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## **Cosmo Lady (China) Holdings Company Limited**

**都市麗人(中國)控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2298)**

### **DISCLOSEABLE TRANSACTIONS ACQUISITION OF THE BUSINESS AND THE BUSINESS ASSETS AND PROVISION OF FINANCIAL ASSISTANCE**

#### **THE ACQUISITION**

The Board is pleased to announce that on March 1, 2015, Tianjin Ordifen, an indirect wholly-owned subsidiary of the Company, entered into the Asset Transfer Agreement with the Sellers and the Warrantors in respect of the Acquisition, pursuant to which Tianjin Ordifen agreed to acquire the Business and certain assets in connection with the Business for a consideration of RMB92,000,000 (equivalent to approximately HK\$113,778,240).

#### **THE PROVISION OF FINANCIAL ASSISTANCE**

On March 1, 2015, Cosmo Lady Guangdong, an indirect wholly-owned subsidiary of the Company, entered into the Entrusted Loan Entrustment Agreement with the Shenzhen branch of CMB, and the Shenzhen branch of CMB entered into the Entrusted Loan Agreement with Shanghai Ordifen, for the provision by Cosmo Lady Guangdong (as the lender) of the Entrusted Loan in the principal amount of RMB105,000,000 (equivalent to approximately HK\$129,855,600) to Shanghai Ordifen (as the borrower) through the Shenzhen branch of CMB (as the lending agent). The Entrusted Loan is secured by a joint guarantee provided by Mr. Wang Wen-Tsung and Mr. Wang Chen-Hsing and a charge over a parcel of land and the building located thereon situated in Shanghai owned by Shanghai Ordifen.

## **IMPLICATIONS UNDER THE LISTING RULES**

As certain of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in respect of the Asset Transfer Agreement and the Entrusted Loan, on an aggregated basis pursuant to Rule 14.22 of the Listing Rules, are more than 5% but less than 25%, the transactions contemplated under the Asset Transfer Agreement, the Entrusted Loan Entrustment Agreement and the Entrusted Loan Agreement constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules.

As the amount of the Entrusted Loan granted to Shanghai Ordifen does not exceed 8% under the assets ratio as defined under Rule 13.13 of the Listing Rules, the grant of the Entrusted Loan is not subject to the disclosure obligations under Rule 13.15 of the Listing Rules.

## **THE ACQUISITION**

The Board is pleased to announce that on March 1, 2015, Tianjin Ordifen, an indirect wholly-owned subsidiary of the Company, the Sellers and the Warrantors entered into the Asset Transfer Agreement in respect of the Acquisition, pursuant to which Tianjin Ordifen agreed to acquire the Business and certain assets in connection with the Business.

The principal terms of the Asset Transfer Agreement are set out below:

### **Date**

March 1, 2015

### **Parties**

The purchaser: Tianjin Ordifen

The sellers: Shanghai Ordifen

Mr. Wang Wen-Tsung

Mr. Wang Chen-Hsing

(collectively, the “**Sellers**”)

The warrantors: Mr. Wang Wen-Tsung

Mr. Wang Chen-Hsing

GACS

(collectively, the “**Warrantors**”)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Mr. Wang Wen-Tsung and Mr. Wang Chen-Hsing, together with Shanghai Ordifen and GACS and their ultimate beneficial owners, are third parties independent of the Company and the connected persons of the Company.

### **Assets to be acquired**

Subject to the terms and conditions of the Asset Transfer Agreement, Tianjin Ordifen will acquire certain assets in connection with the Business (the "**Business Assets**") which include, among other things, the following assets:

- (a) the current assets owned by Shanghai Ordifen, including but not limited to cash, trade receivables, prepayments, raw materials, finished goods and work in progress;
- (b) the fixed assets owned by Shanghai Ordifen, including but not limited to production facilities, research and development facilities and outlet equipment;
- (c) the intellectual property rights related to the Business owned by Shanghai Ordifen, Mr. Wang Wen-Tsung, Mr. Wang Chen-Hsing and their respective Affiliates, including but not limited to trademarks;
- (d) the contracts and arrangements related to the operation of the outlets, including self-owned and franchised outlets, of Shanghai Ordifen;
- (e) the contracts related to the operation of the Business which were in effect as at the date of the Asset Transfer Agreement; and
- (f) any other assets necessary for the operation of the Business as a going concern.

