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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)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **ANNUAL RESULTS**

The board of directors (the “**Board**”) of Cosmo Lady (China) Holdings Company Limited (the “**Company**”) announced the annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023, together with comparative figures for 2022 and selected explanatory notes, as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

|  |             | Year ended 31 December |                    |
|--|-------------|------------------------|--------------------|
|  |             | 2023                   | 2022               |
|  |             | <i>RMB'000</i>         | <i>RMB'000</i>     |
|  | <i>Note</i> |                        |                    |
| <b>Revenue</b>   | 4           | <b>2,757,081</b>       | 3,008,760          |
| Cost of sales  |             | <u>(1,448,422)</u>     | <u>(1,612,008)</u> |
| <b>Gross profit</b>  |             | <b>1,308,659</b>       | 1,396,752          |
| Selling and marketing expenses   |             | <b>(1,103,187)</b>     | (1,215,244)        |
| General and administrative expenses  |             | <b>(194,961)</b>       | (211,094)          |
| Net reversal of impairment losses on financial assets  |             | <b>31,317</b>          | 76,319             |
| Other income   | 5           | <b>25,634</b>          | 35,120             |
| Other losses – net   | 5           | <u>(857)</u>           | <u>(324)</u>       |
| <b>Operating profit</b>  |             | <u><b>66,605</b></u>   | <u>81,529</u>      |
| Finance income   |             | <b>7,618</b>           | 6,700              |
| Finance expenses   |             | <u>(30,194)</u>        | <u>(33,837)</u>    |
| <b>Finance expenses – net</b>  |             | <b>(22,576)</b>        | (27,137)           |
| Share of net profit/(loss) of joint ventures accounted for using the equity method                 |             | <u><b>3,973</b></u>    | <u>(26,013)</u>    |
| <b>Profit before income tax</b>  | 6           | <b>48,002</b>          | 28,379             |
| Income tax expense   | 7           | <u>(7,316)</u>         | <u>(4,355)</u>     |
| <b>Profit for the year</b>   |             | <b>40,686</b>          | 24,024             |
| <b>Other comprehensive income/(loss) for the year</b>  |             |                        |                    |
| <i>Item that may be reclassified subsequently to profit or loss</i>                                |             |                        |                    |
| – Exchange differences   |             | <b>2,618</b>           | (8,118)            |
| <i>Item that will not be reclassified to profit or loss</i>  |             |                        |                    |
| – Changes in the fair value of equity investments at fair value through other comprehensive income |             | <u>(8,803)</u>         | <u>(2,413)</u>     |
| <b>Total comprehensive income for the year</b>   |             | <u><b>34,501</b></u>   | <u>13,493</u>      |

|   |             | <b>Year ended 31 December</b> |                      |
|---|-------------|-------------------------------|----------------------|
|   |             | <b>2023</b>                   | 2022                 |
|   | <i>Note</i> | <b><i>RMB'000</i></b>         | <i>RMB'000</i>       |
| <b>Profit/(loss) attributable to:</b>   |             |                               |                      |
| Owners of the Company   |             | 42,483                        | 33,024               |
| Non-controlling interests   |             | <u>(1,797)</u>                | <u>(9,000)</u>       |
|   |             | <b><u>40,686</u></b>          | <b><u>24,024</u></b> |
| <b>Total comprehensive income/(loss) for the year is attributable to:</b>                                       |             |                               |                      |
| Owners of the Company   |             | 36,298                        | 22,493               |
| Non-controlling interests   |             | <u>(1,797)</u>                | <u>(9,000)</u>       |
|   |             | <b><u>34,501</u></b>          | <b><u>13,493</u></b> |
| <b>Earnings per share for profit attributable to the ordinary equity holders of the Company during the year</b> |             |                               |                      |
|   | 8           | <i>RMB cents</i>              | <i>RMB cents</i>     |
| Basic earnings per share  |             | 1.94                          | 1.51                 |
| Diluted earnings per share  |             | <u>1.94</u>                   | <u>1.51</u>          |

## CONSOLIDATED BALANCE SHEET

|   |             | As at 31 December       |                  |
|---|-------------|-------------------------|------------------|
|   |             | 2023                    | 2022             |
|   | <i>Note</i> | <i>RMB'000</i>          | <i>RMB'000</i>   |
| <b>ASSETS</b>   |             |                         |                  |
| <b>Non-current assets</b>   |             |                         |                  |
| Property, plant and equipment                                     |             | <b>994,638</b>          | 600,320          |
| Right-of-use assets   |             | <b>389,161</b>          | 341,161          |
| Intangible assets   |             | <b>27,750</b>           | 28,648           |
| Investment in joint ventures                                      |             | <b>85,622</b>           | 84,604           |
| Financial assets at fair value through other comprehensive income |             | <b>24,761</b>           | 36,094           |
| Deposits, prepayments and other receivables                       |             | <b>21,109</b>           | 9,481            |
| Deferred income tax assets  |             | <b>125,969</b>          | 154,361          |
|   |             | <u><b>1,669,010</b></u> | <u>1,254,669</u> |
| <b>Current assets</b>   |             |                         |                  |
| Inventories   |             | <b>616,454</b>          | 702,963          |
| Trade and notes receivables                                       | 10          | <b>320,681</b>          | 297,138          |
| Deposits, prepayments and other receivables                       |             | <b>527,439</b>          | 517,535          |
| Restricted bank deposits  |             | <b>175,776</b>          | 155,375          |
| Cash and cash equivalents   |             | <b>506,157</b>          | 554,083          |
|   |             | <u><b>2,146,507</b></u> | <u>2,227,094</u> |
| <b>Total assets</b>   |             | <u><b>3,815,517</b></u> | <u>3,481,763</u> |

