bonny 博尼

2022 ANNUAL REPORT

博 尼 国 际 控 股 有 限 公 司

Bonny International Holding Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code:1906

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Jin Guojun *(Chairman)*
Mr. Zhao Hui

Non-executive Directors

Ms. Gong Lijin
Ms. Huang Jingyi

Independent Non-executive Directors

Mr. Chan Yin Tsung
Mr. Chow Chi Hang Tony
Dr. Wei Zhongzhe

JOINT COMPANY SECRETARIES

Mr. Zhao Hui
Mr. Ip Tak Wai

AUTHORISED REPRESENTATIVES

Mr. Zhao Hui
Mr. Ip Tak Wai

AUDIT COMMITTEE

Mr. Chan Yin Tsung *(Chairman)*
Mr. Chow Chi Hang Tony
Dr. Wei Zhongzhe

REMUNERATION COMMITTEE

Dr. Wei Zhongzhe *(Chairman)*
Mr. Jin Guojun
Mr. Chan Yin Tsung

NOMINATION COMMITTEE

Mr. Jin Guojun *(Chairman)*
Mr. Chan Yin Tsung
Dr. Wei Zhongzhe

REGISTERED OFFICE

Harneys Fiduciary (Cayman) Limited
4th Floor
Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Yiwu City, Zhejiang Province
PRC

WEBSITE OF THE COMPANY

www.bonnychina.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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348 Kwun Tong Road
Kowloon, Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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P.O. Box 10240
Grand Cayman, KY1-1002
Cayman Islands

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

Loeb & Loeb LLP
2206–19 Jardine House
1 Connaught Place, Central
Hong Kong

PRINCIPAL BANKERS

China Construction Bank (Yiwu Branch)
Industrial and Commercial Bank of China Limited
(Yiwu Branch)
China Zheshang Bank Co., Ltd (Yiwu Branch)

STOCK CODE

1906

Chairman's Statement

To the Shareholders:

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Bonny International Holding Limited (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2022 (the "**Reporting Period**").

BUSINESS REVIEW

During the Reporting Period, design, research and development, production and sales of seamless and traditional intimate wear products continued to be the main business of the Group. It focuses on providing manufacturing solutions of one-stop intimate wear for the original design manufacturers in the PRC and overseas, and sells traditional intimate wear products under the "Bonny" and "U+Bonny" brands through the retail network in the PRC.

Looking back in 2022, affected by factors, such as the resurgence of pandemic in the PRC and abroad and the increasingly complex international political and economic environment, the Group, like most domestic peers, has experienced risks and challenges arising from phased suspension of work and production, poor logistics operation, and soaring raw material prices, resulting in disruption to the production and operation.

During the Reporting Period, the Group's total revenue amounted to approximately RMB160.9 million, representing a decrease of approximately 35.3% as compared to 2021 (2021: approximately RMB248.8 million).The Group recorded a loss attributable to owners of the Company for the Reporting Period of approximately RMB70.9 million (2021: approximately RMB6.5 million).

FUTURE PLAN AND PROSPECTS

With soaring inflation, Russia-Ukraine conflict and heightened tensions in global markets, 2022 was a tough year for the global economy. Looking forward to 2023, the global economy will still face many challenges.

1. Possibility of global recession increases

The International Monetary Fund stated in early January 2023 that the outlook for the world's major economies this year is not optimistic, and one-third of the world's economies and half of the EU's economies will be in recession. On 10 January 2023, the World Bank released the latest "World Economic Outlook" report, which lowered the global economic growth forecast for 2023 from 3.0% in June 2022 to 1.7%, it was the third lowest growth rate in the past 30 years and only higher than that of 2009 and 2020, when the global recession occurred.

2. Overseas demand continues to cool down

In November 2022, the retail sales of US clothing and apparel stores were US$26.35 billion, representing a decrease of 0.2% from the previous month, and an increase of only 0.7% from the that of the corresponding period, which was the slowest growth rate during the year. In the first 10 months of 2022, Japan's textile and apparel retail sales totaled ¥6.9 trillion, representing a year-on-year increase of 2.5%, which dropped by 22% compared to that of corresponding period before the epidemic. The German Retail Association is of the view that because of the Russia-Ukraine conflict and its economic consequences, there is a lot of uncertainty among consumers and retailers, and it is expected that sales will not recover quickly in 2023.

3. The trend of "de-sinicization" is the main uncertain factor in the future

The trend of "friendly shore outsourcing" and "decoupling and chain breaking" in the United States and Western countries is intensifying. The "Xinjiang-related Act" implemented in June 2022 severely dampened the willingness of American buyers to import from China. Not only was the procurement strategy of cotton products greatly adjusted, the export of other products to the United States was also affected to a certain extent. According to a report released by the American Fashion Industry Association in July 2022, 80% of American companies plan to continue to reduce purchases from China in the next two years (2021: 63%).

Although there are challenges, opportunities exist at the same time. Especially after the comprehensive optimization and relaxation of China's Coronavirus disease 2019 ("**Covid-19**") preventive measures towards the end of 2022, the domestic clothing market is expected to rebounce in 2023 and consumer demand is expected to reach new heights. At the same time, the market's demand for upgrading and optimizing the clothing industry and upgrading consumption patterns is also gradually increasing. Only by keeping up with the pace of the development and truly improving their competitiveness can enterprises capture the new opportunities and benefit from the economic recovery.

In the future, intimate clothing will continue to be the Group's principal business and it will devote effort to developing other products, such as bras, panties, sports underwear, functional underwear, men's and women's underwear, etc., to provide users with high-quality products, enhance brand influence, product quality, and expand the scale of production and operation to improve the core competitiveness of the Company as a whole. The main business plan for 2023 includes:

1. ODM Business Operation Plan: Actively explore new markets so as to mitigate the impact of international political and economic instability. Respond to customer needs by establishing a seamless adhesive product production line and actively testing market acceptance, which is expected to boost the revenue of the Group.

2. Brand Business Operation Plan: With the goal of sustainable profitability, continuously improving product innovation capabilities and product turnover efficiency, and improving store efficiency so as to minimise the loss of the self-operated brand segment. Adapt to new consumption models and business formats, such as new retail, social e-commerce, live e-commerce, etc., and improve user experience and brand loyalty.

3. Factory management: Reduce inventory pressure and operating cost. Strictly prevent losses caused by cost overruns.

APPRECIATION

On behalf of the Board, I would like to express my most sincere gratitude towards the continual support from the shareholders and the valuable contributions of the staff. The management team will continue to fulfill its duties to create more values for the shareholders.

Jin Guojun
Chairman

Zhejiang, PRC, 29 March 2023

BUSINESS AND OPERATIONS REVIEW

During the Reporting Period, the Group's total revenue amounted to approximately RMB160.9 million, representing a decrease of approximately 35.3% as compared to 2021 (2021: approximately RMB248.8 million). Such decrease was primarily due to the following reasons: i) affected by the outbreak of Covid-19 pandemic and the increasingly severe international political and economic condition, trade tensions persisted, large stores were closed, physical assets were realized and the liquidity crisis arouse, resulting in the weakening of business confidence and the cautious ordering of brand owners, which further led to a substantial decrease in orders of ODM segment; and ii) affected by the repeated outbreak of Covid-19 pandemic in China, the brand sales stores of the Company in some areas have been closed for several weeks or months. In order to alleviate the operation pressure, the Company has shut down 34 brand retail stores with poor operation performance in advance. Moreover, residents' consumption willingness and habits have changed to some extent, resulting in a decline in the sales revenue of the self-owned brand segment. The Group recorded a gross profit of approximately RMB31.6 million (2021: approximately RMB65.7 million) with a gross profit margin of approximately 19.7% (2021: approximately 26.4%).

The Group recorded a loss attributable to owners of the Company for the Reporting Period of approximately RMB70.9 million (2021: approximately RMB6.5 million). The loss-making for the Reporting Period was mainly due to the following reasons: i) affected by the outbreak of Covid-19 pandemic at home and abroad and the increasingly severe international political and economic condition, the Group's revenue from main business for the Reporting Period reduced by approximately RMB87.9 million compared with that for the year ended 31 December 2021 (the "**Corresponding Period**"); ii) affected by the Covid-19 pandemic, the Company experienced phased suspension of work and production, poor logistics operation, soaring raw material prices and other difficulties, resulting in a decrease in gross profit margin of approximately 6.7%; iii) the Group recorded a loss of approximately RMB10 million in sales revenue arising from selling its out-of-season product stocks of its own brands at a discount this year; and iv) other income and gains for the year decreased by approximately 80% as compared to that of the Corresponding Period. Such decrease was primarily due the recognition of gain of approximately RMB29.5 million of the Corresponding Period from the sale of the Group's premises and other fixed assets located in Suxi Town, Yiwu City, Zhejiang Province after relocation of the plant of the Group, while no such gain was recorded during the Reporting Period.

Brand management

The Group sells its branded products under the Group's "Bonny" brand and "U+ Bonny" brand through the Group's retail network in the PRC.

The Group has been continuously investing in its brands to further raise brand recognition and acceptance. The Group has been focusing on marketing and promoting its brands and products through a variety of means, including advertisements on print media and outdoor billboards, participation in fashion shows in shopping malls, sponsorship to modelling competitions, and presence in trade shows and exhibitions.

Sales network

The Group sells its branded products principally through its extensive and structured nationwide retail network in the PRC. In order to optimise cost-effectiveness of the Group's outlets, the Group continued to streamline its retail network in the PRC during the Reporting Period by closing retail outlets with less satisfactory financial or operational performance so as to enhance the overall efficiency of its sales network.

As at 31 December 2022, the Group had 113 self-operated retail outlets (comprising 105 self-operated concession counters and 8 self-operated standalone stores) and 19 franchised retail outlets, covering 13 provinces, municipalities and autonomous regions in the PRC, and did not involve distributors or multiple layers of franchisees. The total number of the Group's retail outlets decreased from 165 as at 31 December 2021 to 132 as at 31 December 2022. The decrease was mainly due to the following reasons: i) affected by the repeated outbreak of Covid-19 pandemic in China, the brand sales stores of the Company in some areas have been closed for several weeks or months. In order to alleviate the operation pressure, the Company has shut down 34 brand retail stores with poor operation performance; and ii) the rapid and sudden outbreak of Covid-19 pandemic in 2022 has disrupted the Chinese economy from time to time, and both the Company and external franchised outlets had pessimistic expectations on the consumer market. Only 13 self-operated retail stores of the Company were opened with no new franchised retail stores during the Reporting Period.

Meanwhile, the Group's products are also available for sale through its current e-commerce network and different well-recognised e-commerce platforms. In response to the change in consumption pattern towards online shopping in the PRC, the Group is enhancing its current e-commerce network by building a comprehensive online shopping platform for intimate wear products, which would be a complementary sales channel to its physical outlets so as to provide a coherent multi-channel to our customers.

Product design, research and development

The Group is committed to improving and developing the functionality and designs of its products, and continues to devote resources to the design, research and development of new products. With innovative designs, the Group continued to bring diversified product portfolio of excellent quality to the market. During the Reporting Period, expenses for product design, research and development was approximately RMB21.2 million (2021: approximately RMB25.7 million).

As at 31 December 2022, the Group had a total of 78 registered trademarks in the PRC, 1 registered trademark in Hong Kong, 5 registered domain names, 14 registered software copyrights and 20 registered patents in the PRC, including 3 invention patents and 17 utility model patents.

Going forward, the Group plans to further improve its research and development capability by continuing to focus on research and development efforts to improve product quality, functionality and designs.

Production capacity

During the Reporting Period, the Company is still carrying out production business at the production base located in Beiyuan Street, Yiwu City, Zhejiang Province. The production capacity can meet the current order delivery demand at this stage and there is no need to make adjustments.

Human resources

Tight labour supply in the PRC has resulted in continuous wage increase. The Group endeavoured to attract and retain its employees through different measures, such as providing on-site training and improving employee benefits to enhance solidarity.

The Group enters into individual employment contracts with its employees and enters into labour dispatch agreements with independent third party employment agents. The number of full-time employees of the Group decreased to 642 as at 31 December 2022 (31 December 2021: 692). The employee benefit expense (excluding directors' and chief executive's remunerations) for the Reporting Period was approximately RMB63.8 million (2021: approximately RMB62.1 million).

In addition to direct employment and labour dispatch, the Group engages production subcontractors to provide on-site sub-contracting staff. The Group's human resources policy does not apply to workers of the relevant production subcontractor and the Group neither determines nor directly pays wages to the subcontracting staff. Subcontracting fees, calculated based on the quantity of goods or services delivered to the Group for the Reporting Period was approximately RMB2.9 million (2021: approximately RMB27.8 million).

Financial Review

Revenue

Revenue for the Reporting Period was approximately RMB160.9 million, representing a decrease of approximately RMB87.9 million, or approximately 35.3%, from approximately RMB248.8 million for the Corresponding Period.

The ODM products segment revenue for the Reporting Period was approximately RMB119.7 million, representing a decrease of approximately RMB74.6 million, or approximately 38.4%, from segment revenue of approximately RMB194.3 million for the Corresponding Period. This decrease was primarily due to the following reasons: i) affected by the outbreak of Covid-19 pandemic and the increasingly severe international political and economic condition, trade tensions persisted, large stores were closed, physical assets were realized and the liquidity crisis aroused, resulting in the weakening of business confidence and the cautious ordering of brand owners, which further led to a substantial decrease in procurement orders of ODM products from foreign and cross-border e-commerce; ii) affected by the Covid-19 pandemic, the consumers' consumption willingness was weakened, express transportation was blocked, and the operation of domestic e-commerce brand customers was disrupted, resulting in a decline in procurement orders of ODM products from domestic e-commerce; and iii) certain major customers adjusted product structure to explore new markets, which caused the Company to spend more time in developing samples and assisting in testing the market acceptance of new products and slowed down the process of the Company to secure new orders.

The brand products segment revenue for the Reporting Period was approximately RMB41.2 million, representing a decrease of approximately RMB13.3 million, or approximately 24.4% for the Corresponding Period (2021: approximately RMB54.5 million). Such decrease was primarily due to the following reasons: i) in line with the Covid-19 pandemic prevention and control policy in China, the brand retail stores of the Company in some areas have been closed for several weeks or months; ii) in order to alleviate the operation pressure, the Company has shut down 34 brand retail stores with poor operation performance; and iii) the prolonged Covid-19 pandemic has dampened consumer sentiments and significantly reduced customer flow in stores.

Gross Profit

Gross profit for the Reporting Period was approximately RMB31.6 million, representing a decrease of approximately RMB34.1 million, or approximately 51.9%, from approximately RMB65.7 million for the Corresponding Period, which was primarily due to the following reasons: i) affected by the outbreak of Covid-19 pandemic at home and abroad and the increasingly severe international political and economic condition, the Group's revenue from main business this year was reduced by approximately RMB 87.9 million compared with that of the Corresponding Period; ii) affected by the Covid-19 pandemic, the Company experienced phased suspension of work and production, poor logistics operation, soaring raw material prices and other difficulties, resulting in a decrease in gross profit margin of approximately 6.7%; and iii） the Group recorded a loss of approximately RMB10 million in sales revenue arising from selling its out-of-season product of its own brands at a discount this year.

Segment gross profit for ODM products for the Reporting Period was approximately RMB26.4 million which decreased from approximately RMB44.6 million for the Corresponding Period due to the fact that i） orders fell by about 38.4% by reason of the negative impact of the Covid-19 epidemic and international politics and economy; and ii) production and supply chains was temporarily suspended by reason of the Covid-19 epidemic, while some costs were relatively fixed, resulting in lower gross profit margins.

Segment gross profit for brand products for the Reporting Period was approximately RMB5.2 million, which decreased from approximately RMB21.1 million for the Corresponding Period primarily due to the fact that i） revenue fell by approximately 24.4% by reason of the impact of the Covid-19 epidemic; and ii) the Group sold out-of-season product stocks of its own brands at a discount this year, resulting in a loss of approximately RMB10 million.

Other Income and Gains

Other income and gains for the Reporting Period was approximately RMB6.9 million, representing a decrease of approximately RMB27.3 million, or approximately 79.8%, from approximately RMB34.2 million for the Corresponding Period. The decrease was primarily because the Group completed the relocation of the plant during the Corresponding Period, a gain of approximately RMB29.5 million from the sale of the Group's premises and other fixed assets located in Suxi Town, Yiwu City, Zhejiang Province was recognized in the Corresponding Period, while no such gain was recorded during the Reporting Period.

Selling and Distribution Expenses

Selling and distribution costs for the Reporting Period were approximately RMB41.9 million, representing a decrease of approximately RMB9.7 million, or approximately 18.8%, from approximately RMB51.6 million for the Corresponding Period. The decrease was primarily due to the reduced operation hours and promotional activities of retail stores as a result of the implementation of Covid-19 preventive measures during the Reporting Period.

Administrative and Other Expenses

Administrative and other expenses for the Reporting Period were approximately RMB62.4 million, representing an increase of approximately RMB3.2 million, or approximately 5.4%, from approximately RMB59.2 million for the Corresponding Period. Administrative and other expenses during the Reporting Period mainly include research and development expenses, staff cost, litigation compensation, depreciation of fixed assets, and consulting service fee, which amounted to approximately RMB21.2 million, RMB11.7 million, RMB4.6 million, RMB4.0 million and RMB4.0 million, respectively. The litigation compensation during the Reporting Period increased by approximately RMB4.2 million as compared to the Corresponding Period. Such increase was mainly due to the result of the first trial judgement of the case in relation to the procurement contract dispute between A Barcs & Co. Nominees Pty. Ltd. ("**BARCS**") and Zhejiang Bonny Fashion Holding Group Co., Ltd. ("**Zhejiang Bonny**"), in which Zhejiang Bonny returned USD2.756 million paid by BARCS and made compensation for the interest loss since 6 May 2020 to the actual date of return, resulting other expenses of approximately RMB2.5 million and interest loss calculated by compensation of approximately RMB1.9 million.