### **Consideration**

The consideration payable by Tianjin Ordifen under the Asset Transfer Agreement is RMB92,000,000 (equivalent to approximately HK\$113,778,240) which will be paid in the following manner:

- (a) RMB20,000,000 which shall be settled by the earnest money of the equivalent amount paid to Shanghai Ordifen on February 27, 2015;
- (b) RMB25,000,000 shall be payable within five business days from the date of the Asset Transfer Agreement;
- (c) RMB30,000,000 shall be payable within five business days from the date of the Initial Closing; and

- (d) the remaining RMB17,000,000 shall be payable upon the Final Closing in the following manner: (i) RMB15,000,000 shall be payable within five business days after the transfer of the trademarks related to the Business, which are registered in the PRC, to Tianjin Ordifen has been completed; and (ii) RMB2,000,000 shall be payable within five business days after the transfer of the trademarks related to the Business, which are registered outside the PRC, to Affiliates of Tianjin Ordifen has been completed.

The consideration is subject to certain downward adjustments according to the terms of the Asset Transfer Agreement. The consideration has been negotiated and determined on an arm's length basis between the parties. The Group has taken into account various factors, including the historical financial performance and the growth prospects of the Business, the scope and the quality of the Business Assets and other relevant valuation benchmarks.

The consideration payable by Tianjin Ordifen for the Acquisition is expected to be funded by the net proceeds from the global offering as described in the prospectus of the Company dated June 16, 2014.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is the largest branded intimate wear enterprise in the PRC in terms of total retail sales in 2014, according to the Frost & Sullivan Report. It is principally engaged in the design, research, development and sale of its own branded intimate wear products (namely, bras, underpants, sleepwear and loungewear, thermal clothes and others, which include leggings and tights, vests, hosiery and accessories) in the PRC and the Directors consider that the Acquisition represents an attractive opportunity in its business development.

Shanghai Ordifen is a well-established intimate wear retailer and manufacturer in the PRC focusing on the high-end market. The Ordifen brand originated from Taiwan and entered into the PRC market back in 1993. It is one of the high-end intimate wear brands with the longest history in the PRC. Shanghai Ordifen has great customer awareness of its brands as well as prestigious high-end products. The Ordifen brand was rewarded the "Chinese Well Known Mark" (中國馳名商標) in 2012. According to the Frost & Sullivan Report, Ordifen ranked the fifth and the seventh in terms of the retail sales of bras and ladies' underpants, respectively, in the PRC in 2014. As of December 31, 2014, Shanghai Ordifen had approximately 614 retail outlets, including approximately 250 self-owned outlets and approximately 364 franchised outlets. Shanghai Ordifen has extensive sales channels in department stores, shopping malls and other large retail centers located in tier one and tier two cities in the PRC. Moreover, Shanghai Ordifen possesses various intellectual property rights related to intimate wear products, including patents and trademarks. Therefore, the Acquisition is in line with the Group's development strategies of optimizing its product and brand portfolio, enhancing its product quality and expanding its sales channels, retail network and geographical coverage. Furthermore, the Acquisition offers an exciting opportunity for the Group to mark its presence in the high-end intimate wear market in the PRC through the established sales networks and well-known brands of Shanghai Ordifen and as a result, the Group expects to deepen its market penetration in the PRC intimate wear market.

The Directors consider that the terms of the Asset Transfer Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **THE PROVISION OF FINANCIAL ASSISTANCE**

On March 1, 2015, Cosmo Lady Guangdong, an indirect wholly-owned subsidiary of the Company, entered into the Entrusted Loan Entrustment Agreement with the Shenzhen branch of CMB, and the Shenzhen branch of CMB entered into the Entrusted Loan Agreement with Shanghai Ordifen, for the provision by Cosmo Lady Guangdong (as the lender) of the Entrusted Loan in the principal amount of RMB105,000,000 (equivalent to approximately HK\$129,855,600) to Shanghai Ordifen (as the borrower) through the Shenzhen branch of CMB (as the lending agent).

The principal terms of the Entrusted Loan Entrustment Agreement are set out below:

### **Date**

March 1, 2015

### **Parties**

The principal: Cosmo Lady Guangdong

The entrusted lending agent: the Shenzhen branch of CMB

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Shenzhen branch of CMB and its ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

### **The entrustment and handling fee**

Pursuant to the Entrustment Loan Entrustment Agreement, the Shenzhen branch of CMB, at the request of and acting as an agent to Cosmo Lady Guangdong, agreed to provide the service as a lending agent in relation to the provision of the Entrusted Loan in the principal amount of RMB105,000,000 (equivalent to approximately HK\$129,855,600) to Shanghai Ordifen. The Entrusted Loan is expected to be funded by the internal resources of the Group. The handling fee charged by the Shenzhen branch of CMB is 0.1% per annum of the outstanding principal amount of the Entrusted Loan, and shall be payable by Cosmo Lady Guangdong annually in advance.