|   |             | <b>As at 31 December</b> |                |
|---|-------------|--------------------------|----------------|
|   |             | <b>2023</b>              | <b>2022</b>    |
|   | <i>Note</i> | <b>RMB'000</b>           | <b>RMB'000</b> |
| <b>EQUITY</b>   |             |                          |                |
| <b>Capital and reserves attributable to owners of the Company</b> |             |                          |                |
| Share capital   | 11          | <b>140,312</b>           | 140,312        |
| Share premium   | 11          | <b>1,656,669</b>         | 1,656,669      |
| Other reserves  |             | <b>365,818</b>           | 378,389        |
| Accumulated losses  |             | <b>(233,730)</b>         | (273,012)      |
|   |             | <b>1,929,069</b>         | 1,902,358      |
| Non-controlling interests   |             | <b>(630)</b>             | 9,817          |
| <b>Total equity</b>   |             | <b>1,928,439</b>         | 1,912,175      |
| <b>LIABILITIES</b>  |             |                          |                |
| <b>Current liabilities</b>  |             |                          |                |
| Trade and notes payables  | 12          | <b>751,436</b>           | 613,185        |
| Accruals and other payables                                       |             | <b>369,457</b>           | 272,278        |
| Contract liabilities  |             | <b>48,456</b>            | 52,336         |
| Current income tax liabilities                                    |             | <b>14,036</b>            | 22,415         |
| Borrowings  | 13          | <b>162,038</b>           | 168,118        |
| Lease liabilities   |             | <b>135,823</b>           | 156,720        |
| Deferred income   |             | <b>231</b>               | 242            |
|   |             | <b>1,481,477</b>         | 1,285,294      |
| <b>Non-current liabilities</b>                                    |             |                          |                |
| Borrowings  | 13          | <b>230,442</b>           | 163,384        |
| Lease liabilities   |             | <b>175,046</b>           | 120,028        |
| Deferred income tax liabilities                                   |             | <b>–</b>                 | 538            |
| Deferred income   |             | <b>113</b>               | 344            |
|   |             | <b>405,601</b>           | 284,294        |
| <b>Total liabilities</b>  |             | <b>1,887,078</b>         | 1,569,588      |
| <b>Total equity and liabilities</b>                               |             | <b>3,815,517</b>         | 3,481,763      |

## CONSOLIDATED STATEMENT OF CASH FLOWS

|  | Year ended 31 December |                       |
|--|------------------------|-----------------------|
|  | 2023                   | 2022                  |
|  | <i>RMB'000</i>         | <i>RMB'000</i>        |
| <b>Cash flows from operating activities</b>  |                        |                       |
| Cash generated from operations   | 383,443                | 235,967               |
| Income tax paid  | (122)                  | (5,439)               |
| <b>Net cash generated from operating activities</b>  | <u>383,321</u>         | <u>230,528</u>        |
| <b>Cash flows from investing activities</b>  |                        |                       |
| Proceeds from disposal of property, plant and equipment  | 1,489                  | 27,407                |
| Refundable deposits received from the prospective purchasers or lessees of property, plant and equipment | 102,853                | –                     |
| Interest received  | 7,618                  | 6,700                 |
| Purchases of property, plant and equipment   | (336,389)              | (78,678)              |
| Purchases of intangible assets   | (8,926)                | (5,210)               |
| Investment income from financial assets at fair value through profit or loss                             | 1,453                  | 1,508                 |
| Proceeds from disposal of financial assets at fair value through profit or loss                          | –                      | 6,376                 |
| Dividends from financial assets at fair value through other comprehensive income                         | 81                     | 1,960                 |
| Proceeds from disposal of financial assets at fair value through other comprehensive income              | 3,011                  | 31,576                |
| Capital contribution to a joint venture  | (600)                  | –                     |
| Proceeds from divestment of a joint venture  | 3,555                  | 44,267                |
| Advance to a joint venture   | (2)                    | (100)                 |
| Net cash received from disposal of subsidiaries  | 115                    | –                     |
| <b>Net cash (used in)/generated from investing activities</b>  | <u>(225,742)</u>       | <u>35,806</u>         |
| <b>Cash flows from financing activities</b>  |                        |                       |
| Transactions with non-controlling interests  | (1,250)                | (9,555)               |
| Capital injections from non-controlling interests  | –                      | 8,291                 |
| Dividends paid to non-controlling interests in subsidiaries  | (1,800)                | –                     |
| Proceeds from bank borrowings  | 279,210                | 295,000               |
| Repayments of bank borrowings  | (218,232)              | (332,575)             |
| Interest paid for bank borrowings  | (24,662)               | (22,433)              |
| Purchase of the Company's shares for share award scheme  | (8,821)                | –                     |
| (Pledge)/release of restricted bank deposits   | (20,401)               | 84,917                |
| Principal elements of lease payments   | (208,448)              | (239,847)             |
| <b>Net cash used in financing activities</b>   | <u>(204,404)</u>       | <u>(216,202)</u>      |
| Net (decrease)/increase in cash and cash equivalents   | (46,825)               | 50,132                |
| Cash and cash equivalents at beginning of the year   | 554,083                | 515,547               |
| Effect of foreign exchange rate changes  | (1,101)                | (11,596)              |
| <b>Cash and cash equivalents at end of the year</b>  | <u><u>506,157</u></u>  | <u><u>554,083</u></u> |

NOTES:

**1 GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands on 28 January 2014 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company's registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company. The Group is principally engaged in the designing, marketing and selling of intimate wear products in the People's Republic of China (the "PRC"). The Company's ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 26 June 2014.