Finance Costs

Finance costs for the Reporting Period were approximately RMB4.6 million, representing a decrease of approximately RMB0.5 million, or approximately 9.8%, from approximately RMB5.1 million for the Corresponding Period due to the decrease of RMB7.0 million in short term borrowings during the Reporting Period.

Loss Attributable to Equity Holders of the Parent

As a result of the foregoing, loss attributable to ordinary equity holders of the parent for the Reporting Period was approximately RMB70.9 million, representing an increase of approximately RMB64.4 million, or approximately 990.8%, from a loss of approximately RMB6.5 million for the Corresponding Period.

Advances from customers, other payables and accruals

Advances from customers, other payables and accruals for the Reporting Period were approximately RMB88.5 million, representing an increase of approximately RMB24.4 million, or approximately 38.1%, from approximately RMB64.1 million for the Corresponding Period. The increase was primarily due to the completion of phase III construction of the Group's plant located in Beiyuan Street, Yiwu City, Zhejiang Province ("**phase III of the Beiyuan Production Site**") resulted in an increase in project payables.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers. As at 31 December 2022, the Group had cash and cash equivalents, which are mostly denominated in Renminbi, U.S. dollars and Hong Kong dollars currency unit, of approximately RMB6.5 million (31 December 2021: approximately RMB8.7 million). Such decrease was mainly due to a decrease in revenue of 35% during the Reporting Period compared with that of the Corresponding Period, and a decrease in cash flow arising from operating activity. The interest-bearing liabilities as at 31 December 2022 was approximately RMB144.2 million (2021: approximately RMB144.8 million) with interest rates ranging from approximately 4.35% to 6.0% per annum. The Group's gearing ratio as at 31 December 2022, calculated based on net debts to the total capital and net debts, was approximately 47.1% (as at 31 December 2021: approximately 40.8%). The Group recorded net current liabilities of approximately RMB25.9 million as of 31 December 2022. In order to cope with our funding need, the management of the Company actively seeks financing channels, reaching a preliminary financing intention with a bank, and plans to lease idle factories to obtain rent in order to supplement cash flow. The management believes that the Group has maintained adequate financial resources to fulfil its working capital requirements. During the Reporting Period, no financial instruments had been used for hedging purpose.

FOREIGN EXCHANGE RISK

The monetary assets and liabilities and business transactions of the Group are mainly carried out and conducted in Renminbi, U.S. dollars and Hong Kong dollars currency unit. In view of the stability of the exchange rate between these currencies, the Directors do not consider that the Group was significantly exposed to foreign exchange risk for the Reporting Period. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. During the Reporting Period, no forward foreign exchange or hedging contracts had been entered into by the Group. The Group will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

MATERIAL ACQUISITIONS AND DISPOSALS

During the Reporting Period, the Group has made no material acquisitions or disposals of subsidiaries, associates and joint ventures.

CAPITAL COMMITMENTS

As at 31 December 2022, the Group had total capital commitments of RMB36.0 million (as at 31 December 2021: RMB58.5 million), primarily related to the settlement of the construction of phase III of the Beiyuan Production Site.

These capital commitments are expected to be financed by internal resources of the Group.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2022, save for (i) the Group's leasehold lands with a net carrying amounts of RMB20,735,000 (31 December 2021: RMB21,741,000) and certain of the Group's buildings and machinery and equipment with a net carrying amounts of approximately RMB111,907,000 (31 December 2021: RMB100,610,000) which were pledged to secure general banking facilities; and (ii) certain of the Group's machinery and equipment with a net carrying amount of RMB14,228,000 (31 December 2021: RMB15,907,000) were pledged to secure the property preservation applied by BARCS who has a legal arbitration of contract dispute with the Group, the Group did not pledge any other assets. Details of the Group's assets pledged for Group's bank loans are included in Note 23, to the consolidated financial statements.

USE OF PROCEEDS

The shares of the Company were listed ("**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 26 April 2019 (the "**Listing Date**") by way of global offering. The net proceeds (the "**Net Proceeds**") of the Group raised from the initial public offering were approximately HK$131.3 million, after deducting the underwriting fees, commissions and other listing expenses. The unutilised amount of Net Proceeds (the "**Unutilised Net Proceeds**") at the date of this report are placed in licensed banks in Hong Kong and the PRC.

On 30 November 2021, the Board reallocated part of the Unutilised Net Proceeds originally allocated for acquisition and implementation of additional production equipment at the Beiyuan Production Site to i) preparation for the construction of the Jiangxi Shangrao Production Site; and ii) replenishment of general working capital of the Group. The Board is of the view that the reallocation of the Unutilised Net Proceeds of approximately HK$24.5 million is more suitable for the current business and operating needs of the Group. The abovementioned changes in the use of proceeds are fair and reasonable as the Group can effectively utilise its financial resources to improve its profitability, and are in the interests of the Group and its shareholders as a whole. The changes in the use of proceeds will not have any material adverse effect on the current business and operation of the Group. For details, please refer to the announcement of the Company dated 30 November 2021.

The table below sets out the use of net proceeds from the initial public offering and the unutilised amounts as at 31 December 2022:

	Planned allocation of Net Proceeds as stated in the Prospectus *HK$ million*	Amount unutilised as at 1 January 2021 (before revised allocation on 30 November 2021) *HK$ million*	Remaining net proceeds to be utilised (after revised allocation on 30 November 2021) *HK$ million*	Amount utilised as at 31 December 2022 *HK$ million*	Amount unutilised as at 31 December 2022 *HK$ million*	Expected timeline for full utilisation
Beiyuan Production Site for expansion of our seamless production capacity						
– construction of phase II of the Beiyuan Production Site	26.3	–	–	–	–	N/A
– acquisition and implementation of additional production equipment at the Beiyuan Production Site	78.8	24.5	–	–	–	N/A
Enhancing product design, research and development capability	13.1	–	–	–	–	N/A
Working capital and general corporate purposes	13.1	–	–	–	–	N/A
Acquisition mask production line and ancillary equipment and constructing medical mask production workshop	–	–	–	–	–	N/A
Preparation for the construction of the Jiangxi Shangrao Production Site	–	–	5.5	3.4	2.1	Before 31 December 2024
General working capital	–	–	19.0	19.0	0.0	Before 31 December 2022
Total	131.3	24.5	24.5	22.4	2.1	

SUBSEQUENT EVENT

Up to the date of this report, the Group had no significant event occurred which would materially affect the Group's operating and financial performance.

EMPLOYEE AND REMUNERATION POLICY

The Group's remuneration policy is to compensate its employees based on their performance, qualifications and the Group's operational results. The total remuneration of employees includes basic salaries and performance bonus. Directors and senior management of the Group receive compensation in the form of fees, salaries, allowances, discretionary bonus, defined contribution plans and other benefits in kind with reference to those paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses its Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation packages (including incentive plans) of its Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of its Directors and senior management and the performance of the Group. The Company has adopted a share option scheme on 19 March 2019 as incentive or reward to the Directors, senior management and other selected participant.

During the Reporting Period, no remuneration or compensation was paid or payable by the Group to any of the five highest paid individuals in the Group, the Directors and the chief executive officer of the Company as an inducement to join or upon joining the Group or as compensation for any loss of office. None of the Directors has waived any remuneration during the Reporting Period.

SIGNIFICANT INVESTMENTS HELD

During the Reporting Period, the Group did not have any significant investment.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and the announcement of the Company dated 24 May 2019, the Group did not have other future plans for material investments and capital assets.

EXECUTIVE DIRECTORS

Mr. Jin Guojun (金國軍), aged 46,is our Chairman and was appointed as a Director on 19 July 2017 and was re-designated as an executive Director and appointed as the chief executive officer on 19 September 2018. He co-founded our Group with Ms. Gong Lijin on 21 August 2001 and is primarily responsible for overseeing the daily operational management and the business performance of our Group, as well as for the overall strategy planning and management of our Company's business. Mr. Jin is currently the director of certain subsidiaries of the Company, including Hong Kong Bonny Ltd., Shanghai Bonny Apparel Co., Ltd.("**Shanghai Bony**"), Yiwu Fayue Apparel Co., Ltd.* (義烏法悅服飾有限公司) ("**Yiwu Fayue**"), Zhejiang Bonny Protective Equipment Co., Ltd.* (浙江博尼防護用品有限公司) (formerly known as Yiwu Bonny Sportswear Co., Ltd.* (義烏博尼運動服裝有限公司)) ("**Bonny Protective**") and Yiwu Leyishang Apparel Co., Ltd.* (義烏樂衣尚服飾有限公司) ("**Yiwu Leyishang**"). He is also the manager of Shanghai Bonny, Yiwu Fayue, Bonny Protective and Yiwu Leyishang. Mr. Jin is the chairman of the nomination committee of the Company (the "**Nomination Committee**") and a member of the remuneration committee of the Company (the "**Remuneration Committee**").

Mr. Jin has over 20 years of experience in the intimate wear manufacturing industry. Mr. Jin established our Group's business through Zhejiang Bonny on 21 August 2001 and has since been serving as the chairman of the board of Zhejiang Bonny. Prior to founding our Group, Mr. Jin worked at Yiwu Office of State Administration of Taxation (義烏市國家税務局) of Zhejiang Province from October 1997 to September 2001. He co-founded Bode Holding Co., Ltd.* (博德控股集團有限公司) ("**Bode Holding**") in September 2007 with Ms. Gong Lijin, our non-executive Director and spouse of Mr. Jin, in which he was served as the chairman of the board until December 2019. Mr. Jin acted as the chairman of the board of the subsidiaries of Bode Holding, including Zhejiang Deshipu Polyamide Technology Co., Ltd.* (浙江德施普錦綸科技有限公司) ("**Deshipu Polyamide**") and Zhejiang Deshipu New Materials Technology Co., Ltd.* (浙江德施普新材料科技有限公司) ("**Deshipu New Materials**") from December 2006 to January 2020 and from December 2010 to January 2020, respectively. Since November 2016, Mr. Jin has been acting as executive director and manager of Zhejiang Baicheng Trading Co., Ltd.* (浙江柏成貿易有限公司) (formerly known as Yiwu Junhe Cross-Border Electronic Commerce Industrial Park Management Co., Ltd.* (義烏俊和跨境電商產業園管理有限公司)), a company jointly controlled by Mr. Jin and Ms. Gong Lijin, our non-executive Director and spouse of Mr. Jin. Mr. Jin has also worked as the supervisor of Yiwu Junhe Intelligent Technology Co., Ltd.* (義烏俊和智能科技有限公司) since April 2011. Mr. Jin graduated from Correspondence College of the Party School of the Central Committee of C.P.C* (中共中央黨校函授學院) in the PRC majoring in economic management through distance learning in June 2001 and Chongqing University (重慶大學) in the PRC majoring in engineering management through distance learning in January 2014.

Mr. Jin is the spouse of Ms. Gong Lijin, a non-executive Director and is the uncle of Ms. Huang Jingyi, a non-executive Director. He is one of the controlling shareholders of the Company.

Mr. Zhao Hui (趙輝), aged 53, was appointed as a Director on 19 July 2017 and was re-designated as an executive Director on 19 September 2018. He was appointed as a joint company secretary of the Company on 30 June 2022. He joined our Group on 26 December 2007. He is the chief financial officer of Zhejiang Bonny and has acted as the secretary to the board and deputy general manager of Zhejiang Bonny since November 2013. He is primarily responsible for overseeing our Group's financial strategies and management and internal compliance.

Mr. Zhao has over 30 years of experience in accounting and management in the textiles and clothing industry. Prior to joining our Group, from July 1990 to May 2003, he worked at Ezhou General Textiles Mill* (鄂州市針織總廠), which principally engages in the production and sale of socks, and at which he was primarily responsible for calculating wages and financial reporting of the company. From June 2003 to December 2007, Mr. Zhao served as the chief financial officer and deputy general manager of Zhejiang Hengxiang Cotton Textile Limited* (浙江恒祥棉紡織造有限公司), a company engages in the production and sale of cotton yarn, and at which he was primarily responsible for the financial management of the company.

Mr. Zhao graduated from Wuhan University of Technology (武漢理工大學) in the PRC majoring in accounting through distance learning in July 2013.

NON-EXECUTIVE DIRECTORS

Ms. Gong Lijin (龔麗瑾), aged 44, was appointed as a Director on 19 July 2017 and re-designated as a non-executive Director on 19 September 2018. She co-founded our Group with Mr. Jin and is primarily responsible for providing strategic advice on the operations and management of our Group. She joined our Group as the general manager of the International Business Department of Zhejiang Bonny on 21 August 2001, and had served as the supervisor of Shanghai Bonny from December 2007, and the executive director and manager of Yiwu Leyishang from March 2016 until she resigned from the positions in Zhejiang Bonny and Yiwu Leyishang on 31 December 2013 and 6 February 2019, respectively. Ms. Gong has been serving as the supervisor of Jiangxi Bonny since 12 July 2021.

Ms. Gong has over 20 years of experience in accounting and management. Prior to joining our Group, she worked as an accountant in Yiwu Zhicheng Accounting Firm* (義烏市至誠會計師事務所) from September 1995 to January 2002. Ms. Gong has been serving as the supervisor of Deshipu Polyamide, Bode Holding and Deshipu New Materials since December 2006, September 2007 and December 2010, respectively.

Ms. Gong graduated from Yiwu Industrial School* (義烏市工業學校) in the PRC majoring in computer accounting in June 1995 and Correspondence College of the Central Party School of the Communist Party of China* (中共中央黨校函授學院) in the PRC majoring in economic management through distance learning in June 2001.

Ms. Gong is the spouse of Mr. Jin Guojun, our executive Director and the aunt of Ms. Huang Jingyi, a non-executive Director.

Ms. Huang Jingyi (黃靜怡), aged 26, was appointed as a non-executive Director on 1 November 2020. She joined the Group from March to November 2018 as an export sales at Zhejiang Bonny. Ms. Huang joined Bode Holding since January 2020 as a business manager. Ms. Huang is currently a director and manager of each of Zhejinag Bonny and Jiangxi Bonny. Ms. Huang graduated from Chongqing University (重慶大學) in the PRC majoring in business management through distance learning in January 2017.

Ms. Huang is the niece of Mr. Jin Guojun, an executive Director and the chairman of the Company and Ms. Gong Lijin, a non-executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yin Tsung (陳彥璁), aged 43, was appointed as an independent non-executive Director on 1 July 2020. He is the chairman of the audit committee of the Company (the "**Audit Committee**") and member of each of the Remuneration Committee and the Nomination Committee. Mr. Chan has over 20 years of experience in initial public offering, corporate merger and acquisitions, restructuring, due diligence, audit, financial modeling and business valuation.

From November 2003 to July 2010, he held various positions in Ernst & Young, KPMG Transaction Advisory Services and PricewaterhouseCoopers Corporate Finance. Mr. Chan joined the investment banking division of Essence International Financial Holdings Limited from October 2010 to April 2011. From June 2011 to July 2012, Mr. Chan joined the private equity department of the same company as a senior manager. From September 2014 to September 2019, Mr. Chan was appointed as the independent non-executive director, the chairman of each of the audit committee and nomination committee, and a member of remuneration committee of Zhidao International (Holdings) Limited (a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1220)). Since November 2016, Mr. Chan has severed as an independent non-executive director, chairman of the audit committee and remuneration committee and a member of nomination committee of each of China Ludao Technology Company Limited (a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 2023)). Since December 2016, Mr. Chan has served as an independent non-executive director and the chairman of the audit committee of Beijing Jingneng Clean Energy Co., Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 579), and he has also served as the member of legal and compliance management committee of this company since January 2021.

Mr. Chan obtained a bachelor's degree in commerce from the University of British Columbia in November 2001, obtained a master's degree in financial analysis from The Hong Kong University of Science, Technology in November 2011, and obtained an executive master's degree in business administration from the Peking University in January 2022. Mr. Chan is a Certified Public Accountant of the American Institute of Certified Public Accountants.

Mr. Chow Chi Hang Tony (周志恒), aged 31, was appointed as an independent non-executive Director on 5 February 2021. He is a member of the Audit Committee.

Mr. Chow is a practicing Barrister-At-Law in Hong Kong. He obtained a Bachelor of Laws degree and a Postgraduate Certificate in Laws from The Chinese University of Hong Kong in November 2014 and July 2015 respectively. Mr. Chow has been appointed as an independent non-executive director of P.B. Group Limited (formerly known as Feishang Non-metal Materials Technology Limited and HangKan Group Limited), a company whose shares are listed on the GEM of the Stock Exchange (stock code: 8331), since January 2018.

Dr. Wei Zhongzhe (魏中哲), aged 35, was appointed as an independent non-executive Director on 17 December 2021. He is a member of the Audit Committee and Nomination Committee, and chairman of the Remuneration Committee.

Dr. Wei is currently employed by the College of Chemical Engineering, Zhejiang University of Technology (浙江工業大學化學工程學院) engaging in teaching and research work. Mr. Wei specializes in conducting research of high-efficiency multi-component composite catalysts, and has over ten years of experience in the field. Since September 2020, Dr. Wei has been appointed as an assistant to the school master of the College of Chemical Engineering, Zhejiang University of Technology, at which he is primarily responsible for the development of academic curriculum and infrastructure of the college. Since January 2021, Mr. Wei has been engaged by Sinopec Ningbo New Materials Research Institute* (中石化寧波新材料研究院) to conduct post-doctoral research on high-efficiency multicomponent composite catalysts.