The principal terms of the Entrusted Loan Agreement are set out below:

### **Date**

March 1, 2015

### **Parties**

The entrusted lending agent: the Shenzhen branch of CMB

The borrower: Shanghai Ordifen

## **Amount of the Entrusted Loan**

Pursuant to the Entrusted Loan Agreement, the Shenzhen branch of CMB, at the request of and acting as a lending agent to Cosmo Lady Guangdong, agreed to provide the Entrusted Loan in the principal amount of RMB105,000,000 (equivalent to approximately HK\$129,855,600) to Shanghai Ordifen. The Entrusted Loan shall be used by Shanghai Ordifen to repay the loan granted to it by the Shanghai branch of Bank of China Limited on a priority basis.

## **Term**

Draw down of the Entrusted Loan shall take place within five business days of the date of the Asset Transfer Agreement. The term of the Entrusted Loan is twenty-four months commencing from the draw down date. Shanghai Ordifen shall repay in full the principal and any accrued interest on the Entrusted Loan at maturity.

## **Interest rate**

The interest rate for the Entrusted Loan is 9% per annum, which is agreed by the parties after arm's length negotiations with reference to the prevailing market practices for entrusted loans in the PRC. The interest shall be payable by Shanghai Ordifen to the Shenzhen branch of CMB annually during the term of the Entrusted Loan and the Shenzhen branch of CMB will remit the same amount to Cosmo Lady Guangdong within two business days upon receipt of the amount.

## **Security for the Entrusted Loan**

In connection with the provision of the Entrusted Loan to Shanghai Ordifen, the Shenzhen branch of CMB will, for the benefit of Cosmo Lady Guangdong, obtain security for the Entrusted Loan in the form of a joint guarantee provided by Mr. Wang Wen-Tsung and Mr. Wang Chen-Hsing and a charge over a parcel of land with a site area of approximately 8,964.00 square meters and the building located thereon with a total gross floor area of approximately 16,834.46 square meters situated in Shanghai owned by Shanghai Ordifen, to secure Shanghai Ordifen's obligations under the Entrusted Loan Agreement. In the event of default by Shanghai Ordifen under the Entrusted Loan Agreement, the Shenzhen branch of CMB will enforce the aforesaid with the consent of and for the benefit of Cosmo Lady Guangdong. Moreover, the rental income of the building charged shall be used to settle the interest of the Entrusted Loan.

## **REASONS FOR AND BENEFITS OF THE ENTRUSTED LOAN ARRANGEMENT**

The terms of the Entrusted Loan Entrustment Agreement and the Entrusted Loan Agreement were agreed by the parties after arm's length negotiations having taken into account the prevailing market practices for entrusted loans in the PRC. The Directors consider that the provision of the Entrusted Loan is in line with the Group's efforts in the negotiation of the Acquisition with Shanghai Ordifen. The Directors also consider that the Entrusted Loan provides the Group with a reasonable return from the interest receivable and represents a good opportunity to provide satisfactory return on the use of the Group's own funds. Therefore, the Directors consider that the terms of the Entrusted Loan Entrustment Agreement and the Entrusted Loan Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## INFORMATION ON THE COMPANY AND THE GROUP

The Company is an investment holding company. The Group is the largest branded intimate wear enterprise in the PRC in terms of total retail sales in 2014, according to the Frost & Sullivan Report. It is principally engaged in the design, research, development and sale of its own branded intimate wear products (namely, bras, underpants, sleepwear and loungewear, thermal clothes and others, which include leggings and tights, vests, hosiery and accessories) in the PRC.

## INFORMATION ON CMB, SHANGHAI ORDIFEN AND GACS

CMB is a joint stock company incorporated in the PRC with limited liability, the A shares and the H shares of which are listed on the Shanghai Stock Exchange and the Stock Exchange respectively. The CMB group provides customers with various wholesale and retail banking products and services, and maintains treasury businesses with proprietary purpose and on behalf of customers.

Shanghai Ordifen is a company incorporated in the PRC with limited liability and is principally engaged in the design, research, development, sale and manufacturing of intimate wear products under multiple brands, including but not limited to Ordifen, Rubii and Ilsée.

GACS is a company incorporated in Singapore with limited liability and is principally engaged in the business of financial and investment consulting.

## FINANCIAL INFORMATION ON THE BUSINESS

As at December 31, 2014, the unaudited net book value of the Business under IFRS was approximately RMB71,201,000.

The following table summarizes the unaudited financial results of the Business (prepared in accordance with IFRS) for each of the two financial years ended December 31, 2013 and 2014:

	<b>For the year ended</b>	
	<b>December 31,</b>	<b>December 31,</b>
	<b>2013</b>	<b>2014</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	372,581	329,253
Gross profit	230,550	217,534
Net profit/(loss) before taxation and extraordinary items	(27,324)	(14,582)
Net profit/(loss) after taxation and extraordinary items	(27,596)	(14,610)

## **IMPLICATIONS UNDER THE LISTING RULES**

As certain of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in respect of the Asset Transfer Agreement and the Entrusted Loan, on an aggregated basis pursuant to Rule 14.22 of the Listing Rules, are more than 5% but less than 25%, the transactions contemplated under the Asset Transfer Agreement, the Entrusted Loan Entrustment Agreement and the Entrusted Loan Agreement constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules.