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

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and have been approved for issue by the Board on 27 March 2024.

**2 BASIS OF PREPARATION**

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") and under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are carried at fair value.

The preparation of the financial statements 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.

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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

|   |   |
|---|---|
| IFRS 17   | Insurance Contracts   |
| Amendments to IAS 1                               | Classification of liabilities as Current or Non-current   |
| IFRS Interpretation 5 (2020)                      | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause |
| Amendments to IAS 8                               | Definition of Accounting Estimates  |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies   |
| Amendments to IAS 12                              | Deferred Tax related to Assets and Liabilities arising from a Single Transaction  |

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

**(b) New standards, amendments to existing standards and interpretations that have been issued but are not effective**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

| <b>Standards, Amendments or Interpretations</b> | <b>Subject</b>  | <b>Effective for annual accounting periods beginning on or after</b> |
|---|---|--|
| Amendments to IFRS 10 and IAS 28                | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined   |

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**3 SEGMENT INFORMATION**

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

The Group's revenue substantially are derived from selling of intimate wear products in the PRC.

For the year ended 31 December 2023, none of the revenue derived from any single external customer amounted to more than 10% of the Group's revenue (2022: none).

**4 REVENUE**

|  | <b>Year ended 31 December</b> |                       |
|--|-------------------------------|-----------------------|
|  | <b>2023</b>                   | <b>2022</b>           |
|  | <b><i>RMB'000</i></b>         | <b><i>RMB'000</i></b> |
| Retail sales   | <b>1,212,137</b>              | 1,266,975             |
| Sales to franchisees                                 | <b>906,704</b>                | 935,918               |
| E-commerce   | <b>524,119</b>                | 675,736               |
| Others ( <i>Note</i> )                               | <b>114,121</b>                | 130,131               |
|  | <b>2,757,081</b>              | 3,008,760             |
|  | <b>2,757,081</b>              | 3,008,760             |
|  |                               |                       |
|  | <b>As at 31 December</b>      |                       |
|  | <b>2023</b>                   | <b>2022</b>           |
|  | <b><i>RMB'000</i></b>         | <b><i>RMB'000</i></b> |
| Contract liabilities related to sales to franchisees | <b>36,856</b>                 | 51,542                |
| Contract liabilities related to others               | <b>11,600</b>                 | 794                   |
|  | <b>48,456</b>                 | 52,336                |
|  | <b>48,456</b>                 | 52,336                |

The revenue recognised in the current reporting year relating to carried-forward contract liabilities as at 1 January 2023 is approximately RMB52,336,000.

*Note:* The revenue recognised over time this year is approximately RMB 114,121,000, which mainly represents revenue from logistics and warehousing services and brand services. Other than that, revenue from retail sales, sales to franchisees and E-commerce all recognised at a point in time.

## 5 OTHER INCOME AND OTHER LOSSES – NET

|   | Year ended 31 December |                 |
|---|------------------------|-----------------|
|   | 2023<br>RMB'000        | 2022<br>RMB'000 |
| <b>Other income</b>   |                        |                 |
| Government grants ( <i>Note</i> )   | 3,653                  | 4,239           |
| Investment income from financial assets at<br>fair value through profit or loss     | 1,453                  | 1,508           |
| Dividends from financial assets at<br>fair value through other comprehensive income | 81                     | 4,000           |
| Others  | 20,447                 | 25,373          |
|   | <b>25,634</b>          | <b>35,120</b>   |

*Notes:*

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

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

|  | Year ended 31 December |                 |
|--|------------------------|-----------------|
|  | 2023<br>RMB'000        | 2022<br>RMB'000 |
| <b>Other losses – net</b>  |                        |                 |
| Net foreign exchange losses  | (2,021)                | (3,478)         |
| Fair value gain on financial asset at<br>fair value through profit or loss | –                      | 2,843           |
| Gain on disposal of subsidiary   | 742                    | –               |
| Gains on disposal of property, plant and equipment – net                   | 444                    | 311             |
| Loss on disposal of intangible assets                                      | (22)                   | –               |
|  | <b>(857)</b>           | <b>(324)</b>    |