Dr. Wei holds a Bachelor of Science degree from Henan Normal University and obtained a Doctor of Science degree from Zhejiang University in June 2017.

SENIOR MANAGEMENT

Mr. Li Zhanhai (李占海), aged 43, joined our Group as the administration and human resource manager in August 2008 and has been the vice general manager of the corporate management centre of our Group since July 2012. He is primarily responsible for the administrative and human resource management of our Group.

Mr. Li has nearly 17 years of experience in administrative management. Prior to joining our Group, he was the office manager of Yiwu Huafeng Hotel Co., Ltd.* (義烏市華豐賓館有限公司) from July 2004 to June 2008. He subsequently worked for Zhejiang Gangmei Fashion Co., Ltd.* (浙江港美服飾有限公司) as the executive vice president (常務副總) from July 2011 to June 2012.

Mr. Li graduated from Longdong College* (隴東學院) in the PRC majoring in politics and history education in June 2004.

Mr. Gao Jiangpeng (高江鵬), aged 38, joined our Group as the manager of the Shanxi Office of Zhejiang Bonny on 21 March 2011. He subsequently worked as the director overseeing the northwest area of the PRC for Zhejiang Bonny from January 2014 to October 2016, and the director of the brand project department of Shanghai Bonny from November 2016 to July 2017. Since July 2017, he has been promoted as the deputy general manager of Shanghai Bonny. He is primarily responsible for the retail operation of our Group.

Mr. Gao has over 14 years of experience in the intimate apparel industry. Prior to joining our Group, he worked as the manager of the Xi'an Office at Embry (China) Fashion Co., Ltd.* (安莉芳(中國)服裝有限公司), a company engages in the production and sale of intimate wear from April 2006 to February 2011, and was responsible for the retail operation of the company.

Mr. Gao graduated from Xi'an University of Finance and Economics* (西安財經學院) in the PRC majoring in marketing in June 2006.

Mr. Zhu Zhengxi (朱正喜), aged 38, joined our Group as the secretary to the chairman on July 2008 and has been working as the director of the cross-border e-commerce centre of Zhejiang Bonny since 16 December 2015. He is primarily responsible for the e-commerce operation of our Group.

Mr. Zhu has over 10 years of experience in management. He has served as the executive director and manager of both Yiwu Jintuo Handicraft Co., Ltd.* (義烏市錦拓工藝品有限公司) and Shenzhen Jintuo Handicraft Co., Ltd.* (深圳市錦拓工藝品有限公司) from April 2011 and May 2015, respectively, both of which provide the sale of toys, bags and office supplies and he was primarily responsible for the retail operation of the companies.

Mr. Zhu obtained a bachelor of English from Chuzhou University* (滁州學院) in the PRC in July 2008.

Mr. Zhou Donggen (周冬根), aged 47, joined our Group on 23 January 2011 and has acted as the general manager of our intimate wear production centre of Zhejiang Bonny. Since June 2016, he has been promoted as the production manager of Zhejiang Bonny. He is primarily responsible for research and development, production and quality control of the company.

Mr. Zhou has over 19 years of experience in the intimate apparel industry. Prior to joining our Group, he worked as the director at Guangzhou Painter Clothing Co., Ltd.* (廣州市畫爾服飾有限公司) from March 2008 to January 2011. He worked as the assistant general manager at Shenzhen Yves Clothing Co., Ltd.* (深圳市伊維斯服裝有限公司), a company engages in the production and sale of intimate wear from June 2003 to June 2007. He also worked as the assistant general manager at Guangdong Dongguan Yongcheng Garment Co., Ltd.* (廣東省東莞永誠製衣有限公司) from June 1997 to August 2001.

Mr. Zhou graduated from Nanchang University* (南昌大學) in the PRC majoring in information economics in July 1996.

JOINT COMPANY SECRETARIES AND AUTHORISED REPRESENTATIVES

Mr. Ip Tak Wai and Mr. Zhao Hui were appointed as the joint Company Secretaries and Authorised Representatives on 30 June 2022.

Mr. Ip Tak Wai (葉德偉), Mr. Ip is currently an executive director of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Mr. Ip has over 17 years of experience in corporate governance, compliance and share registration profession. He has been providing corporate secretarial and compliance services, share registration and IPO services to Hong Kong listed companies as well as multinational, private and offshore companies. Mr. Ip is a Chartered Secretary, a Chartered Governance Professional and a fellow of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom. Mr. Ip obtained a bachelor's degree in Integrated Business Administration from The Chinese University of Hong Kong and a master's degree in Professional Accounting and Corporate Governance from City University of Hong Kong.

CORPORATE GOVERNANCE MEASURES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board has adopted the principles and the code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") to ensure that the Company's business activities and decision-making processes are regulated in a proper and prudent manner.

The Company had complied with all the applicable code provisions under the CG Code during the Reporting Period, save and except for deviation from code provision C.2.1 of the CG Code. Details of the deviation are explained in the section "Chairman and chief executive officer" of this corporate governance report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct regarding dealings in the securities of the Company by the Directors and the Company's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company's securities.

Upon specific enquiry, all Directors have confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the Reporting Period.

THE BOARD

Board Composition

The Board currently comprises of seven members, consisting of two executive Directors, two non-executive Directors and three independent non-executive Directors. The composition of the Board is as follows:

Executive Directors

Mr. Jin Guojun *(Chairman)*
Mr. Zhao Hui

Non-executive Directors

Ms. Gong Lijin
Ms. Huang Jingyi

Independent non-executive Directors

Mr. Chan Yin Tsung
Mr. Chow Chi Hang Tony
Dr. Wei Zhongzhe

The list of directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The biographical details of the Directors of the Company are set out under “Directors and Senior Management” section in this annual report. Save as Ms. Gong Lijin who is the spouse of Mr. Jin Guojun and Ms. Huang Jingyi is the niece of Mr. Jin Guojun and Ms. Gong Lijin, none of the members of the Board had relationship (including financial, business, family or other material relationships) with each other.

Chairman and chief executive officer

Mr. Jin Guojun is the Chairman of the Board and chief executive officer of the Company. Although this deviates from the practice under code provision C.2.1 of the CG Code, where it provides that the two positions should be held by two different individuals, Mr. Jin has considerable experience in the enterprise operation and management of the Company, the Board believes that it is in the best interests of the Company and its shareholders as a whole to continue to have Mr. Jin as Chairman of the Board so that it can benefit from his experience and capability in leading the Board in the long-term development of the Company. From a corporate governance point of view, the decisions of the Board are made collectively by way of voting and therefore the Chairman should not be able to monopolize the decision-making of the Board. The Board considers that the balance of power between the Board and management can still be maintained under the current structure. The Board shall review the structure from time to time to ensure appropriate action to be taken should the need arises.

Independent non-executive Directors

The independent non-executive Directors bring a wide range of business and financial expertise, experience and independent judgement to the Board and they are invited to serve on the Board committees of the Company. Through active participation at Board meetings, taking the lead in managing issues involving potential conflict of interests, all independent non-executive Directors have made various contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders.

The Company has received written annual confirmation from each independent non-executive Director of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent in light of the independence guidelines set out in Rule 3.13 of the Listing Rules.

Appointment and re-election of Directors and non-executive Directors

All Directors are appointed for a specific term, subject to renewal upon expiry of the existing term. Each of the executive Director, non-executive Director and independent non-executive Director is engaged on a service agreement or a letter of appointment (as the case may be) for a term of three years. The appointment may be terminated by either party by not less than three months’ written notice for the case of executive Directors and non-executive Directors, and one month’s written notice for the case of independent non-executive Directors.

The procedure and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association (the "**Articles**"). The Nomination Committee is responsible for reviewing Board composition, monitoring the appointment of Directors and assessing the independent non-executive Directors.

In accordance with article 109 of the Articles, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Directors to retire every year will be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. By virtue of article 109 of the Articles, Ms. Huang Jingyi, Mr. Chan Yin Tsung and Mr. Chow Chi Hang Tony will retire from office and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company ("**AGM**").

The Board and the Nomination Committee recommended their re-appointment. The Company's circular, sent together with this annual report, contains detailed information of the above recommended persons as required by the Listing Rules.

Duties performed by the Board and management

The Board is responsible for the overall development of the Group, approving and monitoring the overall development strategy of the Group, assessing, monitoring and controlling the operation and financial performance, ensuring that the Directors perform their proper duties and act in the best interests of the Group and hold discussions on various important and proper businesses of the Company in a timely manner. All Directors are entitled to raise and include any matters that should be submitted to the Board for discussion in the agenda of the board meeting. The management shall provide members of the Board and specialized committees under the Board with appropriate and sufficient information in a timely manner so as to update them with the latest developments of the Group and to better facilitate the discharge of their duties. The management team is accountable to the Board, executing the strategies and plans formulated by the Board, and making decisions in relation to the day-to-day operation of the Group.

The Board is responsible for performing the corporate governance duties set out in code provision A.2.1 of the CG Code.

The Board is also responsible for determining the Company's corporate governance policies which include:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of the directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct applicable to the directors and employees; and

(e) to review the compliance with the CG Code and disclosures in the corporate governance report.

Appropriate directors' liability insurance cover has been arranged to indemnify the Board members for liabilities arising out of corporate activities.

Training, Induction and Continuing Development of Directors

Induction materials and briefings regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest in the Group will be provided to newly appointed Directors shortly upon their appointment as Directors. Continuing briefings and professional development to Directors can be arranged whenever necessary. The Company will continue to provide and fund the continuing professional development training in accordance with code provision C.1.4 of the CG Code.

According to the records of the Company for the Reporting Period, all Directors have received training and read materials in relation to the roles, functions and duties of directors of companies listed on the Stock Exchange, in order to comply with the relevant requirements under the CG Code in relation to continuous professional development of directors:

	Reading materials	Attending seminars/ briefings
Executive Directors		
Mr. Jin Guojun *(Chairman)*	√	√
Mr. Zhao Hui	√	√
Non-executive Directors		
Ms. Gong Lijin	√	√
Ms. Huang Jingyi	√	√
Independent Non-executive Directors		
Mr. Chan Yin Tsung	√	√
Mr. Chow Chi Hang Tony	√	√
Dr. Wei Zhongzhe	√	√

Directors' Attendance at Meetings

During the Reporting Period, the Company held 4 Board meetings and one general meeting. Details of the attendance records of Directors' attendance at the Board meetings, Board committee meetings and general meeting are set out below:

	Meetings Attended/Meetings Held				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	General Meeting
Executive Directors					
Mr. Jin Guojun *(Chairman)*	4/4		1/1	1/1	1/1
Mr. Zhao Hui	4/4				1/1
Non-executive Directors					
Ms. Gong Lijin	4/4				1/1
Ms. Huang Jingyi	4/4				1/1
Independent Non-executive Directors					
Mr. Chan Yin Tsung	4/4	2/2	1/1	1/1	1/1
Mr. Chow Chi Hang Tony	4/4	2/2			1/1
Dr. Wei Zhongzhe	4/4	2/2	1/1	1/1	1/1

During the Reporting Period, save as disclosed in the above table, the chairman has held a meeting with the independent non-executive Directors.

Board committees

Nomination Committee

The Company established a Nomination Committee with written terms of reference in compliance with paragraph B.3 of the CG Code.

The primary duties of the Nomination Committee include, without limitation, (a) to review the structure, size, composition and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (b) to determine the policy for the nomination of Directors, identify individuals suitably qualified to become members of the Board and may select individuals nominated for directorship; (c) to assess the independence of the independent non-executive Directors; and(d) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for Directors, in particular the Chairman and the chief executive, taking into the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future.

The Nomination Committee currently consists of one executive Director, namely Mr. Jin Guojun, and two independent non-executive Directors, namely Mr. Chan Yin Tsung and Dr. Wei Zhongzhe. Mr. Jin Guojun is the chairman of the Nomination Committee.

During the Reporting Period, the Nomination Committee held 1 meeting and had reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors, and made recommendation to the Board on the re-election of the Directors at the Company's annual general meeting held in 2022.

Board Diversity Policy

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Nomination Committee reviews annually the structure, size and composition of the Board and, where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy.

In reviewing and assessing the Board composition and the nomination of directors (as applicable), board diversity has to be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and length of services.

The Company recognizes and embraces the benefits of diversity in Board members. A board with diversified members includes and capitalizes of different skills, regional and industry experience, background, race, gender and other qualities of directors. These differences will be taken into account in determining the optimum composition of the Board. As at the date of this report, the Board comprised of seven Directors, including five male Directors and two female Directors. Among all Directors, one of them are aged 30 or below, five of them are aged 31 to 50 and one of them are aged 51 or above. The Board is satisfied with the gender diversity in current Board members and will continue to maintain a board with diversified members as its goal when it comes to the appointment of new members or the replacement of members of the Board in the future.

The Company also takes into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board. As at the date of this report, the Board comprises seven Directors with different appropriate skills, knowledge and experience to promote and achieve better performance of the Company. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process.

In respect of the appointment of substantial business management personnels and other personnels, the Company also takes into account relevant factors and makes efforts to maintain gender diversity. As at 31 December 2022, the male to female ratio in the workforce (including senior management) of the Company was 42:58. The Company will continue to work on the goal of maintaining the gender diversity of all employees and review policies relating to the recruitment and management of employees in due course in accordance with the business development and requirement of the Company.

Nomination Policy

A "Nomination Policy" for Directors was formally adopted and incorporated the nomination criteria and principles for Directors that are set out in the Nomination Committee's terms of reference. The Nomination Policy applies to the Directors of the Company and where applicable, senior management prepared for Board positions under the succession planning of the Company.

The Nomination Policy aims to (i) set out the criteria and process in the nomination and appointment of Directors; (ii) ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company; and (iii) ensure the Board continuity and appropriate leadership at Board level.

In evaluating and selecting any candidate for directorship, the following criteria should be considered:

- Character and integrity;

- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;

- Any measurable objectives adopted for achieving diversity on the Board;

- Requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;

- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;

- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and

- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

Nomination process

Appointment of new directors

(i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.

(ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(v) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

Re-election of directors at general meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

Audit Committee

The Company established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the CG Code.

The primary duties of the Audit Committee include, without limitation, (a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and (c) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems.

The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Chan Yin Tsung, Mr. Chow Chi Hang Tony and Dr. Wei Zhongzhe. Mr. Chan Yin Tsung is the chairman of the Audit Committee.

During the Reporting Period, the Audit Committee held 2 meetings and had reviewed the annual results and annual report of the Group for the year ended 31 December 2021, the interim results announcement and interim report of the Group for the six months ended 30 June 2022, the effectiveness of the Company's financial controls, internal control and risk management systems. The Audit Committee has reviewed the audited consolidated financial statements and results of the Group for the Reporting Period, and discussed and recommended to the Board on the re-appointment of external auditor.

Remuneration Committee

The Company established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the CG Code.

The primary duties of the Remuneration Committee, under the principle that no Director should be involved in deciding his own remuneration, include, without limitation, (a) to make recommendations to the Board on the Company's policy and structure for the remuneration of all directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy; (b) to make recommendations to the Board on the remuneration packages of individual executive directors and senior management; (c) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; (d) to assess the performance of executive Directors and approve the terms of executive Directors' service contracts; and (e) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

The Remuneration Committee currently consists of two independent non-executive Directors, namely Mr. Chan Yin Tsung and Dr. Wei Zhongzhe and one executive Director, namely Mr. Jin Guojun. Dr. Wei Zhongzhe is the chairman of the Remuneration Committee.

During the Reporting Period, the Remuneration Committee held 1 meeting(s) and had reviewed the remuneration policy for all directors and senior management and the remuneration of the newly appointed Directors.

COMPANY SECRETARIES

On 1 March 2022, Ms. Ng Wing Shan resigned as the company secretary of the Company and Mr. Wong Wai Chiu was appointed as the company secretary. On 30 June 2022, Mr. Wong Wai Chiu resigned as the company secretary; and Mr. Ip Tak Wai and Mr. Zhao Hui have been appointed as joint company secretaries. Ms. Ng and Mr. Wong confirmed that they had no disagreement with the Board and there were no other matters in respect of their resignations that need to be brought to the attention of the shareholders of the Company and the Stock Exchange.

Mr. Ip is currently an executive director of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Biographical details of Mr. Ip are set out under "Directors and Senior Management" section in this annual report.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters. Mr. Zhao, an executive Director has been designated as the primary contact person at the Company which would work and communicate with Mr. Ip on the Company's corporate governance and secretarial and administrative matters.

For the Reporting Period, Mr. Ip and Mr. Zhao have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SENIOR MANAGEMENT'S REMUNERATION

The remuneration of the senior management of the Group by band for the Reporting Period is set out below:

Band of remuneration (HK$)	No. of person
Nil to 500,000	4

EXTERNAL AUDITOR AND REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities for the Company's financial statements for the Reporting Period is set out in the Independent Auditor's Report on pages 88 to 90 of this annual report.

The fees paid/payable to Ernst & Young, the Company's auditor, in respect of audit services and non-audit services for the Reporting Period are analysed below:

Types of services provided by the external auditor	Fees paid/ payable *RMB'000*
Audit services — audit fee for the Reporting Period	1,562

During the Reporting Period, the Company did not engage Ernst & Young for non-audit services.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Period. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 88 to 90 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining sound and effective internal control and risk management systems in order to safeguard the Group's assets and shareholders' interests, and review and monitor the effectiveness of the Group's internal control and risk management systems on a yearly basis so as to ensure that the internal control and risk management systems in place are adequate. The purpose is to provide reasonable, but not absolute, assurance against material misstatements, errors, losses or fraud, and to manage rather than eliminate risks of failure in achieving the Group's business objectives.

