today China Growth Fund, LP, an exempted limited partnership registered in the Cayman Islands, holds [**REDACTED**] shareholding interest in Capital Today Investment XVIII Limited. The sole general partner of Capital Today China Growth Fund, LP is Capital Today China Growth GenPar, LTD, an exempted company registered in the Cayman Islands, [**REDACTED**] shareholding interest of which is owned by Capital Today Partners Limited. Capital Today Partners Limited is solely owned by Ms. Xu Xin. Therefore, under Part XV of the SFO, each of Capital Today Investment XVIII Limited, Capital Today China Growth Fund, LP, Capital Today China Growth GenPar, LTD, Capital Today Partners Limited and Ms. Xu Xin is deemed to be interested in [**REDACTED**] Shares held by Capital Today Investment, representing [**REDACTED**] of the total issued share capital of the Company.

2. Directors' Service Contracts

Each of our executive Directors has entered into a service agreement with us for an initial fixed period of three years commencing on the appointment date unless terminated earlier. Pursuant to the service agreements, the director's fee (as determined with reference to prevailing market practice, the Company's remuneration policy, and his/her responsibilities) of each of our executive Directors is as follows:

Director	Remuneration
	HK$'000 (per annum)
Mr. Zheng	655
Mr. Zhang	580
Mr. Lin	580
Mr. Cheng	580
Ms. Wu	430

Each of our non-executive Director and independent non-executive Directors has been appointed for an initial fixed term of three years commencing on the appointment date. The annual remuneration payable to each of our non-executive Director and independent non-executive Directors (as determined with reference to prevailing market practice, the Company's remuneration policy, and his responsibilities) is as follows:

Director	Remuneration
	HK$'000 (per annum)
Mr. Wen Baoma	50
Mr. Yau Chi Ming	200
Dr. Dai Yiyi	150
Mr. Chen Zhigang	120

Save as disclosed above, none of the Directors has entered into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' Remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to the Directors for the years ended 2011, 2012 and 2013 were approximately RMB1,352,000, RMB1,801,000 and RMB2,353,000, respectively.

Save as disclosed above, no other payments have been made or are payable, in respect of the years ended 2011, 2012, and 2013, by any of member of the Group to any of the Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of the Directors for the year ending December 31, 2014 to be approximately HK$3.3 million.

4. Directors' Competing Interests

None of our Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

5. Disclaimers

Save as disclosed in this document:

(a) none of the Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange;

(b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;

(c) none of the Directors nor any of the persons listed in "— G. Other Information — 6. Qualification of Experts" below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(d) none of the Directors nor any of the persons listed in "— G. Other Information — 6. Qualification of Experts" below is materially interested in any contract or arrangement with the Group subsisting at the date of this document which is unusual in its nature or conditions or which is significant in relation to the business of the Group as a whole;

(e) save in connection with Underwriting Agreements, none of the persons listed in "— G. Other Information — 6. Qualification of Experts" below has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(f) none of the Directors has entered or has proposed to enter into any service agreements with our Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and

(g) none of our Directors, their respective associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company's five largest customer and five largest suppliers.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by our Shareholders on June 9, 2014 and its implementation is conditional on the Listing.

For the purpose of this section only, unless the context otherwise requires the following words shall have the following meanings:

"Eligible Person"	means any director or employee of the Group who in the sole discretion of the Board has contributed or will contribute to the Group;
"Grantee"	means any Eligible Person who accepts an Offer in accordance with the terms of the Scheme or (where the context so permits) any person entitled to exercise any Option in consequence of the death of the original Grantee; and
"Offer Date"	means the date on which an offer of the grant of an option is made to an Eligible Person.

(a) Purpose

The purpose of the Share Option Scheme is to provide incentives and/or rewards to Eligible Persons for their contribution to, and continuing efforts to promote the interests of, the Group.

(b) Who may participate

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within the period of 10 years after the adoption date to grant options to any Eligible Person as the Board in its absolute discretion select to subscribe for such number of Shares as the Board may determine at the subscription price.

(c) Grant of options to connected persons or any of their associates

Each grant of options to a Director (including an independent non-executive Director) of any member of our Group, chief executive or substantial Shareholder of our Company, or any of their respective associates, must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed Grantee of the options).