## 6 PROFIT BEFORE INCOME TAX

|   | Year ended 31 December |                 |
|---|------------------------|-----------------|
|   | 2023                   | 2022            |
|   | RMB'000                | RMB'000         |
| Operating expenses in respect of stores<br>under cooperative arrangements     | 362,173                | 264,958         |
| Commission expenses in respect of consignment sales<br>in franchisees' stores | –                      | 91,055          |
| Employee benefit expenses (including directors' emoluments)                   | 275,868                | 292,035         |
| Other operating rental expenses   | 20,569                 | 18,749          |
| Depreciation and amortization   | 282,487                | 338,572         |
| Marketing and promotion expenses  | 132,082                | 161,351         |
| E-commerce platforms commission expenses                                      | 79,469                 | 88,670          |
| Provision for inventories   | 47,076                 | 17,457          |
| Reversal of impairment of trade receivables                                   | (32,100)               | (45,495)        |
| Provision for/(reversal of) impairment of other receivables                   | 783                    | (30,824)        |
|   | <u>783</u>             | <u>(30,824)</u> |

## 7 INCOME TAX EXPENSE

|  | Year ended 31 December |                |
|--|------------------------|----------------|
|  | 2023                   | 2022           |
|  | RMB'000                | RMB'000        |
| Current income tax                             |                        |                |
| – Hong Kong profits tax ( <i>Note (a)</i> )    | –                      | –              |
| – PRC corporate income tax ( <i>Note (b)</i> ) | (20,538)               | 10,036         |
|  | <u>(20,538)</u>        | <u>10,036</u>  |
| Deferred income tax                            |                        |                |
| – Deferred income tax current period           | 27,854                 | (5,681)        |
|  | <u>27,854</u>          | <u>(5,681)</u> |
| Income tax expense                             | <u>7,316</u>           | <u>4,355</u>   |

*Notes:*

### (a) Hong Kong profits tax

Under the two-tiered profits tax rates regime for the year ended 31 December 2023 and 2022, the profits tax rate for the first HK\$2,000,000 of assessable profits is lowered to 8.25% (half of the rate specified in Schedule 8 to the Inland Revenue Ordinance). Assessable profits above HK\$2,000,000 continue to be subject to the rate of 16.5%. There is no assessable income for the year under Hong Kong profits tax.

### (b) PRC corporate income tax

The Company's subsidiary, Cosmo Lady Guangdong Holdings Limited (“**Cosmo Lady Guangdong**”) was given the preferential corporate income tax at 15% under the High and New Technology Enterprises (“**HNTE**”) in December 2021, which is effective for 3 years from 2021 to 2024. The Group's other subsidiaries in the PRC are subject to PRC corporate income tax at the rate of 25% for the year ended 31 December 2023 (2022: 25%) on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

(c) **Overseas income tax**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the BVI was incorporated under the International Business Companies Act of the BVI and, accordingly, is exempted from BVI income tax.

**8 EARNING PER SHARE**

**Basic**

Basic earning per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue (*Note*) during the year.

|  | <b>Year ended 31 December</b> |                  |
|--|-------------------------------|------------------|
|  | <b>2023</b>                   | 2022             |
| Profit for the year attributable to owners of the Company<br>( <i>RMB'000</i> )  | <u><b>42,483</b></u>          | <u>33,024</u>    |
| Weighted average number of ordinary shares for the purposes<br>of basic earning per share ( <i>thousands of shares</i> ) | <u><b>2,187,880</b></u>       | <u>2,193,421</u> |
| Basic earning per share ( <i>RMB cents per share</i> )   | <u><b>1.94</b></u>            | <u>1.51</u>      |

*Note:* The weighted average number of ordinary shares for the purpose of basic earning per share for the year ended 31 December 2023 and 2022 has been adjusted for the effects of vesting, purchase and withholding of ordinary shares of the Company for the share award scheme during the year ended 31 December 2023 and 2022, respectively.

**Diluted**

For the year ended 31 December 2023 and 2022, diluted earning per share is the same as the basic earning per share as there is no diluted impact from the 2019 share award scheme.

**9 DIVIDENDS**

The Board does not recommend a final dividend to the shareholders of the Company for the year ended 31 December 2023 (2022: nil).

The Board did not recommend the payment of interim dividend to shareholders of the Company for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

## 10 TRADE AND NOTES RECEIVABLES

|  | <b>As at 31 December</b> |                |
|--|--------------------------|----------------|
|  | <b>2023</b>              | 2022           |
|  | <b>RMB'000</b>           | <b>RMB'000</b> |
| Trade receivables – due from third parties | <b>330,202</b>           | 339,050        |
| Notes receivables                          | <b>761</b>               | 1,151          |
| Less: loss allowance                       | <b>(10,282)</b>          | (43,063)       |
|  | <hr/>                    | <hr/>          |
| Trade and notes receivables – net          | <b>320,681</b>           | 297,138        |
|  | <hr/> <hr/>              | <hr/> <hr/>    |

- (a) As at 31 December 2023, the carrying amounts of the trade receivables of the Group approximate their fair values and are all denominated in RMB.
- (b) The Group's trade receivables are primarily derived from sales to certain franchise customers with an appropriate credit history. The Group generally grants franchise customers with a credit period of 15 to 90 days from the invoice date. The Group also gives franchise customers a credit period of 90 to 180 days for their first order of products for new retail stores. In 2023, the Group extended the credit period to 360 days for certain franchise customers with established operation relationships and satisfactory credit records. The ageing analysis of trade receivables based on invoice date, as at 31 December 2023 is as follows:

|                                     | <b>As at 31 December</b> |                |
|-------------------------------------|--------------------------|----------------|
|                                     | <b>2023</b>              | 2022           |
|                                     | <b>RMB'000</b>           | <b>RMB'000</b> |
| Trade receivables, gross            |                          |                |
| – Within 30 days                    | <b>200,593</b>           | 218,034        |
| – Over 30 days and within 60 days   | <b>19,876</b>            | 15,670         |
| – Over 60 days and within 90 days   | <b>12,767</b>            | 7,288          |
| – Over 90 days and within 180 days  | <b>23,465</b>            | 21,219         |
| – Over 180 days and within 360 days | <b>66,174</b>            | 32,999         |
| – Over 360 days                     | <b>7,327</b>             | 43,840         |
|                                     | <hr/>                    | <hr/>          |
|                                     | <b>330,202</b>           | 339,050        |
|                                     | <hr/> <hr/>              | <hr/> <hr/>    |