The Group does not have an internal audit function to carry out independent reviews of the adequacy and effectiveness of its risk management and internal control systems, due to the size of the Group and for cost effectiveness consideration. The Group engages qualified external independent advisors each year to review the internal control and risk management systems of the Group, to help the Company to assess and identify significant review findings in the internal control and risk management systems and optimize the current risk management and internal control systems. After performing a review on the financial, production and procurement management according to the annual plan reviewed and endorsed by the Audit Committee, the independent advisor confirmed that the Group is not exposed to risk of major errors in internal control. The Board together with the Audit Committee had reviewed the internal control and risk management systems for the Reporting Period and is satisfied that the internal control and risk management systems are effective and adequate.

The Company recognises the importance of protecting the confidentiality of potential inside information. Procedures are in place to control the dissemination of inside information, including: i) placing restrictions on the personnel with access to the inside information; ii) communicating to all Directors, senior management and employees who may have access to the inside information about the procedures, and adhere to the procedures; iii) appointing an executive Director as the spokesperson for external communication, and iv) monitoring potential inside information to ensure that relevant facts and circumstances that may have material effect on the share price of the Company are promptly identified and assessed, and escalating the matter for the attention of the Board, if necessary, to determine whether a disclosure is needed. The Company is not allowed to disclose any inside information to the public unless approved by the Board.

The Audit Committee would continue to assist the Board to oversee the work of such consultancy firm and review the effectiveness of the risk management and internal control systems of the Group.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

Pursuant to Article 64 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, as at the date of deposit of the requisition, in aggregate 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 two 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 (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.

Procedures for shareholders to put forward proposals at shareholders' meeting

If a shareholder wishes to put forward proposals at a shareholders' meeting, the shareholder, who has satisfied the shareholding requirements set out in the above paragraph headed "Procedures for shareholders to convene an extraordinary general meeting", may follow the same procedures by sending a written requisition to the Board. The shareholder should state his/her proposals in the written requisition and submit the written requisition as early as practicable to enable the Company to make necessary arrangement.

Procedures for directing shareholder's enquiries to the Board

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board. Contact details are as follows:

Address:	5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong *(For the attention of the Board of Bonny International Holding Limited)*
Email address:	ppd@bonnychina.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto.

INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Groups' business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions. The Company has adopted the Shareholders' Communication Policy to ensure that the shareholders and other stakeholders (including potential investors) can communicate with the Company in a timely, transparent and accurate manner. Annual review of such policy will be performed by the Company to ensure the continuous effectiveness and compliance with existing regulations and other requirements of the policy. Pursuant to the Shareholders' Communication Policy of the Company, the communication approaches between the Company and shareholders and other stakeholders are as follows:

The general meetings of the Company provide a platform for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or in their absence, other members of the respective committees, and, where applicable, the chairman of the independent board committee are available to answer questions at shareholders' meeting.

To promote effective communication, the Company maintains a website at www.bonnychina.com where up-to-date information and updates on the Company's business operations and development, financial information and other information are available to public access.

The Company has reviewed the current Shareholders' Communication Policy and considers that such policy is satisfying for its executability and effectiveness.

CONSTITUTIONAL DOCUMENTS

The memorandum and articles of association of the Company were considered and approved as at the annual general meeting of the Company held on 30 June 2022, details of these amendments are set out in the circular of the Company date 29 Aprill 2022.

The latest memorandum and articles of association of the Company are available on the websites of the Stock Exchange and the Company.

ABOUT BONNY

Bonny International Holding Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**we**") is a seamless intimate wear manufacturer in China, with a number of seamless circular knitting machines, mainly producing seamless products. We have a huge retail network in China. As of the end of 31 December 2022, the Group had 132 self-operated retail outlets, covering 13 provinces, municipalities and autonomous regions in China. In addition, our products are bestsellers in many countries. We not only focus on the design, production and sale of high-quality seamless and traditional intimate wears, but also commit to integrate sustainable development strategies into business operations.

ABOUT THIS REPORT

We are pleased to publish the fifth Environmental, Social and Governance ("**ESG**") Report (the "**Report**") to report the Group's environmental, social and governance policies, measures and performance to stakeholders, and enhance the transparency of the Group's operations, so as to demonstrate the Group's commitment to practice social and environmental responsibility. We hope that through reading this Report, stakeholders will have a better understanding of the Group's progress and development direction on sustainability issues and have more confidence in our operational performance.

Reporting Period and Boundary

Unless otherwise specified, this Report presents the Group's sustainable development policy and performance covering from 1 January 2022 to 31 December 2022 (the "**Reporting Period**"). This Report discloses the Group's relevant environmental, social and governance policies and measures. The disclosure of social and environmental key performance indicators is the same as last year, focusing on the Group's China office and Beiyuan Production Facility in Zhejiang Province.

Report Preparation Basis

This Report has been prepared regarding to the mandatory disclosure requirements and the "comply or explain" provisions in the Environmental, Social and Governance Reporting Guidelines (the "**Guidelines**") set out in Appendix 27 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Reporting Principles

The following reporting principles are the basis for the preparation of this Report:

Principle	Definition	The Group's Response
Materiality	The issuer shall report on ESG issues that have important impacts on investors and other stakeholders.	The Group collects the views of stakeholders through different channels and conducts internal materiality assessments to identify current major sustainability issues. More important issues will be given priority in this Report.
Quantitative	Key performance indicators ("**KPIs**") in respect of historical data need to be measurable. Quantitative information should be accompanied by a narrative, explaining its purpose, impacts, and giving comparative data where appropriate. Issuers should set targets to reduce particular impacts so that the benefits of their environmental, social and governance policies and management systems can be evaluated and verified.	Where appropriate, the Group's environmental and social key performance indicators are disclosed quantitatively with reference to Appendix II "Reporting Guidance on Environmental KPIs" and Appendix III "Reporting Guidance on Social KPIs" to "How to Prepare an ESG Report" published by the Stock Exchange. A third-party consultancy firm is engaged to assist the Group in conducting the audit.
Consistency	The environmental and social performance indicators should use consistent methodologies to enable meaningful comparisons of environmental, social and governance data over time.	This Report uses a consistent statistical methodology to enable meaningful comparison. Changes in methodologies and reporting scope will be interpreted in remarks for reference.
Balance	The Report should provide an unbiased picture of its performance. The Report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgement by the report reader.	Based on objective facts, this Report provides a comprehensive disclosure of the Group's performance and impact in environmental, social and governance aspects to assist readers in decision-making.

Language and Access of this Report

This Report was prepared in both English and Chinese and has been uploaded to the website of the Stock Exchange and the Company (www.bonnychina.com). In the event of any conflict or inconsistency between the English and Chinese versions, the Chinese version shall prevail.

Comments and Feedback

Stakeholders' comments and feedback helps the Group to continuously improve its environmental, social and governance performance. If you have any questions or suggestions on this Report, please contact the Group through the following channels.

Address:	5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong (For the attention of the Board of Bonny International Holding Limited)
Email:	ppd@bonnychina.com
Phone:	3150 6788

CORPORATE GOVERNANCE AND RISK MANAGEMENT

Corporate Governance

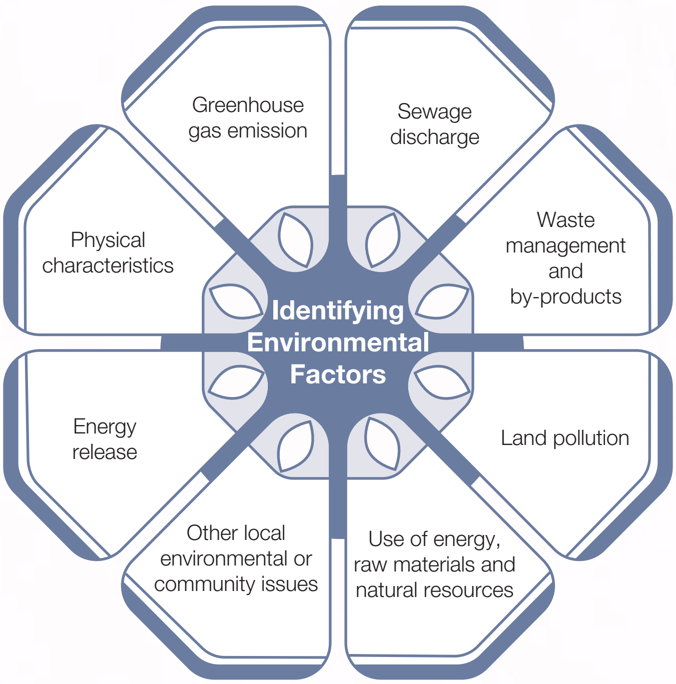
We believe that maintaining a high level of corporate governance is essential to the sustainable development of the Group. The Group strictly adheres to business ethics and integrity principles to ensure fair and transparent operations. We review our business practices regularly and hold meetings to discuss the projects that need to be followed up on and assess the revising of the relevant operating policies. The departments involved include marketing, manufacturing, quality control, office and procurement, which will continuously identify the environmental and social risks involved in the planning, implementation and process control of products, services, or operations. We have a series of written policies to identify and assess human resources, supply chain and production risks, such as environmental protection requirements and reputation assessment on suppliers, production material supervision, contract review, production base operation assessment, product quality, human resources supervision and environmental factor identification and evaluation.

Through sharing sessions, off-duty seminars and on-duty training, we enable the management to have a deeper understanding of the operation of the Company's business and enhance communication with each other. In the workshop, the departments report to the management on the new technologies employees have learned about in recent projects. In addition, Directors are given guidance and preparation meetings about the Group's business and their duties responsibilities under the Listing Rules, and the relevant statutory and regulatory requirements upon appointment. The Directors will be briefed regularly on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure the upkeep of good corporate governance practices of the Group.

For details of corporate governance, please refer to the "Corporate Governance Report" of this annual report.

Risk Management

Strict management measures are set out in the "Quality and Environmental Management Handbook" of the Group to assess, manage and mitigate the identified environmental risks. In order to evaluate all the factors that may affect the environment in the process of the Company manufacturing products and providing services, we established the "List of Material Environmental Factors" in accordance with the "Environmental Factor Identification and Evaluation Management Measures". We will consider the following eight aspects to identify environmental factors:



The Group continuously monitors, analyzes and assesses the scope and extent, frequency, social concern, regulatory compliance, resource consumption and the possible extent of energy saving of such risks, adopts measures to avoid, bear and eliminate the source of risks, and to reduce, partake and alleviate risks in order to mitigate the impact of risks on the Group and the environment.

APPROACH TO SUSTAINABILITY DEVELOPMENT

Good governance structure is the foundation of the sustainable development of the Group. The board of directors of the Company (the "**Board**"), as the highest governance structure, is responsible for establishing and maintaining the governance practices of the Group, including matters related to sustainable development. The Board has reviewed and identified risks and sustainability issues that may have a significant impact on the business. The Board will continuously manage and monitor the policies, measures and effectiveness related to sustainable development for the reviewed environmental, social and governance issues and take these issues into account when formulating the Group's business policies. We will continue to optimize and enhance the Group's environmental, social and governance mechanisms and implement the concept of sustainable development at different levels. In addition, we have appointed Riskory Consultancy Limited as an independent sustainability consultant to provide environmental, social and governance advisory services.

The Group has always adhered to the management approach of "Providing high-quality products, Fulfilling customer satisfaction, Optimizing human resources, Streamlining work procedures, and Implementing clean production, Maintaining environmental hygiene, Complying with laws and regulations, and Achieving sustainable development". In light of the requirements under ISO9001:2015 Quality Management System Certification and, ISO14001:2015 Environmental Management System Certification and the Company's business conditions, we have formulated the "Quality and Environmental Management Handbook". With each requirement, departments and production bases strictly comply with the provisions in the manual to ensure that the Company's sustainable development can meet the standards of the management system.

The Chinese government has implemented a series of schemes to promote green consumption, including green food, green clothing, green living, green transportation, green goods and green tourism and other related goals and development strategies. While designing and producing seamless and traditional intimate wears, we have an in-depth study on the feasibility of sustainable development in equipment and technology. We are currently studying the application of green fiber, energy-saving printing and dyeing, waste fiber recycling and other technologies to increase the proportion of clothing production that fulfils the green and low-carbon requirements so as to promote green consumption and a low-carbon transition.

Besides the environmental sustainability of our business, we also attach importance to social sustainability. We set out the social responsibilities and obligations in the "Policy of Social Responsibilities" that the Group should fulfill, including safe production, protection of employees' rights and benefits, and talent training and development.

This Report explains the Group's commitment to protecting the environment, caring for the rights and benefits of employees, giving back to the community, and further to find more opportunities to enhance our performance, fulfill corporate responsibility and provide quality services to our customers in a professional manner so as to promote sustainable development.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION CHANNELS

To optimize our sustainable development goals, we are committed to maintaining good communication with stakeholders. The Group's management has identified the major stakeholders that affect or are affected by the Group's operations. We have established the following formal and informal communication channels to ensure that stakeholders are kept informed of the Group's operations.

Customers

- Direct communication
- Business meetings
- Group website
- Email/telephone

Employees

- Appraisals
- On-the-job mentorship
- Internal meetings
- Group website
- Trainings
- Human resources manual
- Employee activities
- Exit interview

Investors and Shareholders

- General meetings
- Meetings, phone and written enquiries
- Direct communication
- Group website
- Regular corporate publications (such as annual reports, financial reports, circulars and announcements)

Suppliers and Business Partners

- Direct communication
- Business meetings
- Group website
- Email/telephone

Government and Other Regulatory Authorities

- Correspondence
- Email/telephone
- Regular corporate publications (such as annual reports, financial reports, circulars and announcements)

Local Community

- Group website
- Public media
- Community activities
- Donations

Understanding the demands and expectations of stakeholders can promote our sustainable development. We actively listen to and respond to the demands and suggestions of our stakeholders to help the Group understand the impact of its business on the environment and society, as well as the concerns of our stakeholders, as a consideration in our planning for future business development. We make good use of the information collected and determine the basic framework of this Report after the analysis.

Stakeholders	Demands and Expectations for the Group
Customers	• Product and service quality • After-sale service • Customers information security • Business ethics
Employees	• Employee rights and welfare • Occupational health and safety • Equal opportunities • Training and development • Prospects of the Group
Investors and Shareholders	• Business strategies and sustainability of the Group • Financial performance • Investment return • Corporate governance
Suppliers and Business Partners	• Fair competition • Building a win-win cooperating relationship • Fulfilment of contract commitment • Payment schedule
Government and Other Regulatory Authorities	• Compliance with law and regulations • Proper treatment of inside information • Promptly and effectively handle enquiries
Community	• Participation in community and charity activities • Legality and compliance of business • Contribute to environmental protection • Fair employment opportunities

MATERIALITY ANALYSIS

During the Reporting Period, the Group assessed the materiality of ESG issues to effectively manage the Group's environmental, social and governance performance. To effectively identify major ESG issues to the Group, the Board reviewed and evaluated the identified issues with the opinions of various stakeholders and business operation. The materiality assessment process is as follows:

Material Issue Identification

- Considering from various aspects, the Group sorted out the major ESG issues of the Group by referring to the Guidelines and communication with stakeholders.

Review and Examination

- Combining the expectations of major stakeholders and influence of ESG issues on the Group, the Board reviewed and re-evaluated the identified material issues to determine the material issues during the Reporting Period.

Confirmation of Material Topics

- After reviewing and examining the issues, the Group believes that the material issues have not changed significantly during the Reporting Period.

To comprehensively reflect the ESG risks and opportunities faced by the Group, we have integrated ESG issues. The ESG issues covered include:

Environmental Protection

1. Management of air pollutants and greenhouse gas (GHG) emissions
2. Waste management
3. Effective use of resources
4. Environmental impact of business activities
5. Combatting climate change

Operating Practices

6. Supply chain management
7. Suppliers' or franchisees' environmental and social risks management
8. Green procurement (e.g. using environmental friendly raw materials)
9. Crisis or emergency management
10. Anti-corruption and whistle-blowing system

Product and Service Responsibility

11. Product and service quality
12. Customer satisfaction and complaint handling
13. Intellectual property protection
14. Customer information privacy
15. Marketing and advertisement

Human Rights and Employees

16. Equal opportunity, diversity and anti-discrimination
17. Employment relationship and employee benefits
18. Occupational health and safety
19. Training and development
20. Preventing child and forced labour

Contribution to Community

21. Participation in welfare activities
22. Charitable donations

The Group's material ESG issues are as follows:

Issue	Issue number	Disclosure Section
Waste management	3	Emissions Management
Supply chain management	6	Sustainable Supply Chain Management
Product and service quality	11	Optimizing Products and Services
Customer satisfaction and complaint handling	12	Customer Rights and Interests
Employment relationship and employee benefits	17	Employment Management
Preventing child and forced labour	20	Labour Standards

INTEGRITY AND COMPLIANCE

The Group has no tolerance towards any incidents that do not conform to business ethics and integrity, such as corruption, bribery, extortion, fraud and money laundering. We value the integrity of our employees and expect them to maintain a high level of professional ethics. The Group strictly complies with the laws and regulations related to anti-corruption, including but not limited to the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) and other relevant laws and regulations.

During the Reporting Period, the Group was not aware of any corruption litigation cases against the Company or employees, nor was it aware of any material non-compliance with the laws and regulations relating to anti-corruption, bribery, extortion, fraud and money laundering that would have a significant impact on the Group.