Where any grant of options to a substantial Shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) to such person in the 12 month period up to and including the Offer Date:

- representing in aggregate over 0.1% of the Shares in issue at the Offer Date; and
- having an aggregate value, based on the closing price of the Shares as stated on the Stock Exchange on the Offer Date, in excess of HK$5 million,

such grant of options must be approved by the Shareholders in general meeting. The Company will send a circular to the Shareholders in accordance with the Listing Rules and any Shareholder who is a connected person of our Company shall abstain from voting in favor of the resolution to approve such grant of options.

(d) Restrictions on the times of grant of Options

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- the deadline for our Company to publish an announcement of the results for any year, or half-year, or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of actual publication of such results announcement.

(e) Subscription price

The subscription price shall be a price determined by the Board and notified to an Eligible Person but in any event shall be at least the higher of:

- the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of the option, which must be a business day;
- the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and
- the nominal value of a Share,

provided that for the purpose of determining the subscription price where the Shares have been listed on the Stock Exchange for less than five business days, the issue price of the Shares in the Company's [**REDACTED**] of the Shares shall be used as the closing price of the Shares for any business day falling within the period before the listing of the Shares on the Stock Exchange.

Participants are required to pay HK$1.00 as consideration for the acceptance of an option granted to them.

(f) Maximum number of Shares

(i) The maximum number of Shares which may be issued upon exercise of all options to be granted under any new share option scheme and all other share option schemes existing at such time of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the Share Option Scheme and (as the case may be) such other share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may renew the Scheme Mandate Limit at any time subject to prior Shareholders' approval but in any event, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of approval of the renewal of the Scheme Mandate Limit. Options previously granted under the existing share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the refreshed Scheme Mandate Limit.

(ii) Notwithstanding the foregoing, the Company may grant options beyond the Scheme Mandate Limit to Eligible Persons if:

- separate Shareholders' approval has been obtained for granting options beyond the Scheme Mandate Limit to Eligible Persons specifically identified by the Company before such Shareholders' approval is sought; and

- the Company, in connection with the seeking of such separate Shareholders' approval, has first sent a circular to Shareholders containing such information as may be required by the Listing Rules then prevailing to be included in such circular.

(iii) Subject to paragraph (iv) below, the maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted to any Eligible Persons under the Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in any 12 month period shall not at the time of grant exceed 1% of the Shares in issue.

(iv) Where any further grant of options to an Eligible Person would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Eligible Person and his associates abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Eligible Person in question, the number and terms of the options to be granted (and options previously granted to such Eligible Person) and such other information required under the Listing Rules.

(v) At any time, the maximum number of Shares which may be issued upon exercise of all options which then have been granted and have yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time.

(g) Time of exercise of options

Subject to the terms of grant of any option, an option may be exercised by the Grantee at any time during the option period and in accordance with the vesting schedule and other terms specified in the offer.

(h) Duration of Share Option Scheme

No option may be vested more than 10 years after the date of grant. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date.

(i) Performance targets

Subject to such terms and conditions as the Board may determine, there is no minimum period for which an option must be held before it can be exercised and no performance target needs to be achieved by the Grantee before the options can be exercised.

(j) Rights attaching to the Shares

(i) Dividends and voting rights

Shares issued on the exercise of an option will rank equally in all respects with the Shares in issue on the date of issue. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of issue.

(ii) Restrictions on transfer

An option shall be personal to the Grantee and shall not be assignable nor transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (whether legal or beneficial) in favor of any third party over or in relation to any option.

(k) Amendments to the Share Option Scheme

Save for certain specific provisions, the Board may alter any of the other terms of the Share Option Scheme. Those specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Grantees, and changes to the authority of the Board in relation to any alteration of the terms of the Share Option Scheme shall not be made, in either case, without the prior approval of Shareholders in general meeting.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, or any change to the terms of options granted, must also, to be effective, be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules.

(l) Effects of alterations to share capital

In the event of any alteration to the capital structure of the Company while any option has been granted or remains exercisable, whether by way of capitalization issue, rights issue, consolidation, subdivision or consolidation of shares or reduction of share capital of the Company (but excluding any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party), adjustments (if any) shall be made to:

(i) the number of Shares to be issued on exercise of the options; and

(ii) the subscription price for the Shares.

The auditors or financial advisors engaged by the Company for the purpose of adjustments shall certify in writing to the Board that such adjustments satisfy the requirements set out in Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes. The capacity of the auditors or financial advisor is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees.