## 11 SHARE CAPITAL AND SHARE PREMIUM

|                               | <b>Number of<br/>ordinary shares</b> | <b>Share capital<br/>RMB'000</b> | <b>Share premium<br/>RMB'000</b> | <b>Total<br/>RMB'000</b> |
|-------------------------------|--------------------------------------|----------------------------------|----------------------------------|--------------------------|
| <b>As at 31 December 2023</b> | <b>2,249,457,213</b>                 | <b>140,312</b>                   | <b>1,656,669</b>                 | <b>1,796,981</b>         |
|                               | <hr/>                                | <hr/>                            | <hr/>                            | <hr/>                    |
| As at 31 December 2022        | 2,249,457,213                        | 140,312                          | 1,656,669                        | 1,796,981                |
|                               | <hr/>                                | <hr/>                            | <hr/>                            | <hr/>                    |

## 12 TRADE AND NOTES PAYABLES

|                          | <b>As at 31 December</b> |                |
|--------------------------|--------------------------|----------------|
|                          | <b>2023</b>              | 2022           |
|                          | <b>RMB'000</b>           | <b>RMB'000</b> |
| <b>Trade payables</b>    |                          |                |
| – Due to third parties   | <b>295,070</b>           | 351,223        |
| – Due to related parties | <b>1,752</b>             | 8,477          |
|                          | <u><b>296,822</b></u>    | <u>359,700</u> |
| <b>Notes payables</b>    |                          |                |
| – Due to third parties   | <b>454,614</b>           | 253,485        |
|                          | <u><b>751,436</b></u>    | <u>613,185</u> |

As at 31 December 2023, trade payables of the Group are non-interest bearing, and their fair values approximate their carrying amounts due to their short maturities.

As at 31 December 2023, trade payables are denominated in RMB. The ageing analysis of trade payables based on invoice date, as at 31 December 2023 is as follows:

|                                     | <b>As at 31 December</b> |                |
|-------------------------------------|--------------------------|----------------|
|                                     | <b>2023</b>              | 2022           |
|                                     | <b>RMB'000</b>           | <b>RMB'000</b> |
| Trade payables                      |                          |                |
| – Within 30 days                    | <b>61,674</b>            | 100,682        |
| – Over 30 days and within 60 days   | <b>45,989</b>            | 49,348         |
| – Over 60 days and within 90 days   | <b>104,038</b>           | 100,963        |
| – Over 90 days and within 180 days  | <b>80,914</b>            | 102,264        |
| – Over 180 days and within 360 days | <b>2,310</b>             | 3,476          |
| – Over 360 days                     | <b>1,897</b>             | 2,967          |
|                                     | <u><b>296,822</b></u>    | <u>359,700</u> |

## 13 BORROWINGS

|   | As at 31 December     |                       |
|---|-----------------------|-----------------------|
|   | 2023                  | 2022                  |
|   | RMB'000               | RMB'000               |
| <b>Non-current</b>                      |                       |                       |
| Secured bank borrowings ( <i>Note</i> ) | <u>230,442</u>        | <u>163,384</u>        |
| <b>Current</b>                          |                       |                       |
| Secured bank borrowings ( <i>Note</i> ) | <u>162,038</u>        | <u>168,118</u>        |
|   | <u><b>392,480</b></u> | <u><b>331,502</b></u> |

Movements in borrowings are analysed as follows:

|  | RMB'000               |
|--|-----------------------|
| <b>Opening amount as at 1 January 2023</b>   | <b>331,502</b>        |
| Repayments of bank borrowings                | (218,232)             |
| Proceeds from bank borrowings                | <u>279,210</u>        |
| <b>Closing amount as at 31 December 2023</b> | <u><b>392,480</b></u> |

*Note:* The amount represents the bank borrowings that are secured by the Group's certain buildings, construction in progress and land use rights of approximately RMB758,270,000 as at 31 December 2023 (as at 31 December 2022: RMB308,343,000).

The fair values of the non-current borrowings approximate their carrying amounts, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 4.90% (2022: 4.73%) and are within level 2 of the fair value hierarchy.

The carrying amounts of the Group's borrowings are denominated in RMB.

## **BUSINESS REVIEW**

The year 2023 was the first year after the release of the COVID-19 control and prevention, and it was also a year of challenges and opportunities. The international situation was still complex and severe, yet the domestic economy was showing a volatile recovery trend. In this context, the Group adhered to its “three original aspirations”: (1) Producing high-quality and affordable intimate wear, (2) Ensuring profitability for every franchisee, and (3) Serving franchisees and consumers with sincerity. The Group responded to the situation by actively implementing measures in brand development, product enhancement, channel optimization, digital construction to enhance overall strength and performance. For the year ended 31 December 2023, the profit attributable to owners of the Company was approximately RMB42,483,000 (2022: RMB 33,024,000).