Whistle-blowing Channels

The Group has a responsibility to prevent any misconduct that harms the interests of shareholders, investors, customers and the public. We have formulated the "Manual on Code of Conduct" to strictly regulate the conduct of our employees and remind them of the importance of compliance with the law and discipline and developed the "Procedures for Staff Complaints, Recommendation and Whistle-blowing" and "Policy of Internal Reporting and Anti-corruption". These regimes contain provisions on conflicts of interest, privacy and confidentiality of information, due diligence, bribery and anti-corruption. The Internal Audit Department is responsible for establishing mechanisms and updating the system's content when necessary.

We strictly implement the policy and establish reporting channels. Employees can report to the relevant departments by telephone, letter, email and face-to-face reporting. After receiving the complaint, the Internal Audit Department will analyze and evaluate the complaint within 48 hours. The informant's identity will be kept confidential.

Anti-corruption Training

We provide training on anti-corruption, bribery and fraud to the Board and staff from time to time to improve their understanding of anti-corruption legislation and enhance their vigilance in the face of potential corruption incidents in their daily work and operations, so as to ensure compliance and prevent corrupt practices. During the Reporting Period, all Directors and senior management have completed anti-corruption training.

OPTIMIZING PRODUCTS AND SERVICES

We are committed to developing and optimizing the product features and designs, continuously improving the product quality, and striving to provide a diverse product portfolio to fulfil the needs of customers. At the same time, we actively listen to our customers, adopt their suggestions and make targeted improvements to enhance our service quality.

The Group had no sold or shipped products that had to be recalled for safety and health reasons. During the Reporting Period, the Group has received 7 complaints in relation to products and services, which involve no significant issue relating to product quality and have been properly handled by us according to strict regulations.

Product Quality Management System

In order to protect the rights and interests of customers, the Group has attached great importance to operating its business with safety, quality and responsibility and continues to provide quality products. We have formulated the "Production Policy (Seamless Knitting)", "Premium Production Policy" and "Defective Products Recall System" to manage product quality, so as to give confidence to our customers in our products. In addition, we fulfill our commitment to our customers by requiring all departments to strictly adhere to the quality objectives set out in the "Quality and Environmental Management Handbook" and to fulfill their responsibilities. We set corresponding assessment criteria for different departments, including:

Quality Management Department
- Products uninspected rate
- Prompt and weekly inspection of testing instruments

Production Department
- Product initial passing rate
- Equipment failure rate

Workshop
- Products initial passing rate
- Process execution rate

Marketing Department
- Timeliness of contract review
- Customer satisfaction

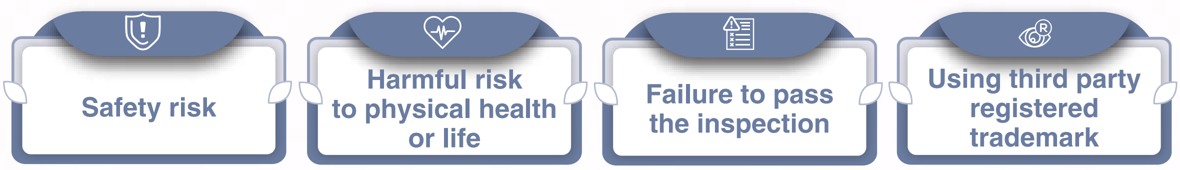
Procurement Department
- Supplier assessment completion rate

Product Quality Assurance

We not only set strict standards for its own production, but also have the same quality control requirements for suppliers or partners. In the production process, the Group strictly complies with relevant international standards and regulations, which mainly include the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), ISO9001:2015 Quality Management System Certification and Oeko-TexR Standard 100 Certification (Product Class II) to ensure product safety.

We have formulated "Production Policy (Seamless Knitting)" and "Quality Production Policy" in accordance with relevant laws and regulations and standards to regulate quality management procedures, including standardizing production procedures, relevant personnel responsibilities and inspection requirements. The production of bras and seamless products is required for multiple inspection procedures, from the inspection of raw materials before production to the review of critical processes in the production process. All unpackaged products are inspected, and the unqualified items are sent directly to the reject and surplus warehouse for further follow-up by the Quality Control Department. The products that pass the finished product inspection will be packaged, and the packaged finished products will be thoroughly inspected or sampled according to the customer's requirements. The packaged products will be tested again to ensure that all the products delivered to the customer's hands meet the quality requirements.

The Group has formulated "Defective Products Recall System" to manage products quality. When the following risks are found in the products, the Group will immediately activate the product recall procedure:



The Regulatory Department will immediately suspend the selling of such products, inform consumers to stop using and return the products as soon as possible and contact the relevant management department to follow up. The recalled products will be discarded or processed to eliminate harmful features. At the same time, we will report to the industry and commerce administration and relevant regulatory authorities.

During the Reporting Period, the Group did not receive (1) any fines, product recall orders or other penalties from any regulatory authority for product quality problems, (2) any material product return requests from customers and franchisees, or (3) any material complaints from consumers of its products. The Group was not aware of any material non-compliance with laws and regulations in relation to the quality of products.

Excellent Service Quality

In order to maintain high-quality service, we regularly conduct comprehensive and ongoing internal trainings and assessments for sales staff in self-operated retail stores, including on-board trainings for new employees, on-site training sessions at the sales counter and post-trial assessments. At the same time, we believe that different types of training can continuously improve employees' service attitude, emergency skills, and product knowledge. All employees also need to attend monthly training and receive product knowledge assessment to ensure that employees are familiar with the Company's products and operations, as well as rapidly grasp the product development trends to cater for changes.

During the Reporting Period, the Group was not aware of any non-compliance with laws and regulations in relation to the quality of service that would have a significant impact on the Group.

CUSTOMER RIGHTS AND INTERESTS

Customer Complaint Management

We are open to building close, trusting, and long-term relationships with our customers. The Group attaches great importance to customer satisfaction and complaints. We believe that accepting customers' opinions and understanding their expectations will enable us to make continuous progress. We have established feedback channels and service hotlines to respond to customers' inquiries on franchisee, product quality, order status and product return. When the Group receives a complaint from a customer, we will correct it as soon as possible in accordance with the prescribed procedures, and respond to and follow up on the complaints of the relevant customers in a timely manner. If we fail to meet our clients' expectations, we will evaluate existing processing procedures and provide trainings to prevent similar situations.

Ensuring Customer Health and Safety

As a good shopping experience is essential to retain customers, the Group strictly complies with the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), and formulates policy to manage it according to relevant laws and regulations. In order to provide a safe shopping environment, we operate our retail stores in accordance with the safety requirements of fire and security and sign a safety responsibility letter with the mall property management company that the staff of the store are committed to ensuring the safety of customers. We also offer safety training programs to employees. In the event of suspected theft, the Group's staff are expected to assist the affected client professionally, including calling the police for help or contacting the relevant authorities to assist in the investigation.

During the Reporting Period, the Group did not receive any material complaints from customers or was not aware of any non-compliance with laws and regulations on the Group's retail outlets in relation to health or safety issues.

Protecting Customer Privacy

We comply with the strictest ethical standards and local laws and regulations such as the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), so that customers can rest assured when using our products. The Group has formulated policies requiring employees to handle customer data carefully to protect the personal data of the customers. Designated access to customer data is restricted to authorized employees. Employees also signed a confidentiality agreement at the time of employment and are not allowed to disclose any data to third parties without authorization.

During the Reporting Period, the Group did not receive any significant complaint in relation to customer privacy or loss of customer information.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

The Group attaches great importance to intellectual property protection. We have developed different policies, including the "Patent Management Policy", "Software Copyright Management Policy" and "Trademark Management Policy", to defend and supervise the intellectual property rights of patents, trademarks and software.

Patent Protection Policy

- The Human Resources Department will provide vocational training on intellectual property protection to departments (such as the Technology Research and Development Department and the Marketing Department) and new employees who are exposed to patented technology.

Trademark and Software Policy

- Establish a trademark list;
- Establish a file to record the software copyright; and
- The staff of the general manager office shall timely handle the renewal of trademarks and read the required information at any time.

The general manager office protects the Company's team by applying, registering, renewing, modifying, transferring and licensing intellectual property rights. In case of intellectual property rights infringement, we will inform the senior management promptly to arrange for investigation and search for evidence. Serious infringement will be reported to the relevant local authority or filed with the People's Court. We also provide reporting channels, encourage employees to report any infringement and will honour the act of whistle-blowing in internal corporate publications or conferences and offer a small number of rewards.

During the Reporting Period, the Group was not aware of any legal cases that seriously infringed on the intellectual property rights of others that would have a significant impact on the Group.

ADVERTISING AND LABELLING

The Group's brand awareness and turnover can be improved by effective advertising. The Group releases our latest products and information through different promotional channels. We promote our products in accordance with the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》). We ensure that the products we sell have complete and detailed information for our customers to review in terms of product labelling.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in relation to marketing communications, including advertising, promotion and sponsorship or product labeling that would have a significant impact on the Group.

SUSTAINABLE SUPPLY CHAIN MANAGEMENT

The Group is committed to establishing a sound supply chain management system. The Group expects our business partners to follow the established guidance to abide by our business ethics and work seamlessly to provide quality products. During the Reporting Period, the Group cooperated with 181 suppliers, all of whom came from Mainland China. The Group conducts annual assessments of business partners in accordance with the "Procurement Policy", "Material Procurement Policy" and "Selection and Supervision of Dealers and Franchisee", including but not limited to the following assessment items:

We will immediately terminate the relationship with the business partner whose products fail to meet our standards to ensure the quality of our products.

In recent years, the international community has attached greater importance to enterprises' supply chain management, requiring enterprises to select suppliers with better environmental and social compliance. Therefore, the Group actively considers integrating environmental protection into the supply chain while developing its business. We will prioritize suppliers that comply with the local government's environmental policy to ensure that their production lines and offices are in line with the Group's green procurement philosophy. In addition, we expect our suppliers to provide environmentally friendly packaging materials, and select materials and products that have less environmental impact when possible, such as reducing the use of environmentally harmful materials, such as plastics, so that our supply chain can better align with the requirements of sustainable development. In addition, we require the suppliers responsible for template making and painting to optimize their store renovation processes, so as to reduce the production of harmful construction waste. We will continuously monitor and promote our suppliers' social and environmental compliance performance to ensure that our supply chain is effectively and sustainably developed.

Supplier Evaluation

We have established a sound management system to strengthen the management of suppliers. The "Procurement Policies & Procedures" contains the management requirements of suppliers in the areas of development, access, evaluation, review, evaluation and exit. As a leading seamless intimate wear product manufacturer, we place great emphasis on the quality of the raw materials of our products. The Procurement Department will evaluate new suppliers by sending quality control personnel to monitor the production process and assess the quality of raw materials supplied to us. The quality control personnel will assess the supplier's raw material quality and delivery time. If the procurement department identifies any quality issues, we will follow up with the suppliers immediately. During the Reporting Period, we have evaluated 20 major suppliers.

Existing Supplier Evaluation Procedures

- Set up a review team consisting of the Procurement Department, Financial Department, related departments and Quality Control Department
- The review team will evaluate and review the qualification, operating conditions, credit ratings, service quality, purchase price and product usage, and problems of the suppliers
- Management will make a final decision on the team's assessment results
- If a supplier fails to meet the Group's standards, the Procurement Department will remove it from the "Qualified Suppliers List"
- Any supplier who has a material impact on the Group will be blacklisted

New Supplier Review Procedure

- The Procurement Department forms an evaluation team, comprising representatives from the Quality Control Department, Production Department and Technology Department
- The evaluation team evaluates existing suppliers by using the indicators listed in supplier assessment policy and prepares the "Evaluation Report on Basic Information of Supplier"
- Conduct on-site inspection on such suppliers and prepare the "Inspection Report on Supplier"
- Suppliers that meet the requirements need to submit samples to the Quality Control Department for further testing

The Procurement Department will also conduct ad-hoc examination regarding the delivery of suppliers and record the results in the "Quarterly Supplier Assessment Form", which will be considered as an annual assessment. The rating, order size and payment policy of the suppliers will be determined on the basis of the assessment. During the Reporting Period, the Group did not have any material claims against the suppliers due to the defective quality of raw materials.

In addition, we inspect semi-finished products and finished products from subcontractors before acceptance to ensure that the products comply with the specifications stipulated in the supply agreement. Our representative also conducts regular on-site random product examinations of subcontractors and inspects the production process. If the quality of the supplied products does not conform with our standards, the Group will demand replacement or refund.

Franchisee Management

The Group selects the most suitable franchisees for the corporate image of Bonny according to the "Selection and Supervision of Distributors and Franchisees" and "Selection and Evaluation System". We consider various factors, including franchisee's recognition of the brand vision of Bonny, reputation, image, financial status, operation management, store location and conflict of interest of franchisee, and franchisee's participation in joint events with the Group. During the Reporting Period, the Group cooperated with 11 franchisees.

Branches or offices of the Group will regularly monitor and inspect franchisees in respect of their financial condition, products and daily operation to ensure their service quality align with our expectations. The Group also offers training programs on daily operation, including selling skills, product knowledge, service awareness, store operation and safety measures to the staff of franchisees. We conduct regular inspection and guidance on the image of franchisee to ensure that their brand images are consistent with the Group.

EMPLOYMENT MANAGEMENT

The Group believes that talent management is an important part of promoting enterprise development, and the contribution of employees is an integral part of the sustainable development of the Company. We are committed to providing a multicultural working environment and competitive remuneration and benefits to attract talents to join the Group. At the same time, we care about the well-being of our employees and pay attention to good communication with employees so as to establish a positive relationship of mutual trust.

During the Reporting Period, the Group was not aware of any material non-compliance with the relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that would have a significant impact on the Group.

As at 31 December 2022, the Group employed a total of 642 full-time employees, who all are from mainland China. The following table sets out the number of employees by gender, age group and employment type:

Employee Distribution	Unit	2022
By gender		
Male	Person	272
Female	Person	370
By age group		
30 or below	Person	112
31-50	Person	377
51 or above	Person	153

The following are the employee turnover rates by gender, age group and geographical location during the Reporting Period:

Employee Turnover Rate[1]	Unit	2022
By gender		
Male	Percentage	115.8%
Female	Percentage	87.6%
By age group		
30 or below	Percentage	204.5%
31-50	Percentage	92.0%
51 or above	Percentage	41.2%
By geographical location		
Mainland China	Percentage	99.5%
Total turnover rate	Percentage	99.5%

Note 1: The staff turnover rate is calculated by dividing the total number of staff turnover throughout the Reporting Period by the total number of staff at the end of the period, which may exceed 100%.

Labour Standards

The Group strictly complies with relevant laws and regulations, including but not limited to the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》). We have zero tolerance for the use of child or forced labour. During the recruitment process, the Human Resources Department will verify the identification documents of the candidate to ensure that they meet the local legal working age, and those who do not meet the requirements will not be hired. In order to avoid the occurrence of forced labour, employees are required to fill in the "Overtime Application Form" before working overtime. Application for overtime work by employees must be approved by the head of the relevant department before the performance of overtime working and payment of the allowance.

If we are aware of any use of child or forced labour, we will immediately suspend the employment of the relevant employee and investigate immediately. We then reviewed and changed the recruitment process to prevent similar cases from happening again.

During the Reporting Period, the Group was not aware of any material non-compliance with the relevant laws and regulations in relation to child labour and forced labour that would have a significant impact on the Group.

Employment and Remuneration Policy

We firmly believe that having a competitive benefits package not only helps us retain high-quality talent, but can also enable the Company to improve its sales performance. The Group strictly abides by local employment-related laws and regulations, including but not limited to the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》).

Our "Staff Handbook" sets out policies relating to labour laws, regulations and industry practices, as well as salary, dismissal, promotion, working hours, recruitment, holidays, diversity and other benefits and remuneration packages to ensure that the rights and interests of every employee are guaranteed. The Corporate Management Center will amend and update the "Staff Handbook" according to the operation and development of the Company annually. We contribute to social security insurance covering pension insurance, medical insurance, unemployment insurance, occupational injury insurance, maternity insurance (if applicable) and housing fund for employees according to the local laws and regulations. In addition, we also provide benefits, including accommodation allowance, catering allowance, attendance bonus and traveling allowance.

Recruitment and Promotion

The Group is committed to maintaining a fair and open recruitment attitude, and all recruitment criteria are based on the candidate's performance and skills. We are committed to providing equal opportunities for our employees and will not discriminate when hiring based on age, gender, physical health, marital status, family status, race, skin colour, nationality, religion, political stance, and other factors.

Our "Staff Recruitment Policy" sets out the Group's recruitment process and management procedures. The main channels of the Group's recruitment are talent exchange meetings, internal employee recommendation, online recruitment, publishing recruitment advertisements, headhunting and campus recruitment. The Human Resources Department will determine the qualifications and ability requirements of the recruitment position according to the job description and the workforce requirement proposal. After screening, the qualified candidate will be invited to conduct a face-to-face interview, and may be hired after a second round of interviews by the head of the department according to the requirements of the responsibilities of the position.

Employees' promotion opportunities are based on their work performance and skills. We give every employee an equal opportunity to demonstrate their expertise and talents. The Group has formulated the "Performance Appraisal of Employees" as a guideline for management in their performance appraisals. Performance appraisal items include but not limited to the completion of the Company's business objectives, employees' personal objectives, professional knowledge, innovation ability, work performance and work attitude. The Group conducts a performance appraisal with employees every year to conduct a comprehensive performance evaluation. The Human Resources Department will use the appraisal results as the basis for promotion, salary, reward, transfer, education and training.

OCCUPATIONAL HEALTH AND SAFETY

The Group attaches great importance to employees' occupational health and production safety. We strictly abide by the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and other applicable laws and regulations, and formulate relevant production operation procedures and safety standards accordingly. We take the necessary safety measures to protect our employees and avoid any occupational hazards.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in relation to providing a safe working environment and protecting employees from occupational hazards that would have a significant impact on the Group.