As the amount of the Entrusted Loan granted to Shanghai Ordifen does not exceed 8% under the assets ratio as defined under Rule 13.13 of the Listing Rules, the grant of the Entrusted Loan is not subject to the disclosure obligations under Rule 13.15 of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context requires otherwise, the following terms have the meanings as set out below:

“Acquisition”	the acquisition of the Business and the Business Assets by Tianjin Ordifen from the Sellers pursuant to the Asset Transfer Agreement
“Affiliate”	(a) in the case of a person other than a natural person, any other person that directly or indirectly Controls, is Controlled by or is under common Control with such person; and (b) in the case of a natural person, his close relatives
“Asset Transfer Agreement”	the asset transfer agreement dated March 1, 2015 entered into between Tianjin Ordifen, the Sellers and the Warrantors in relation to the Acquisition
“Board”	the board of Directors of the Company
“Business”	the business of the design, research, development, sale and manufacturing of branded intimate wear products owned by the Sellers, including but not limited to the Ordifen, Rubii and Ilsée brands
“CMB”	China Merchants Bank Co., Ltd. (招商銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability, the A shares and the H shares of which are listed on the Shanghai Stock Exchange and the Stock Exchange respectively

“Company”	Cosmo Lady (China) Holdings Company Limited (都市麗人(中國)控股有限公司), a company incorporated with limited liability under the laws of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning set out in Chapter 14A of the Listing Rules
“Control”	(a) ownership of more than 50% of the registered capital of a person; or (b) ownership of less than 50% of the registered capital of a person but having the power to control more than 50% of the voting power of such person, through contractual or other arrangements with other owners of the registered capital; or (c) ability to appoint the general manager or other senior management of a person
“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, an indirect wholly-owned subsidiary of the Company
“Directors”	the directors of the Company
“Entrusted Loan”	the entrusted loan in the principal amount of RMB105,000,000 (equivalent to approximately HK\$129,855,600) to be advanced by Cosmo Lady Guangdong to Shanghai Ordifen through the Shenzhen branch of CMB pursuant to the Entrusted Loan Entrustment Agreement and the Entrusted Loan Agreement
“Entrusted Loan Agreement”	the entrusted loan agreement dated March 1, 2015 entered into between the Shenzhen branch of CMB and Shanghai Ordifen in relation to the Entrusted Loan
“Entrusted Loan Entrustment Agreement”	the entrusted loan entrustment agreement dated March 1, 2015 entered into between Cosmo Lady Guangdong and the Shenzhen branch of CMB in relation to the Entrusted Loan
“Final Closing”	the final closing of the Acquisition where all trademarks related to the Business have been successfully transferred to Tianjin Ordifen or its Affiliates
“Frost & Sullivan Report”	an independent market research report dated February 28, 2015 prepared by Frost & Sullivan

“GACS”	Grand Asia Capital Services Pte. Ltd. (新加坡商頂華財務管理顧問有限公司), a company incorporated in Singapore with limited liability
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Closing”	the initial closing of the Acquisition where applications for transfer of all trademarks related to the Business have been filed with the relevant authorities and all other Business Assets have been transferred to Tianjin Ordifen, which shall take place within four months from the date of the Asset Transfer Agreement, or at such other time as may be agreed among the parties
“IFRS”	International Financial Reporting Standards issued by the International Accounting Standards Board
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China and for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Ordifen”	Shanghai Ordifen Co., Ltd. (上海歐迪芬內衣精品股份有限公司), a company incorporated in the PRC with limited liability
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Ordifen”	Tianjin (Ordifen) Fashion Company Limited (天津歐迪芬服裝銷售有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

*This announcement contains translation between HK\$ and RMB at HK\$1.23672 = RMB1.0. The translation shall not be taken as representation that the HK\$ amount could actually be converted into RMB at that rate, or at all.*

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

The PRC, March 1, 2015

*As at the date of this announcement, the Board comprises Mr. Zheng Yaonan, Mr. Zhang Shengfeng, Mr. Lin Zonghong, Mr. Cheng Zuming and Ms. Wu Xiaoli as executive Directors; Mr. Wen Baoma as non-executive Director; and Mr. Yau Chi Ming, Dr. Dai Yiyi and Mr. Chen Zhigang as independent non-executive Directors.*