### **Building strong brand power with strategy as the guide**

- (a) We have implemented a multi-brand strategy to position and calibrate our main brands, namely Cosmo Lady, Ordifen brand and Cotton Regions towards target customer group, and built a highly coordinated brand portfolio with high, medium and general end to meet the needs of consumers in different market segments.
- (b) The 25th anniversary brand strategy upgrade of Cosmo Lady and the 2024 spring and summer new products conference was successfully completed in Dongguan, Guangdong in August 2023. The new brand strategy of Cosmo Lady was announced in the conference and new series of products were launched. Additionally, in collaboration with Ebang Think Tank, Promostyl, the Intimate Wear Committee of China Textile Commerce Association (中國紡織品商業協會內衣專業委員會), we jointly released the 2023 Women’s Intimate Wear Industry Consumption Trend Research Report (2023女性內衣行業消費趨勢研究報告) to provide insights for industry development and solidify the leadership position of Cosmo Lady in the industry.
- (c) We continued to optimize brand marketing strategy, including integrating point-of-sales marketing activities to improve overall efficiency and establishing an optimized advertising system for stores. This approach highlighted unique selling points and ensured clear price communication for customers, enhancing their consumption experience. Furthermore, new product promotion content was upgraded, emphasizing product features and accumulating brand assets. Coordination between online mini-programs and offline stores created unified development momentum.

## **Oriented by consumer demand to create “good and affordable” products**

- (a) We continued to strengthen market and consumer insight and built a suitable product portfolio according to the needs of different market segments.
- (b) We pursued innovative breakthroughs in products, focused on materials, technology, and type innovation, and continuously explored the core competitiveness of products. We cooperated with suppliers on product research and development, fabric intensification, and cost control. This led to reduced product costs and enhanced product competitiveness while safeguarding product quality and becoming more sensitive to market trends.
- (c) We continued to create a top-selling product matrix. We cooperated with material suppliers and factories to jointly develop top-selling product materials and promote iterative product upgrades and innovations. In 2023, top-selling products such as Shape-C Cups (塑顏C), Peach Cups (蜜桃杯), Thin Push-up Cups (聚薄杯), High-elasticity Underpants (高彈褲), Tea-series Underpants (茶舒褲), Soft Underpants (舒柔褲), Dust-free Cotton (無塵棉), Soft Series (軟綿綿), Hot Cocoa (熱可可), and Moisturizing Apparel (潤膚衣) have been launched, and were well received from the market.
- (d) We continuously strengthened our supply chain management capabilities, through continuous optimization of material development and innovation, procurement, manufacturing techniques and processes, and supplier management systems. This enabled us to ensure product quality, improve supply chain agility, and reduce costs effectively.

## **Concentrating resources, promoting strategic layout of channels, and achieving channel breakthroughs**

- (a) The county and town marketing campaigns launched in 2023 have achieved results in strengthening the presence in lower-tier cities. We achieved a notable breakthrough by opening more than 800 new stores, through franchise and cooperative channels, representing a year-on-year increase of more than 70%.
- (b) We continued to optimize the channel classification standards to better match products with channels, thereby enhancing overall store efficiency.
- (c) We implemented an omni-channel layout strategy, focusing on integrated development both online and offline. We improved in-store services based on membership operations and enhanced the mini-program to meet needs of out-of-store shopping. Additionally, we leveraged platforms such as JD Daojia (京東到家) and Meituan Instashopping (美團閃購), Douyin and video account livestreaming to attract traffic to our stores and enhance the overall customer experience.

- (d) Various measures were taken to enhance the customer experience in-store, such as upgrading the fitting room setting and scene functions to meet the needs of different customers.

### **Promoting digital transformation and improving operational efficiency**

In 2023, the Group maintained its focus on digital planning, consumer-centric strategies, and digital operations, successfully implementing key projects such as the Universe Consumer Management Platform, B2B System Platform, Data Middle-Office and Data Management. These initiatives have laid a good foundation for the Group's business transformation and overall operational efficiency improvement.

- (a) The establishment of the Universe Consumer Management Platform enables us to leverage the value of over 60 million members. By achieving seamless sharing of member information across various channels and implementing a unified labelling system, we have achieved precise marketing. Combined with the Community Management Platform, this empowers our terminals and provides a strong driving force for continuous performance growth.
- (b) The B2B system platform has been further upgraded and optimized. On the basis of the original functions, the product operation and marketing functions have been added, and the functions of livestreaming forecast, reminders, sharing and commodity recommendation and notification have been launched. Additionally, digital reports have been built to support accurate decision-making for product replenishment, resulting in a continued increase in B2B orders.
- (c) The Data Management and Data Middle-Office projects have yielded significant results. With the establishment of a management cockpit for commodities, channels, members and retail based on the Data Middle-Office, we have laid a solid foundation for data-driven decision-making and comprehensively improving operational efficiency.