Any such adjustments shall give the Grantees the same proportion of the equity capital of the Company and any adjustments to the advantage of the Grantees to the exercise price or to the number of Shares subject to the options must be approved by the Shareholders in general meeting, and no adjustment may be made to the extent that Shares would be issued at less than their nominal value. In addition, any adjustment to be made will comply with the Listing Rules, the supplemental guidance and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(m) Rights on termination of employment

If the Grantee ceases to be an Eligible Person by reason of the termination of his employment, appointment or directorship, the option shall lapse on the date of cessation and not be exercisable. The date of such cessation shall be his last actual working day at his work place with the Group whether salary is paid in lieu of notice or not.

(n) Rights on death

If the Grantee of an outstanding option dies before exercising his option, such option may be exercised by his personal representative(s) within a period of six months following the date of his death.

(o) Rights on a general offer by way of voluntary offer or takeover

In the event of a general offer by way of voluntary offer or takeover (other than by way of scheme of arrangement) being made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, the Company shall forthwith give notice thereof to the Grantee and the Grantee shall be entitled to exercise the option to its full extent or, if the Company shall give the relevant notification, to the extent notified by the Company at any time within such period as shall be notified by the Company.

(p) Rights on a general offer by way of scheme of arrangement

In the event of a general offer by way of scheme of arrangement being made to all the Shareholders and approved by the necessary number of Shareholders at the requisite meetings, the Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by the Company) exercise the option to its full extent or, if the Company shall give the relevant notification, to the extent notified by the Company.

(q) Rights on winding up

In the event a notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by the Company) exercise the option to its full extent or, if the Company shall give the relevant

notification, to the extent notified by the Company, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such option.

(r) Lapse of option

The right to exercise an option (to the extent not already exercised) shall terminate immediately upon the earliest of:

- the expiry of the option period;
- the date of cessation referred to in paragraph m;
- the expiry of any of the periods referred to in paragraph n;
- the expiry date specified in the notice from the Company referred to in paragraph o;
- subject to the scheme of arrangement becoming effective, the expiry date specified in the notice from the Company referred to in paragraph p;
- the date of the commencement of the winding-up of the Company;
- the date on which the Grantee ceases to be an Eligible Person by reason of the termination of his employment, appointment or directorship on the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty or on any other ground on which an employer would be entitled to terminate his employment summarily;
- any other expiration events as the Company may notify the Grantee from time to time; and
- the date on which the Grantee commits a breach by selling, transferring, charging, mortgaging, encumbering or creating any interest in favor of any third party over or in relation to any option.

(s) Termination of the Share Option Scheme

The Company, by resolution in general meeting, or the Board, may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(t) Cancellation of option

The Company may cancel any option granted but not exercised at anytime.

(u) General

An application has been made to the Listing Committee to the Stock Exchange for the listing of, and permission to deal in, the new Shares which may be issued pursuant to the exercise of the options which may be granted pursuant to the Share Option Scheme.

As of the Latest Practicable date, no option had been granted or agreed to be granted by our Company pursuant to the Share Option Scheme.

Details of the Share Option Scheme, including particulars and movements of the options granted during each financial year of our Company, and our employee costs arising from the grant of the options will be disclosed in our annual report.

G. OTHER INFORMATION

1. Estate duty and tax indemnity

The Controlling Shareholders have entered into a deed of indemnity dated June 9, 2014 with and in favor of our Company (for itself and as trustee for its subsidiaries) (the "**Deed of Indemnity**") whereby the Controlling Shareholders have given indemnities in connection with, among other things, any liability for estate duty under the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong, or legislation similar thereto in Hong Kong or any part of the world which might be incurred by any member of our Company on or before the Listing Date, and other taxation (including all fines, penalties, costs, charges, expenses and interest relating to taxation) which may be made against any member of our Company in respect of, among other things, any income, profits or gains earned, accrued or received on or before the Listing Date, save:

(a) to the extent that specific provision or reserve has been made for such taxation in the audited combined financial statements of our Company as set out in Appendix I;

(b) to the extent that the liability for such taxation would not have arisen but for any act or omission of, or delay by, any member of our Group after the Listing Date;

(c) to the extent the taxation arises or is incurred only as a result of a retrospective change in law or regulations or the interpretation or practice thereof by any relevant authority coming into force after the Listing Date.