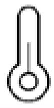
Occupational Health and Safety System

The Group constantly improves its own occupational health and safety system. We have set up an Environment, Health and Safety ("**EHS**") Group and appointed EHS Specialists to hold regular meetings to analyze all the substances and potentials of different departments and types of work environment and health and safety risks, followed by developing effective improvement programmes and preventive measures to mitigate identified crises. The work-related fatalities rate of the Group remained at zero, and no work-related fatalities were reported in the past three years (including the Reporting Period). During the Reporting Period, 62.5 lost days due to work injury of the Group were reported.

To effectively prevent, and timely control and eliminate the impacts of emergency situations, the Group has developed the "Emergency Response Plan", which covers different scenarios, such as sudden fire and explosion, electric shock, mechanical accident, pipeline accident, flood control, environmental pollution accident and chemical leakage. We also regularly cooperate with the fire department to hold various rescues, firefighting and evacuation exercises. Before operating machinery, we arrange appropriate safety training to remind them about occupational safety and provide safety equipment, such as gloves, to reduce the risk of injury during operation.

Epidemic Prevention and Control

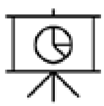
The Group has formulated internal measures, such as the “Emergency Response Plan for the New Crown Pneumonia Epidemic” and “Enterprise Epidemic Prevention and Control Work Plan”, and set up a working group on the prevention and control of infectious diseases in accordance with the implementation measures of the local government on the prevention and control of new crown pneumonia infectious diseases to respond to the epidemic effectively. We achieve the goal of effective prevention, timely control and elimination of the negative impact of Covid-19 infections through a series of measures. We have implemented the following measures to protect the health and life safety of all employees, including but not limited to:



Daily temperature measurement and recording

Management of epidemic prevention and control materials, timely reporting and procurement of material shortages

Regular cleaning and ventilation practice in workplaces, dorms and offices



Share infectious disease prevention knowledge on the exhibition boards

Conduct online meetings whenever possible through phones or video conferencing instead of face-to-face meetings

EXCELLENT TALENT TRAINING

The Group firmly believes that the cultivation of outstanding talents and the development of diversified talents are important components of our long-term development and sustainable operation. We are committed to providing comprehensive staff training and have formulated the "Staff Training Policy". We also encourage staff to rotate their jobs to increase networking opportunities and learn new skills.

We provide comprehensive and quality training to our frontline staff to ensure consistent service quality to maintain our brand image. We provide in-house training on product knowledge, sales skills, customer service, store operations and safety measures to store staff to familiar with the retail operation model as soon as possible.

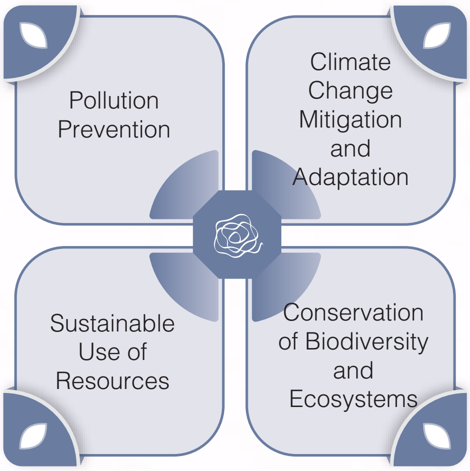
The Group also provides study leaves and course fee allowances to employees to encourage self-development and continuous learning. Employees can increase their knowledge, realize their potential, improve their technical skills, and also help to improve the efficiency of business operations for mutual benefit through a series of training.

The following table sets out the details of the training received by employees of the Group during the Reporting Period:

	Unit	2022
Percentage of total employees trained	**Percentage**	**82.1%**
Percentage of employees trained		
By gender		
Male	Percentage	**86.8%**
Female	Percentage	**78.6%**
By employee category		
General and technical staff	Percentage	**81.4%**
Middle management	Percentage	**97.7%**
Senior management	Percentage	**58.3%**
Average training hours of employees		
By gender		
Male	Hour	**10**
Female	Hour	**9**
By employee category		
General and technical staff	Hour	**10**
Middle management	Hour	**9**
Senior management	Hour	**4**

ENVIRONMENTAL MANAGEMENT SYSTEM

The Group continuously improves its EHS system and standardized all environmental and occupational health and safety management activities. We strictly abide by relevant laws and regulations, including but not limited to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on Environmental Impact Assessment (《中華人民共和國環境影響評價法》), the Integrated Emission Standard of Air Pollutants (《大氣污染綜合排放標準》) (GB16297–1996) and the Ambient Air Quality Standards (《環境空氣質量標準》) (GB3095–1996). We are committed to the corporate responsibility of protecting the environment. Based on the "Quality and Environmental Management Handbook", we established comprehensive environmental management guidelines to reduce the impact on the environment caused by business operations to realize the commitment to environmental protection. According to the "Quality and Environmental Management Handbook", we focus on the following areas in our business:



The Group's management team will continuously monitor the relevant laws and regulations promulgated by national and regional governments and relevant regulatory authorities and improve the Group's "Quality and Environmental Management Handbook" to ensure compliance with the relevant laws and regulations. At the same time, the management team will follow the guidelines on risk management, continuously monitor the potential environmental risks in our business and communicate with various departments to ensure that the relevant personnel understand the environmental objectives of the Group. Since January 2019, we have set various types of environmental targets for each department, including but not limited to domestic waste disposal rate and workshop solid waste collection rate. We review the progress of goals achievement through the daily work assessment and organization of review meetings from time to time.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in relation to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes that would have a significant impact on the Group.

EMISSIONS MANAGEMENT

Air pollution, wastewater and solid waste discharge will be generated in the production process of seamless intimate wears. In order to ensure compliance with relevant laws and regulations, the Group has proactively taken measures to reduce its adverse impact on the environment and is committed to reviewing existing measures to reduce waste generation. In order to ensure that our production operations comply with national standards, we have obtained ISO14001:2015 Environmental Management System Certification and regularly appointed specialists to conduct tests on our operating procedures, covering air and noise pollution, wastewater and waste discharge.

Non-hazardous Waste Management

The Group has been committed to reducing waste emissions. The Group's business mainly generates non-hazardous wastes, such as office papers, construction wastes, plastic packaging materials and general industrial wastes.

Non-hazardous Waste	Unit	2022	2021
Total non-hazardous wastes	Tonnes	**41.34**	43.49
Intensity	Tonnes/million revenue (RMB)	**0.26**	0.17

The Group has implemented various waste reduction measures to reduce the burden of waste on the ecological environment. We place sorting bins and recycling bins in our offices and production facilities, encouraging staff to sort paper, metal and plastic waste, and arrange specialists to be responsible for recycling items. In addition, we promote "Paperless" by making good use of emails and e-notices to send waste reduction slogans and promotional content to employees to reduce the paper used for printing.

In terms of construction waste and plastic packaging materials produced during shop renovations, we strictly comply with the relevant local environmental protection policies and engage third-party waste recyclers to be responsible for handling such wastes. We encourage stores to reuse existing materials to avoid using large amounts of building materials.

Hazardous Waste Management

During the Reporting Period, dyeing in the production process was outsourced to an external dyeing factory. Since the waste produced during the dyeing process were managed and disposed by external dyeing factory, the relevant data becomes unobtainable. We will continue to communicate with the external dyeing factory, and plan to enhance the data collection process actively. During the Reporting Period, we have generated no liquid waste and have reduced solid waste. We produce hazardous waste such as used lead-acid batteries and dyed packaging bags in the production process. We formulate specific guidelines for waste management by the waste sorting standards of the operating places and guide employees to dispose of all kinds of waste properly. We will follow the relevant local environmental policies and assign hazardous solid waste to a trusted third-party waste recycler for unified treatment.

We have strict prevention and control measures for industrial sewages, regulated by the national environmental protection standards and water pollutant discharge indicators to manage wastewater discharge. The daily wastewater discharge will not exceed the upper limit set by the State. Some of the treated and compliant wastewater can be reflowed back into the production process for reuse. Other hazardous liquid wastes will be entrusted to relevant professional institutions for reuse.

Hazardous Waste	Unit	2022	2021
Total solid waste	Tonnes	0.050	0.062
Intensity	Tonnes/million revenue (RMB)	0.00031	0.00025
Total liquid waste	Tonnes	–	67,026
Intensity	Tonnes/million revenue (RMB)	–	269.42

Air and Greenhouse Gas Emissions

During the Reporting Period, the Group's air emissions were mainly derived from the use of vehicles, which resulted in exhaust gas pollutants, including Nitrogen Oxides, Sulphur Oxides and Particulate Matter. Direct greenhouse gas emissions come from fuels used in vehicles, fuels used in boiler, and the use of refrigerants, while indirect greenhouse gas emissions come from the use of purchased electricity.

Air and Greenhouse Gas	Unit	2022	2021
Air			
Nitrogen oxides	Kg	388.86	1,261.91
Sulphur oxides	Kg	52.35	236.51
Particulate matter	Kg	16.33	15.76
Greenhouse Gas			
Direct emissions (Scope 1)	Tonnes CO2 equivalent	326.41	1,325.78
Indirect emissions (Scope 2)	Tonnes CO2 equivalent	3,757.71	5,408.68
Total Greenhouse Gas Emissions	Tonnes CO2 equivalent	4,084.12	6,734.46
Intensity	Tonnes CO2 equivalent/ million revenue (RMB)	25.38	27.06

In order to control and reduce the emissions of exhaust gases and greenhouse gases from our business operations, we actively adopt different monitoring facilities and emission reduction measures:

Compliance Evaluation in the "Quality and Environmental Management Handbook"

- Appoint an office commissioner to determine the frequency of compliance evaluation in accordance with the local laws and regulations
- The Management evaluates the impact of construction projects and business on our emission level annually
- In case of any non-compliance of local environmental laws and regulations requirements in our production procedures, we will require relevant departments to implement rectifying measures

Daily Testing Procedure in the "Quality and Environmental Management Handbook"

- Office commissioner reports the data to the relevant departments, especially any abnormalities and exceedances
- Departments shall be notified promptly of any production safety hazard in accordance with the "Management Provisions on Identification and Rectification of Production Safety Hazards", which shall rectify it within a specific time limit
- Overall compliance will be presented at the evaluation meeting of the management of the Company and the result of regular evaluation will be recorded

Production Emission Reduction Measures

- Prioritize the purchase of high-performance and low-pollution machines in the production line
- Transform coal boilers into natural gas boilers

Vehicle Management and Transportation Emission Reduction Measures

- Manage the number and type of vehicles in the Company properly to reduce fuel consumption and pollutant emissions
- Avoid busy hours when scheduling delivery

Travel Emission Reduction Measures

- Encourage employees to use video conference and email instead of business travel
- Choose direct flights for unavoidable business trips to reduce fuel consumption due to travelling

RESOURCE MANAGEMENT

To effectively use resources, the Group is committed to improving energy efficiency by continuously monitoring energy consumption data and actively optimizing management to reduce emissions and save energy.

Improving Efficiency of Resource Use

Due to the nature of the industry, we will inevitably use a lot of energy in the production process. During the Reporting Period, our energy consumption was mainly derived from electricity and natural gas.

Type of Energy	Unit	2022	2021
Direct Energy			
Natural gas	MWh	**1,408.29**	6,386.53
Diesel	MWh	**100.64**	105.43
Unleaded petrol	MWh	**59.50**	68.71
Indirect Energy			
Purchased electricity	MWh	**6,159.17**	8,865.23
Total consumption	MWh	**7,727.60**	15,425.90
Intensity	MWh/million revenue (RMB)	**48.02**	62.01

In order to enhance the Group's operational efficiency, we have implemented the following measures to achieve the best practices:

- Install motion sensors in areas not frequently used. Lights will only be turned on when employees pass through to reduce unnecessary electricity consumption;
- Conduct regular check and maintenance on machines and appliances to improve efficiency;
- Use electronic ballasts which cause less power loss to replace traditional electromagnetic ballasts to improve energy saving efficiency;
- Encourage our employees to switch off printers and communication technology equipment completely when leaving the working area after work;
- Maintain indoor temperature within an energy-efficient level of 24 - 26°C;
- Separate light switches for production facility and office area, and post notices to remind employees to turn off lights and appliances when leaving the working area;
- Prioritize the use of energy saving lighting devices; and
- Deploy more natural light.

Conserving Water Resources

Due to the nature of the business, the Group consumes water resources in its production processes. During the Reporting Period, we had no issues with sourcing water that is fit for purpose.

Water Consumption	Unit	2022	2021
Total water consumption	m^3	**71,751.00**	129,160
Intensity	m^3/million revenue (RMB)	**445.91**	519.17

In order to save water, we developed the "Energy Saving and Emission Reduction Management Procedures", which covers water-saving production methods and related instruments to improve water use efficiency. We also strived to implement different measures, such as integrated water management solutions. In order to ensure the sustainable development of the ecological environment, we have developed and implemented water management measures that require employees to reduce the consumption of drinking water in their work processes.

- Recycle wastewater for cleaning and irrigation
- Use a dual-flush toilet that can adjust flushing volume
- Check and repair the pipes (including water meter inspection) of production facility and office for any leaks on a regular basis

Reducing Packaging Materials

The Group is committed to avoiding over-packaging to reduce the use of packaging materials. Our products involve plastic bags, liners, packing boxes and other packaging materials. Packaging materials such as tags, tag pins and stickers are also required for each product sold in stores. During the Reporting Period, the packaging materials involved can be mainly divided into paper, plastic and metal.

Packaging Materials	Unit	2022	2021
Total packaging materials	Tonnes	**1,237.58**	2,969.04
Intensity	Tonnes/million revenue (RMB)	**7.69**	11.93

We will choose pack cartons made by sustainable forests or certified by the Forest Stewardship Council in terms of packaging cartons.

COMBATTING CLIMATE CHANGE

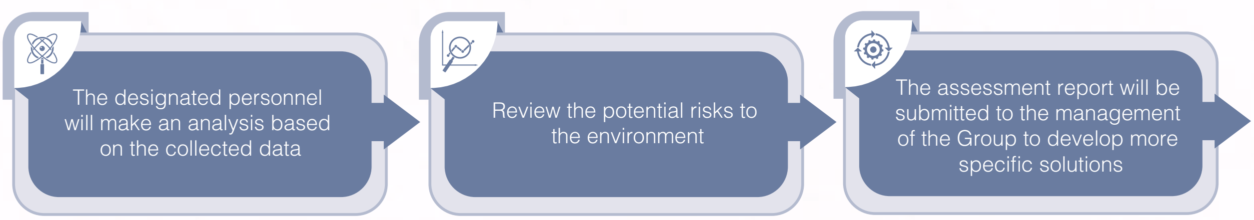
With economic development and increasing business activities worldwide, climate change has become a phenomenon that global society cannot ignore. The Group attaches great importance to the potential opportunities and risks climate change brings. We developed strategies to address the potential threats posed by climate change. At the same time, the Board will continue to monitor the climate-related risk management system and improve relevant policies.

In terms of transitional risks, the Chinese government has implemented a series of schemes to promote green consumption this year, including green clothing. In the 14th Five-Year Plan, the Chinese government plans to comprehensively promote the action plan for carbon emission reduction and set goals for the green development of the weaving industry. The Company may need to invest more money and technology to develop environmentally friendly intimate wear or purchase environmentally friendly raw materials. At the same time, we will actively study the application of green fiber, energy-saving printing and dyeing, waste fiber recycling and other technologies to increase the proportion of clothing production that meets the green and low-carbon requirements. As the demand for intimate green wear increases, customer preferences also provide us opportunities to identify emerging markets and expand our product types and sales so as to promote green consumption and a low-carbon transition.

At the same time, we are aware of the physical risks and opportunities related to business. Beiyuan Production Facility is located in a coastal area, and extreme weather phenomena such as typhoons and floods may cause damage to machines, employees fail to work as usual, and transportation and supply chain disruptions can be interrupted. To address these physical risks, the Group has developed the "Flood Control Emergency Plan" with appropriate measures and procedures for different weather conditions to minimize the impact of extreme weather on our business.

CHERISHING NATURAL RESOURCES

Although our production process does not significantly impact natural resources, we still care about the possible impact of our operations on the surrounding environment. We mainly promote the importance of cherishing natural resources and environmental protection to employees in accordance with the "Quality and Environmental Management Handbook" and "Energy Conservation and Emission Reduction Management Procedures". We actively manage air and noise and appoint designated personnel to conduct regular inspections of operating procedures.



We implement different measures to encourage our employees to indirectly reduce the consumption of natural resources through their daily business operations and adjust work habits. In terms of reducing paper consumption, we set our office printers in eco-friendly printing mode; set up a recycling bin to collect single-sided used paper for employees to reuse; encourage employees to use double-sided printing to avoid using too much unnecessary paper; encourage employees to use electronic communication tools to view and store data and avoid printing relevant files; and reduce the consumption rate of packaging, logistics and sales mode through reuse, such as reusing carton packaging for internal transportation.

Furthermore, we organize environmental training for employees to enhance their awareness of the importance of the control and management of sewage, air emissions, solid waste, noise and dust produced by the Company, and require them to abide by the environmental policies of the Company and minimize the negative impacts on environmental and employees' health caused by personal habits and business operations.