In 2024, we will continue to strengthen our capabilities of brands, products, channels, and other aspects in accordance with the established strategic deployment, driving overall performance growth. In terms of brand, we will drive the growth of brand power through top-selling product marketing and continue to build strong brand power of Cosmo Lady. In March 2024, Cosmo Lady officially became the official partner of the Chinese Synchronized Swimming Team; the strategic cooperation between Cosmo Lady and the National Synchronized Swimming Team not only achieved a perfect blend of “firmness and softness” and “comfort and style” in product design, but also laid a solid foundation for shaping its national brand image through strengthened brand image and increased brand value. In terms of products, we will continue to be consumer-centric, continue to improve its product innovation and research and development system, and constantly strengthen product quality. At the same time, we will further promote the “Thousand Stores Campaign” in order to achieve dual leadership in brand power and sales volume, and manage the presence and development of other markets at all levels. Building upon the foundation of strengthened channel store layout, we will create efficient terminals, comprehensively enhancing single-store competitiveness. We believe that based on the results in 2023 and the effective implementation of the above measures, we will steadily enhance the core competitiveness of the Group and provide consumers with better product and service experience while improving the brand influence, and finally achieve sustainable and stable growth in performance.

I would like to extend my sincere thanks to all our customers, suppliers, bankers, shareholders, and supporters of the Company who have been supportive of the Group. I would also like to thank our Directors, management and staff for their valuable contributions to the Group.

## **FINANCIAL REVIEW**

### **Revenue**

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

### *Revenue by sales channel*

The products of the Group were sold to consumers through an extensive network of stores in various cities across China and via online sales platforms. The breakdown of the total revenue by sales channel is as follows:

|  | Year ended 31 December |              |                  |              |
|--|------------------------|--------------|------------------|--------------|
|  | 2023                   |              | 2022             |              |
|  | <i>RMB'000</i>         | <i>%</i>     | <i>RMB'000</i>   | <i>%</i>     |
| Offline sales                                |                        |              |                  |              |
| Retail sales                                 |                        |              |                  |              |
| – Self managed/<br>cooperative stores sales  | <b>1,212,137</b>       | <b>44.0</b>  | 1,030,402        | 34.2         |
| – Consignment sales in<br>franchises' stores | –                      | –            | 236,573          | 7.9          |
| Sales to franchisees                         | <b>906,704</b>         | <b>32.9</b>  | 935,918          | 31.1         |
|  | <b>2,118,841</b>       | <b>76.9</b>  | 2,202,893        | 73.2         |
| E-commerce                                   | <b>524,119</b>         | <b>19.0</b>  | 675,736          | 22.5         |
| Revenue from products sales                  | <b>2,642,960</b>       | <b>95.9</b>  | 2,878,629        | 95.7         |
| Others                                       | <b>114,121</b>         | <b>4.1</b>   | 130,131          | 4.3          |
| Total revenue                                | <b>2,757,081</b>       | <b>100.0</b> | <b>3,008,760</b> | <b>100.0</b> |

During the year, the changes in revenue from products sales of the Group were driven by the following factors:

- Improvement in sales performance on self-managed stores and increase in the number of cooperative stores;
- Termination of consignment sales arrangements in franchisees' stores in the second half of 2022;
- In the second half of 2022, the shift on product ordering system for franchisees from futures basis to spot basis gradually, which reduced the excess stock shipments, alleviated inventory pressure and improved cash flow; and
- The e-commerce business was under restructuring during the year 2023.

Others mainly represented revenue from logistics warehousing and delivery services and brand services.

## **Gross profit margin**

In 2023, the gross profit margin of the Group increased to around 47.5% (2022: 46.4%) mainly due to continuous improvements in supply chain management, product operations and product planning capabilities, resulting in increased product sold-out and reduced sales discounts.

## **Selling and marketing expenses**

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

The decrease of selling and marketing expenses by about 9.2% for the year ended 31 December 2023 to approximately RMB1,103,187,000 (2022: RMB1,215,244,000) was mainly due to a reduction in commission expenses in respect of consignment sales in franchisees' stores as such arrangement was terminated as mentioned above and decrease in other selling and marketing expenses as more effective and precise marketing activities held during the year, and offset by increase in operating expenses in respect of stores under co-operative arrangements as increase in the number of cooperative stores during the year.

## **General and administrative expenses**

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

The decrease in general and administrative expenses by about 7.6% for the year ended 31 December 2023 to approximately RMB194,961,000 (2022: RMB211,094,000) was mainly due to the decrease of employee benefit expenses as a result of streamlining corporate structuring as well as improved staff productivity and the decrease in other general and administrative expenses resulting from the effective cost control measures implemented during the year.

## **Net reversal of impairment losses on financial assets**

The amount of RMB31,317,000 during the year ended 31 December 2023 mainly represented reversal of part of the provision for trade receivables made in previous year upon settlement of these balances during the year.

## **Finance expenses – net**

Finance expenses – net mainly represents interest expenses on bank borrowings and lease liabilities less interest income on bank deposits.

The decrease in finance expenses – net to approximately RMB22,576,000 in 2023 (2022: RMB27,137,000) was mainly due to the decrease in interest expenses on bank borrowings.