2. Litigation

As of the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Application of Listing

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the [**REDACTED**] (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Shares to be issued pursuant to the exercise of the options which may be granted pursuant to the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

The fees payable to each of the Joint Sponsors are US$500,000 and are payable by our Company.

4. No Material Adverse Change

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since December 31, 2013 (being the date to which the latest audited combined financial statements of the Group were prepared).

5. The Joint Sponsors

Morgan Stanley Asia Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

As of the Latest Practicable Date, Cosmic Vanguard, an affiliate company of China International Capital Corporation Hong Kong Securities Limited, holds 4.5% of the total issued share capital of our Company, and will hold 5.18% of the total issued share capital of our Company (assuming the Exchangeable Note having been fully exchanged but before the completion of the [**REDACTED**]). China International Capital Corporation Hong Kong Securities Limited is therefore not considered as an independent sponsor according to the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

6. Qualification of Experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this document:

Name	Qualification
Morgan Stanley Asia Limited (摩根士丹利亞洲有限公司)	Licensed corporation under the SFO to conduct type 1 (Dealing in securities), type 4 (Advising on securities), type 5 (Advising on futures contracts), type 6 (Advising on corporate finance) and type 9 (Asset management) as defined under the SFO

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司)	Licensed corporation under the SFO to conduct type 1 (Dealing in securities), type 2 (Dealing in futures contracts), type 3 (Leveraged foreign exchange trading), type 4 (Advising on securities), type 5 (Advising on futures contracts) and type 6 (Advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified public accountants
Jingtian & Gongcheng	PRC legal advisors
Appleby	Legal advisors to our Company as to Cayman Islands law

7. Consents of Experts

Each of the experts named in paragraph 6 of this Appendix has given and has not withdrawn its consent to the issue of this document with the inclusion of its report and/or letter and/or summary of valuations and/or valuation certificates and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

Save as disclosed in "— G. Other Information — 5. The Joint Sponsors", none of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

8. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [**REDACTED**] and the related transactions described in this document.

9. Preliminary Expenses

The preliminary expenses incurred by our Company in connection with the incorporation of our Company were approximately US$4,100 and were payable by us.

10. Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong) insofar as applicable.

11. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the laws of Hong Kong).

12. Miscellaneous

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;

(iv) no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries; and

(v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

(b) Our Directors confirm that:

(i) since December 31, 2013 (being the date on which the latest audited combined financial statements of the Group was made up), there has been no material adverse change in our financial or trading position or prospects;

(ii) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this document; and

(iii) our Company has no outstanding convertible debt securities or debentures;

(c) Our principal register of members will be maintained by our principal registrar, [**REDACTED**] and our Hong Kong register of members will be maintained by the Hong Kong Share Registrar in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands;

(d) No company within our Group is presently listed on any stock exchange or traded on any trading system;

(e) All necessary arrangements have been made enabling our Shares to be admitted into CCASS for clearing and settlement; and

(f) There is no arrangement under which future dividends are waived or agreed to be waived.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were, among others:

(a) copies of each of the WHITE, YELLOW and GREEN Application Forms;

(b) a copy of each of the material contracts referred to in "Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts" in Appendix IV; and

(c) the written consents referred to in "Statutory and General Information — G. Other Information — 7. Consents of Experts" in Appendix IV.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Simpson Thacher & Bartlett, ICBC Tower, 35/F, 3 Garden Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

(a) the Memorandum and Articles of Association of our Company;

(b) the Accountant's Report from PricewaterhouseCoopers in respect of the historical financial information of each of the years ended December 31, 2011, 2012 and 2013, the text of which is set out in Appendix I;

(c) the letter from PricewaterhouseCoopers in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II;

(d) the legal opinions issued by Jingtian & Gongcheng, our PRC legal advisors, dated [June 16], 2014 in respect of certain aspects of the Group and the property interests of the Group;

(e) the letter of advice prepared by Appleby, our legal advisors as to Cayman Islands law, summarizing certain aspects of the Cayman Islands company law referred to in Appendix III;

(f) the material contracts referred to in "Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts" in Appendix IV;

(g) the written consents referred to in "Statutory and General Information — G. Other Information — 7. Consents of Experts" in Appendix IV;

(h) service contracts and letters of appointment entered into between the Company and each of the Directors;

(i) the Cayman Companies Law; and

(j) the Share Option Scheme.