COMMUNITY INVESTMENT

The sustainable development of the Group relies on the support of its stakeholders. Therefore, we understand the importance of giving back to the community. We strive to support the development of communities where the Group operates. During the Reporting Period, the Group donated to the Yiwu Charity Federation to support the charity Federation in organizing various community projects to promote community development. Yiwu Charity Federation is committed to organizing various social assistance activities to assist vulnerable groups, including poor families, orphans, people with disabilities, etc. At the same time, the federation also assists the government in carrying out disaster relief and rural vitalization work, and promoting the development of local charity undertakings. Meanwhile, we actively listen to the voices and opinions of the community and promise to invest more resources such as effort, time, and expertise to contribute to all levels in the future.

INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDELINES

Subject Area	Content	Chapter
Mandatory Disclosure Requirements		
Governance Structure	A statement from the board containing the following elements: i. a disclosure of the board's oversight of ESG issues; ii. the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's business); and iii. how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's business.	Approach to Sustainability Development
Reporting Principles	A description of, or an explanation on, the application of the Reporting Principles (materiality, quantitative and consistency) in the preparation of the ESG report.	About this Report- Reporting Principles
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report.	About this Report- Reporting Period and Boundary
"Comply or explain" Provisions		
A. Environment		
A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issue relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Management System
A1.1	The types of emissions and respective emissions data.	Emissions Management - Air and Greenhouse Gas Emissions
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and intensity.	
A1.3	Total hazardous waste produced (in tonnes) and intensity.	Emissions Management - Hazardous Waste Management
A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions Management - Non-Hazardous Waste Management
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions Management - Air and Greenhouse Gas Emissions

Subject Area	Content	Chapter
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions Management - Non-Hazardous Waste Management; Hazardous Waste Management
A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water, and other raw materials.	Resource Management
A2.1	Direct and/or indirect energy consumption by type in total (kWh in ’000s) and intensity.	Resource Management - Improving Efficiency of Resource Use
A2.2	Water consumption in total and intensity.	Resource Management - Conserving Water Resources
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Resource Management - Improving Efficiency of Resource Use
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Resource Management - Conserving Water Resources
A2.5	Total packing materials used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Resource Management - Reducing Packaging Materials
A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer’s significant impacts on the environment and natural resources.	Cherishing Natural Resources
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Combatting Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	

Subject Area	Content	Chapter
B. Society		
Employment and Labour Practices		
B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment, and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment Management
B1.1	Total workforce by gender, employment type, age group, and geographical region.	
B1.2	Employee turnover rate by gender, age group and geographical region.	
B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational Health and Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Occupational Health and Safety - Occupational Health and Safety System
B2.2	Lost days due to work injury.	
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Occupational Health and Safety
B3: Development and Training		
General Disclosure	Policy on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Excellent Talent Training
B3.1	The percentage of employees trained by gender and employee category.	
B3.2	The average training hours completed per employee by gender and employee category.	

Subject Area	Content	Chapter
B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment Management - Labour Standards
B4.1	Description of measures to review employment practices to avoid child and forced labour.	
B4.2	Description of steps taken to eliminate such practices when discovered.	
Operating Practices		
B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Sustainable Supply Chain Management
B5.1	Number of suppliers by geographical region.	
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Sustainable Supply Chain Management - Supplier Evaluation
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Sustainable Supply Chain Management
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	
B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Optimizing Products and Services; Customer Rights and Interests; Intellectual Property Rights Protection; Advertising and Labelling
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Optimizing Products and Services
B6.2	Number of products and service-related complaints received and how they are dealt with.	Optimizing Products and Services; Customer Rights and Interests - Client Complaint Management

Subject Area	Content	Chapter
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property Rights Protection
B6.4	Description of quality assurance process and recall procedures.	Optimizing Products and Services
B6.5	Description of consumer data protection and privacy policies and how they are implemented and monitored.	Customer Rights and Interests - Protecting Customer Privacy
B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud, and money laundering.	Integrity and Compliance
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	
B7.2	Description of preventive measures and whistleblowing procedures and how they are implemented and monitored.	Integrity and Compliance - Whistle-blowing Channels
B7.3	Description of anti-corruption training provided to directors and staff.	Integrity and Compliance - Anti-corruption Training
Community		
B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
B8.1	Focus areas of contribution.	
B8.2	Resources contributed to the focus area.	

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Company is investment holding. Principal activities of the subsidiaries are set out in Note 1 to the consolidated financial statements. A review of the business of the Group during the Reporting Period, a discussion on the Group's future business development and an analysis of the Group's performance during the Reporting Period using key financial performance indicators are provided in the "Chairman's Statement" on pages 4 to 6 and the "Management Discussion and Analysis" on pages 7 to 16 of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the Reporting Period, except as disclosed in this annual report, the Group was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

The Group recognises that employees, customers and suppliers are keys to the Group's sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing high quality products and services to its customers and maintain cooperation with its suppliers. The Group provides a fair and safe workplace, promotes diversity to its employees and provides competitive remuneration packages and career development opportunities based on their performance and experience. The Group also provides regular trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions. The trade receivables and credit risk of the Group are set out in Note 18 and Note 34 to the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group include market and financial risks.

Market Risks

The fluctuation of prices of raw materials exposes us to risks. While we monitor the price of raw materials and adjust our price quotations accordingly, we may not be able to directly pass on any increase in the price of raw materials to our customers in time or at all, which may have a material adverse effect on our business, financial condition and results of operations.

Financial Risks

The financial risk management objectives and policies of the Group are shown in Note 34 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure our compliance to the prevailing environmental protection laws and regulations. During the Reporting Period, the Group did not violate any relevant environmental regulations and rules which gives rise of significant impact to the Group's development, performance and businesses. The environmental, social and governance report is included in this annual report on page 35 to page 71.

CONSOLIDATED FINANCIAL STATEMENTS

The results of the Group for the Reporting Period and the financial position of the Group as at 31 December 2022 are set out on pages 85 to 174 of this annual report.

DIVIDENDS

The Board does not recommend a final dividend for the Reporting Period.

DIVIDEND POLICY

On 19 March 2019, the Board approved and adopted a dividend policy (the "**Dividend Policy**") that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements, future business growth and its shareholding value.

The Board shall take into account the following factors of the Group when considering the declaration and payments of dividends:

(i) Financial results;

(ii) Cash flow situation;

(iii) Business conditions and strategies;

(iv) Future operations and earnings;

(v) Capital requirements and expenditure plans;

(vi) Interests of shareholders;

(vii) Any restrictions on payment of dividends; and

(viii) Any other factors that the Board may consider relevant.

The Board will review the Dividend Policy from time to time in light of results of operations, cash flows, financial condition, shareholders' interest, capital requirements, general business conditions and strategies, and other factors the Board may deem relevant in determining whether dividends are to be declared and paid.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Wednesday, 31 May 2023, the register of members of the Company will be closed from Thursday, 25 May 2023 to Wednesday, 31 May 2023, both dates inclusive, during which no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of the Company should ensure that all share transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Wednesday, 24 May 2023.

FIVE YEARS FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the past five financial years are set out on pages 175 to 176 of this annual report. The summary does not form part of the audited financial statements.

INVESTMENT PROPERTIES

The Group's investment properties consist of industrial properties situated at No. 129, Chunhan Street, Beiyuan Road, Yiwu City, Zhejiang Province, PRC, which is used as offices and warehouses. The addition is the Group's own-occupied properties which transferred to investment properties on 20 June 2022 and the fair value amounting to RMB34,530,000 was based on valuations performed by AVISTA Valuation Advisory Limited, an independent firm of professionally qualified valuers. Further summary details of which are included in Note 14 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in the Group's property, plant and equipment during the Reporting Period are set out in Note 13 to the consolidated financial statements.

BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 31 December 2022 are set out in Note 23 to the consolidated financial statements.

SHARE CAPITAL

Details of the movement in the Company's share capital during the Reporting Period are set out in Note 26 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

DONATIONS

The Group donated RMB0.1 million to Yiwu Charity Federation during the Reporting Period.

RESERVES

Details of the movement in reserves of the Company and the Group during the Reporting Period are set out in Note 27 to the consolidated financial statements.

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors

Mr. Jin Guojun *(Chairman)*
Mr. Zhao Hui

Non-executive Directors

Ms. Gong Lijin
Ms. Huang Jingyi

Independent non-executive Directors

Mr. Chan Yin Tsung
Mr. Chow Chi Hang Tony
Dr. Wei Zhongzhe

In accordance with article 109 of the Articles, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Directors to retire every year will be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. By virtue of article 109 of the Articles, Ms. Huang Jingyi, Mr. Chan Yin Tsung and Mr. Chow Chi Hang Tony will retire from office and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company ("**AGM**").

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

CHANGES IN INFORMATION OF DIRECTORS

Changes in information of the Directors, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Ms. Huang is currently a director and manager of each of Zhejinag Bonny and Jiangxi Bonny. Mr. Jin resigned as director and manager of Zhejiang Bonny and Jiangxi Bonny on 23 March and 24 March 2023, respectively.

Further biographical details and other information of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

DIRECTORS' REMUNERATION

Details of the remuneration of the Directors are set out in Note 8 to the consolidated financial statements.

FIVE HIGHEST PAID INDIVIDUALS

Details of the five highest paid individuals in the Group are set out in Note 9 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, non-executive Directors and independent non-executive Directors entered into a service contract or a letter of appointment (as the case may be) with the Company for a term of three years commencing from their respective effective date of appointment, which may be terminated by either party giving not less than three months' notice in writing for the case of executive Directors and non-executive Directors and one month's written notice for the case of independent non-executive Directors.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Related Party Transactions" in this report and Note 31 to the consolidated financial statements, no director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

Save as disclosed in the Prospectus, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which the controlling shareholders or an entity connected with the controlling shareholders had a material interest, either directly or indirectly, subsisted during or at the end of the Reporting Period.

DEBENTURES IN ISSUE

During the Reporting Period, the Group did not issue any debentures.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed in the paragraph headed "Share Option Scheme" below, at no time during the Reporting Period from the Listing Date and up to 31 December 2022 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares, or debt securities, including debentures, of the Company or any other body corporate.

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

As at 31 December 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")), which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have taken under such provisions of the SFO), or were recorded in the register required to be kept under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position in the issued shares of the Company

Name of Director	Capacity/Nature of interest	Number of shares or underlying shares	Approximate percentage of shareholding*(Note 1)*
Jin Guojun	Interested in controlled corporation*(Note 2)*	634,500,000	52.88%
Gong Lijin	Interest of spouse*(Note 3)*	634,500,000	52.88%
Huang Jingyi	Beneficial owner	10,033,461	0.83%

Notes:

1. As at 31 December 2022, the total number of issued shares of the Company is 1,200,000,000 shares.

2. These shares are held by Maximax Holding Corporation ("**Maximax**"), which is wholly owned by Jin Guojun. By virtue of the SFO, Jin Guojun is deemed to be interested in the shares held by Maximax.

3. Gong Lijin is the spouse of Jin Guojun. By virtue of the SFO, Gong Lijin is deemed to be interested in the shares interested by Jin Guojun.

Long position in the shares of associated corporations of the Company

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number of shares or underlying shares	Approximate percentage of shareholding
Jin Guojun	Maximax Holding Corporation*(Note 1)*	Interest in controlled corporation	1	100%

Note:

1. Maximax Holding Corporation is one of the controlling shareholders of the Company and is wholly owned by Jin Guojun.

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executive of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have taken under such provisions of the SFO), or were recorded in the register required to be kept under Section 352 of the SFO, or as otherwise were notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, so far as known to the Directors, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position in issued shares of the Company

Name of shareholder	Capacity/Nature of Interest	Number of shares or underlying shares	Approximate percentage of shareholding(Note 1)
Maximax Holding Corporation	Beneficial Owner	634,500,000	52.88%
Jin Xiaohong	Beneficial Owner	63,000,000	5.25%
Zhejiang Yiwu Gaoxin District Development and Construction Co., Ltd.*(浙江義烏高新區開發建設有限公司)	Person having a security interest in the shares	243,025,715	20.25%

Note:

1. As at 31 December 2022, the total number of issued shares of the Company is 1,200,000,000 shares.

Save as disclosed above, as at 31 December 2022, the Directors were not aware of any other persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 19 March 2019. No share option was granted by the Company under the Share Option Scheme since the date of its adoption.

A summary of the key terms of the Share Option Scheme is set out below. The terms of the Share Option Scheme have complied with the requirements of Chapter 17 of the Listing Rules.

(i) Purpose

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group.

(ii) Eligible Participants

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants ("**Eligible Participants**"), to take up options to subscribe for Shares:

(a). any employee or non-executive director of the Company or any of the subsidiaries or any entity in which the Group holds an equity interest;

(b). any supplier, customer, research and development or other technological support provider, shareholder, advisor or consultant, business partner (by way of joint venture, business alliance or other business arrangement) of any member of the Group or any entity in which the Group holds an equity interest.

(iii) Maximum number of Shares

The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group shall not exceed 30% of the issued share capital of the Company from time to time and must not in aggregate exceed 10% of the Shares in issue on the day on which dealings in the Shares first commence on the Stock Exchange (i.e. not exceeding 120,000,000 Shares).

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

Any further grant of options in excess of the above limit shall be subject to separate Shareholders' approval in general meeting of the Company with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting.

(v) Grant of options to connected persons

Any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of the 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 option).

Any grant of options to a substantial shareholder or an independent non-executive director of the Company 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 (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million, such further grant of options must be approved by the Shareholders in general meeting. The Company must send a circular to the Shareholders. The grantee, his associates and all connected persons of the Company must abstain from voting in favor at such general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Subscription price for Shares and consideration for the option

The subscription price per Share under the Share Option Scheme shall be determined at the discretion of the Directors, provided that it shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five Business Days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Share.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(viii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

Since the date of adoption, no options were granted under the Share Option Scheme.

EQUITY-LINKED AGREEMENTS

During the Reporting Period, save for the Share Option Scheme previously mentioned, the Company has not entered into any equity-linked agreements, and there did not subsist any equity-linked agreement entered into by the Company as at 31 December 2022.

NON-COMPETITION UNDERTAKING BY THE CONTROLLING SHAREHOLDERS

The Company has received annual confirmations from the controlling shareholders, Mr. Jin Guojun and Maximax, in respect of their compliance with the non-competition undertaking provided in favour of the Company. The independent non-executive Directors have reviewed the said undertaking and are of the view that Mr. Jin Guojun and Maximax have complied with the non-competition undertaking since the Listing Date up to the date of this report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the Directors has interests in business which competes or may compete with the Group's business.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the section "Connected Transactions and Related Party Transactions" below, no contract of significance has been entered into among the Company or any of its subsidiaries and the controlling Shareholders or any of their respective subsidiaries during the Reporting Period.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Upon Listing, transactions between members of the Group and connected persons of the Company have become connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the Group's connected transactions are set out as follows.

DNW Agreements

On 17 January 2022, Zhejiang Bonny, the indirect wholly-owned subsidiary of the Company, as the buyer entered into a procurement agreement (the "**Procurement Agreement**") with Deshipu New Materials as the seller, pursuant to which Zhejiang Bonny agreed to purchase from Deshipu New Materials 46,780 kilogram of cotton yarn products at a consideration of approximately RMB1,107,000 (equivalent to approximately HK$1,239,267.00).

Later in May 2022, Zhejiang Bonny as the seller entered into two sales agreements (the "**Sales Agreements**", together with the Procurement Agreement, the "**DNW Agreements**") with Deshipu New Materials as the buyer, pursuant to which Zhejiang Bonny agreed to sell 56,820 kilogram of cotton yarn products to Deshipu New Materials for an aggregate consideration of approximately RMB1,183,000 (equivalent to approximately HK$1,324,347.60).

Deshipu New Materials is wholly owned by Bode Holding, a company established in the PRC with its entire equity interest held by a sister of Mr. Jin ("**Ms. Jin**") and a PRC company owned by Ms. Jin and her husband. Therefore, Deshipu New Materials is an associate of Mr. Jin and thus also a connected person of the Company. Hence, the transactions contemplated under the DNW Agreements constitute connected transactions of the Company. As all of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for DNW Agreements, on an aggregated basis, are higher than 0.1% but less than 5% and the total consideration is less than HK$3,000,000, the entering into of the DNW Agreements and the transactions contemplated thereunder are fully exempt from the relevant disclosure requirements under Chapter 14A of the Listing Rules.

ZB Loan Agreements

Between June 2022 and January 2023, the Company entered into several loan agreements (the "**Loan Agreements**") with Zhejiang Baicheng Trading Co., Ltd, ("**Baicheng Trading**"), pursuant to which Baicheng Trading agreed to provide loans in an aggregate amount of RMB29,000,000 to the Company for a term ranging from six to twelve months. In March 2023, the Company entered into two supplemental agreements (the "**Supplemental Agreements**", together with the Loan Agreements, the "**ZB Loan Agreements**") with Baicheng Trading to extend the repayment dates to 31 March 2025.

As the ZB Loan Agreements are on normal commercial terms or better and not secured by any assets of the Group, such transactions are fully exempt under Rule 14A.90 of the Listing Rules and is subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's revenue and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Revenue	**Purchases**
The largest customer	14%	N/A
The five largest customers in aggregate	49%	N/A
The largest supplier	N/A	10%
The five largest suppliers in aggregate	N/A	37%

Save for Deshipu New Materials, which was our largest supplier for the Reporting Period, 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 suppliers and our five largest customers during the Reporting Period. For further details of the transactions between our Group and Deshipu New Materials, please refer to section headed " Connected Transactions" in the Prospectus.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

PERMITTED INDEMNITY PROVISION

The Articles provides that every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur by the execution of his/her duty, provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. The Company has arranged appropriate directors liability insurance in respect of legal action against any Directors.

TAX RELIEF

The Directors are not aware of any relief from taxation available to the shareholders of the Company by reason of their holding of the shares of the Company.