## **Income tax expense**

The increase in income tax expense in 2023 to RMB7,316,000 (2022: RMB4,355,000) was mainly due to increase in deferred income tax expenses as a result of decrease in deferred tax assets recognized.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group maintained a solid balance sheet. As at 31 December 2023, the Group's restricted bank deposits and cash and cash equivalents amounted to approximately RMB681,933,000 (31 December 2022: RMB709,458,000) and bank borrowings amounted to approximately RMB392,480,000 (31 December 2022: RMB331,502,000). The increase in bank borrowings is mainly due to the obtaining of new loans for the purpose of construction of industrial projects located at Dongguan, Guangdong for future sales, rental or self-used purposes. As at 31 December 2023, the current ratio was about 1.4 times (31 December 2022: 1.7 times).

As at 31 December 2023, the Group's gross gearing ratio, which was calculated on the basis of the amount of bank borrowings as a percentage of the total shareholders' equity, was approximately 20.4% (31 December 2022: 17.3%). The gross gearing ratio increased as a result of increase in bank borrowings as mentioned above. The net gearing ratio, which was calculated on the basis of the amount of bank borrowings less restricted bank deposits and cash and cash equivalents as a percentage of the total shareholders' equity, was approximately negative 15.0% (31 December 2022: negative 19.8%) as the Group continued to maintain a net cash position.

## **FOREIGN CURRENCY RISK**

Most of the Group's income, expenses and purchases of raw materials are denominated in Renminbi. The Group has never had any significant difficulties in obtaining sufficient foreign currencies for repatriation of profits declared by the subsidiaries in mainland China to the overseas holding companies.

## **CAPITAL EXPENDITURE ON PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS**

During the year, capital expenditure on property, plant and equipment and intangible assets amounted to approximately RMB508,088,000 (2022: RMB90,135,000), which was mainly used for the construction of industrial projects as mentioned above.

## **PLEDGE OF ASSETS**

As at 31 December 2023, the Group's certain buildings, construction in progress and land use rights of approximately RMB758,270,000 (31 December 2022: RMB308,343,000) were pledged as securities for obtaining banking borrowings.

## **CONTINGENT LIABILITIES**

As at 31 December 2023, the Group did not have any significant contingent liabilities.

## **HUMAN RESOURCES AND MANAGEMENT**

The Group had approximately 2,600 full-time employees as at 31 December 2023 (31 December 2022: 3,000). The Group's remuneration package is determined with reference to the experience and qualifications of the individual employees and general market conditions. Bonus is linked to the Group's operating results as well as individual performance.

## **ENVIRONMENTAL MANAGEMENT**

Being a socially and environmentally responsible enterprise, the Group is dedicated to achieving environmental sustainability through its daily operations and is in compliance with regulations. An environmental, social and governance report for the Group has been issued in accordance with the Environmental, Social and Governance Reporting Guide of the Stock Exchange and included in the 2023 annual report.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has applied the principles set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and has complied with the code provisions contained therein during the year ended 31 December 2023 with the exception of Code Provision C.2.1.

According to Code Provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same person. The Company deviated from this provision during the year because Mr. Zheng Yaonan (“**Mr. Zheng**”) performed both the roles of the chairman of the Board and the chief executive officer of the Company. Mr. Zheng, with the established market reputation in the intimate wear industry in China, is the founder of the Group and has extensive experience in business operations and management in general. Under the leadership of Mr. Zheng, the Board worked effectively and performed its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions were made in consultation with members of the Board and relevant Board committees, and there are four independent non-executive directors on the Board offering advice in independent perspectives, the Board was therefore of the view that there were adequate safeguards in place to ensure sufficient balance of powers within the Board.

## **AUDIT COMMITTEE REVIEW AND SCOPE OF WORK OF THE COMPANY’S AUDITOR**

The audit committee comprises four independent non-executive Directors, namely, Mr. Yau Chi Ming, Dr. Dai Yiyi, Mr. Chen Zhigang and Dr. Lu Hong Te. Mr. Yau Chi Ming, who has appropriate professional qualifications as required by the Listing Rules, is the chairman of the audit committee.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters for the year ended 31 December 2023. The audit committee has also reviewed the annual results of the Group for the year ended 31 December 2023.

The figures in respect of the Group’s consolidated statement of profit or loss and other comprehensive income, consolidated balance sheet, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2023 have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year as approved by the Board. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules (the “**Model Code**”) as the code of conduct regarding securities transactions by the Directors. Specific enquiry was made with all the Directors and all of the Directors confirmed that they have complied with the requirements set out in the Model Code during the year ended 31 December 2023.

## **FINAL DIVIDEND**

The Board does not recommend the payment of final dividend for the year ended 31 December 2023 (2022: nil).

## **ANNUAL GENERAL MEETING**

It is proposed that the annual general meeting of the Company will be held on a date to be fixed by the Board. Further announcement(s) will be made in respect of date of the annual general meeting of the Company and book closure date.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2023**

This annual results announcement is published on the HKEXnews website of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> and on the Company's website at <http://www.cosmo-lady.com.hk>. The 2023 annual report of the Company will be available on both websites and dispatched to the shareholders of the Company in due course.

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

Hong Kong, 27 March 2024

*As at the date of this announcement, the Board comprises Mr. Zheng Yaonan, Mr. Zhang Shengfeng, Ms. Wu Xiaoli, Mr. Xian Shunxiang and Mr. Zhu Hongbo as executive Directors; Mr. Lin Zonghong and Ms. Kong Xiangying as non-executive Directors; and Mr. Yau Chi Ming, Dr. Dai Yiyi, Mr. Chen Zhigang and Dr. Lu Hong Te as independent non-executive Directors.*