PROFESSIONAL TAX ADVICE

If the shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company, they are advised to consult an expert.

AUDITOR

The consolidated financial statements for the Reporting Period have been audited by Ernst & Young. A resolution to re-appoint the retiring auditor, Ernst & Young, is to be proposed at the forthcoming annual general meeting of the Company. The Company has not changed its external auditor in the past three years.

ON BEHALF OF THE BOARD

Jin Guojun
Chairman

Zhejiang, PRC, 29 March 2023

EY 安永

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To the shareholders of Bonny International Holding Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Bonny International Holding Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 91 to 174, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below,provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment for trade receivables and other receivables	
As at 31 December 2022, the net carrying amount of the Group's trade receivables was approximately RMB32,576,000 which represented 5.7% of the Group's total assets, after netting off a loss allowance for impairment of RMB1,732,000. The Group applies the simplified approach in calculating the expected credit losses ("**ECLs**") for trade receivables. As at 31 December 2022, the net carrying amount of the Group's other receivables was approximately RMB4,281,000, after netting off a loss allowance for impairment of RMB13,716,000, which were individually assessed as default. Management performed periodic assessments on the recoverability of the trade receivables and other receivables and the sufficiency of provision for impairment, based on reasonable and supportable information such as the credit profile of different groups of customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, on-going trading relationships with the relevant customers' financial position and credit information of other debtors. Management also considered forward-looking information in performing the impairment assessment. The measurement of ECLs involves significant judgement and estimates, including the consideration of historical and forward-looking information. The accounting policies and disclosures for trade receivables and other receivables are included in notes 2.4, 3, 18 and 19 to the consolidated financial statements.	Our audit procedures included but not limited to the following: • We gained an understanding of and evaluated the key controls that the Group has implemented to manage and monitor the credit risk of its debtors; • We tested the ageing of the trade receivables, on a sample basis, as at 31 December 2022 and subsequent settlements to bank receipts; • We inquired of management about the on-going business relationship with the customers as debtors based on the trade records; • We assessed the financial information of the debtors individually assessed by management as default; and • We examined the key inputs and assumptions applied in the ECL model, including historical and forward-looking information.

Key audit matter	How our audit addressed the key audit matter
Impairment of long-lived assets	
As at 31 December 2022, the Group had long-lived assets of RMB295,311,000, before netting of an impairment provision of RMB19,722,000. Due to the decline of orders and continuing operation losses, management performed impairment assessment of the various cash-generating units ("CGUs") by comparing the carrying amounts of CGUs with the recoverable amounts which were the higher of the value in use and the fair value less costs of disposal and determined the provision for individual assets. During the year ended 31 December 2022, impairment provisions for traditional business and face mask business of RMB2,752,000 and RMB16,970,000 were recorded, respectively, which were determined based on fair value less costs of disposal evaluated by an external valuer. Significant judgement was involved in the assessment of the recoverable amounts of the CGUs, including the evaluation of replacement values of long-lived assets by using the quoted prices and estimating transportation and installation fees and the rate of newness by considering physical deterioration. The accounting policies and disclosures for long-lived assets are included in notes 2.4, 3 and 13 to the consolidated financial statements.	Our audit procedures included but not limited to the following: • We discussed with management to obtain an understanding of management's process for identifying impairment indicators, and considering management's assessment of impairment; • We assessed the reasonableness of the identification and allocation of the CGU; • We evaluated the objectivity, competence and capabilities of the external specialists engaged and reviewed their valuation reports, including the reasonableness of the key assumptions used in determining the fair value of the property, plant and equipment; • We reviewed and tested management's future forecasted cash flows and key assumptions by comparing to the Group's development plan and external forecasts and analysis on the industry; • We involved our internal valuation specialists to assist us in evaluating the appropriateness of the methodology and the reasonableness of certain key assumptions used in the valuation; and • We also reviewed the related disclosures in the financial statements.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the Management Discussion and Analysis of the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Chairman's Statement, the Corporate Governance Report and the Directors' Report, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Chairman's Statement, the Corporate Governance Report and the Directors' Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lai Chee Kong.

Ernst & Young
Certified Public Accountants
Hong Kong

29 March 2023

Consolidated Statement of Profit or Loss

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**160,910**	248,784
Cost of sales		**(129,266)**	(183,125)
Gross profit		**31,644**	65,659
Other income and gains	5	**6,912**	34,225
Selling and distribution expenses		**(41,850)**	(51,567)
Administrative expenses		**(28,737)**	(30,380)
(Impairment losses)/reversal of impairment losses on financial assets, net		**(1,034)**	3,885
Other expenses		**(33,671)**	(28,781)
Finance costs	7	**(4,596)**	(5,101)
LOSS BEFORE TAX	6	**(71,332)**	(12,060)
Income tax credit	10	**390**	5,503
LOSS FOR THE YEAR		**(70,942)**	(6,557)
Attributable to:			
Owners of the parent		**(70,935)**	(6,548)
Non-controlling interests		**(7)**	(9)
		(70,942)	(6,557)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		**RMB(5.9 cents)**	RMB(0.5 cents)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
LOSS FOR THE YEAR	**(70,942)**	(6,557)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation from functional currency to presentation currency	**(25,265)**	(3,473)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation from functional currency to presentation currency	**25,953**	3,111
Gains on property revaluation	**17,013**	8,147
Income tax effect	**(2,551)**	(1,222)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**40,415**	10,036
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**15,150**	6,563
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(55,792)**	6
Attributable to:		
Owners of the parent	**(55,785)**	15
Non-controlling interests	**(7)**	(9)
	(55,792)	6

Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	317,955	290,326
Advance payments for property, plant and equipment		695	13,570
Investment properties	14	48,400	14,070
Right-of-use assets	15	28,634	31,828
Intangible assets	16	494	550
Deferred tax assets	25	4,896	301
Other non-current assets		5,170	5,170
Total non-current assets		406,244	355,815
CURRENT ASSETS			
Inventories	17	109,884	150,367
Trade receivables	18	32,576	65,058
Prepayments, other receivables and other assets	19	6,781	11,130
Due from related parties	31(c)	2,302	2,660
Pledged deposits	20	7,257	—
Cash and cash equivalents	20	6,454	8,701
Total current assets		165,254	237,916
CURRENT LIABILITIES			
Trade payables	21	26,378	38,189
Advances from customers, other payables and accruals	22	88,530	64,120
Interest-bearing bank and other borrowings	23	60,506	59,566
Tax payable		266	895
Provision	24	4,138	—
Due to related parties	31(c)	11,384	—
Total current liabilities		191,202	162,770

	Notes	2022 RMB'000	2021 RMB'000
NET CURRENT (LIABILITIES)/ ASSETS		(25,948)	75,146
TOTAL ASSETS LESS CURRENT LIABILITIES		380,296	430,961
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	23	83,734	85,228
Deferred tax liabilities	25	6,621	—
Total non-current liabilities		90,355	85,228
Net assets		289,941	345,733
EQUITY			
Equity attributable to owners of the parent			
Share capital	26	80,827	80,827
Share premium	26	205,242	205,242
Other reserves	27	2,808	58,593
		288,877	344,662
Non-controlling interests		1,064	1,071
Total equity		289,941	345,733

Consolidated Statement of Changes in Equity

Year ended 31 December 2022

	Attributable to owners of the parent									
	Share capital RMB'000	Share premium RMB'000	Capital reserve* RMB'000	Statutory surplus reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Asset revaluation reserve*# RMB'000	Retained profits/ (accumulated losses)* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	80,827	205,242	(42,112)	19,658	8,982	16,134	55,916	344,647	1,080	345,727
Loss for the year	–	–	–	–	–	–	(6,548)	(6,548)	(9)	(6,557)
Other comprehensive income for the year:										
Gains on property revaluation, net of tax	–	–	–	–	–	6,925	–	6,925	–	6,925
Exchange differences on translation from functional currency to presentation currency	–	–	–	–	(362)	–	–	(362)	–	(362)
Total comprehensive income for the year	–	–	–	–	(362)	6,925	(6,548)	15	(9)	6
At 31 December 2021	80,827	205,242	(42,112)	19,658	8,620	23,059	49,368	344,662	1,071	345,733

	Attributable to owners of the parent									
	Share capital RMB'000	Share premium RMB'000	Capital reserve* RMB'000	Statutory surplus reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Asset revaluation reserve*# RMB'000	Retained profits/ (accumulated losses)* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	80,827	205,242	(42,112)	19,658	8,620	23,059	49,368	344,662	1,071	345,733
Loss for the year	–	–	–	–	–	–	(70,935)	(70,935)	(7)	(70,942)
Other comprehensive income for the year:										
Gains on property revaluation, net of tax	–	–	–	–	–	14,462	–	14,462	–	14,462
Exchange differences on translation from functional currency to presentation currency	–	–	–	–	688	–	–	688	–	688
Total comprehensive loss for the year	–	–	–	–	688	14,462	(70,935)	(55,785)	(7)	(55,792)
At 31 December 2022	80,827	205,242	(42,112)	19,658	9,308	37,521	(21,567)	288,877	1,064	289,941

* These reserve accounts comprise the consolidated other reserves of RMB2,808,000 (2021: RMB58,593,000) in the consolidated statement of financial position.

\# The asset revaluation reserve arose from a change in use from owner—occupied properties to investment properties.

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(71,332)**	(12,060)
Adjustments for:			
Loss on disposal of items of property, plant and equipment	6	**51**	2,219
Gain on government acquisition	6	**—**	(29,471)
Covid-19-related rent concessions from lessors		**(182)**	—
Gain on early termination of leases		**(66)**	—
Finance costs	7	**4,596**	5,101
Depreciation of property, plant and equipment	13	**13,162**	12,059
Impairment of property, plant and equipment	13	**6,104**	113
Changes in fair value of investment properties	14	**200**	10
Depreciation of right-of-use assets	15	**4,474**	3,611
Amortisation of intangible assets	16	**255**	417
(Reversal of impairment)/impairment of inventories	17	**(586)**	4,502
Impairment/(reversal of impairment) of trade receivables and other receivables		**1,034**	(3,885)
Foreign exchange differences, net		**570**	(457)
		(41,720)	(17,841)
Decrease in inventories		**41,069**	13,903
Decrease in trade receivables		**32,541**	9,608
Decrease in prepayments, other receivables and other assets		**3,257**	17,316
(Increase)/decrease in pledged deposits		**(7,257)**	1,542
Decrease in amounts due from related parties		**358**	6,050
(Decrease)/increase in trade payables		**(11,811)**	3,203
Increase/(decrease) in other payables and accruals		**13,128**	(6,325)
Increase in amounts due to related parties		**86**	—
Cash generated from operations		**29,651**	27,456
Income tax paid		**(764)**	(185)
Net cash flows from operating activities		**28,887**	27,271

	Note	2022 RMB'000	2021 RMB'000
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(36,202)	(79,903)
Proceeds from government acquisition, net		–	7,997
Advance of loans to third parties		–	(25,950)
Repayment of loans from third parties		–	25,950
Proceeds from disposal of property, plant and equipment		35	56
Additions to other intangible assets		(199)	(30)
Net cash flows used in investing activities		(36,366)	(71,880)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		64,000	215,200
Repayment of bank loans		(63,200)	(200,650)
Proceeds from other borrowings		12,000	9,200
Repayment of other borrowings		(800)	(9,200)
Principal portion of lease payments		(2,393)	(4,039)
Interest paid		(4,496)	(5,447)
Net cash flows from financing activities		5,111	5,064
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,368)	(39,545)
Cash and cash equivalents at beginning of year		8,701	48,259
Effect of foreign exchange rate changes, net		121	(13)
CASH AND CASH EQUIVALENTS AT END OF YEAR		6,454	8,701
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	6,454	8,701

1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company incorporated with limited liability in the Cayman Islands on 19 July 2017. The registered office address of the Company is 4th Floor Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Group was principally involved in the manufacture and sale of brassieres, functional sportswear, panties and thermal underwear in the People's Republic of China (the "**PRC**"). In the opinion of the directors, the ultimate controlling shareholder of the Group is Mr. Jin Guojun.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 26 April 2019.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued shares/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Hong Kong Bonny Ltd. ("**Bonny HK**")	Hong Kong 4 September 2017	HKD10 thousand	100	–	Investment holding and trading of brassieres, panties and thermal underwear
Zhejiang Bonny Fashion Holding Group Co., Ltd. ("**Zhejiang Bonny**") *	PRC/Mainland China 21 August 2001	RMB218 million	–	100	Manufacture and trading of brassieres, panties, thermal underwear and functional sportswear
Shanghai Bonny Apparel Co., Ltd. ("**Shanghai Bonny**") *	PRC/Mainland China 29 December 2007	RMB1 million	–	100	Trading of brassieres, panties and thermal underwear
Yiwu Bonny E-Commerce Co., Ltd. ("**Yiwu Bonny**") *	PRC/Mainland China 16 May 2016	RMB12 million	–	70	Trading of brassieres, panties and thermal underwear
Yiwu Leyishang Apparel Co., Ltd. ("**Yiwu Leyishang**") *	PRC/Mainland China 10 March 2016	RMB6 million	–	100	Trading of brassieres, panties and thermal underwear

1. CORPORATE AND GROUP INFORMATION (continued)

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued shares/ registered share capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Yiwu Bonny Sportswear Co., Ltd. ("**Bonny Sportswear**") *	PRC/Mainland China 25 May 2017	RMB1 million	–	100	Trading of brassieres, panties and thermal underwear
Yiwu Fayue Apparel Co., Ltd. ("**Yiwu Fayue**") *	PRC/Mainland China 26 May 2017	RMB1 million	–	100	Trading of brassieres, panties and thermal underwear
Bonny USA Ltd. ("**Bonny USA**")**	USA/New York 15 May 2019	N/A	–	100	Trading of brassieres, panties and thermal underwear
Jiangxi Bonny Apparel Co., Ltd. ("**Jiangxi Bonny**")*	PRC/ Mainland China 12 July 2021	RMB 2 million	–	100	Manufacture of brassieres, panties and thermal underwear

* These entities are limited liability enterprises established under PRC law.

** The entity is a limited liability enterprise established under USA law.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern assumption

As at 31 December 2022, the Group's net current liabilities amounted to approximately RMB25,948,000, which comprised current assets of approximately RMB165,254,000 and current liabilities of approximately RMB191,202,000. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. In preparing the financial statements, the directors of the Company have considered the Group's sources of liquidity and believe that adequate funding is available to fulfil the Group's debt obligations and capital expenditure requirements.

2.1 BASIS OF PREPARATION (continued)

Going concern assumption (continued)

As at 31 December 2022, the Group's total interest-bearing bank and other borrowings amounted to RMB60,506,000, all of which will be due within twelve months from 31 December 2022. The Group has not experienced any significant difficulties in renewing its short-term borrowings upon their maturities and there is no indication that the banks will not renew the existing borrowings if the Group applies for the renewal.

As at the reporting date, the Group had unutilised banking facilities of RMB7,000,000 to meet the debt obligations and capital expenditure requirements. In addition, the measures that the Group has implemented or is in the process of implementing include (i) obtaining further banking facilities at least of RMB40,000,000 pledged by its newly established buildings; (ii) renegotiation with a related party to defer the repayment dates of existing borrowings to 31 March 2025; and (iii) consideration of potential downside risk factors, working capital sensitivities and identified mitigating actions that could be taken to further reduce cash expenditure.

The directors of the Company have reviewed the Group's cash flow forecast prepared by management which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future.

Accordingly, the consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRS that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 - Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[2,4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its investment properties at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and non-current assets classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates or estimated useful life used for this purpose are as follows:

Buildings	$3^1/_3$%
Machinery and equipment	10%
Motor vehicles	20%
Computer and office equipment	10% to 20%
Leasehold improvements	Over the shorter of the lease terms and 2 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents, licences and trademarks

Purchased patents, licences and trademarks are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Machinery and equipment	10 years
Retail shops and offices	Over the lease terms

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of operating leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to operating leases that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessor (continued)

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Sale of goods

The Group is mainly engaged in the sale of products of face mask, brassieres, panties and thermal underwear via distributors, partnership, a chain of concessionary counters and retail stores and over third-party online retail platforms such as Tmall.com. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods or upon confirmation of receipt of the goods.

Some contracts for the sale of goods provide customers with rights of return. The rights of return give rise to variable consideration.

(i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Pension scheme

The Group participates in the national pension scheme as defined by the laws of the countries in which it has operations.

The subsidiaries established and operating in Mainland China are required to provide certain staff pension benefits to their employees under existing regulations of the PRC. Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the subsidiaries' employees.

Contributions made to the government retirement benefit fund under defined contribution retirement plans are charged to the statement of profit or loss as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in RMB, which is the presentation currency of the Group. The functional currency of the Company and certain subsidiaries incorporated outside Mainland China is the Hong Kong dollar ("**HKD**") and the functional currency of the subsidiaries established in Mainland China is RMB, which is the currency of the primary economic environment in which those entities operate. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance). The Group specifically assesses debtor's credit and financial position to calculate ECLs for other receivables.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and other receivables is disclosed in note 18 and note 19 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2022, the provision for impairment of property, plant and equipment amounted to RMB19,722,000 (2021: RMB13,618,000).

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2022 was nil (2021: RMB1,234,000). The amount of unrecognised tax losses at 31 December 2022 was RMB102,354,000 (2021: RMB19,872,000). Further details are contained in note 25 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimation of fair value of investment properties

Investment properties carried at fair value, were revalued at the end of each reporting period based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The principal assumptions for the Group's estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition, appropriate capitalisation rates and expected profit margin. The carrying amount of investment properties at 31 December 2022 was RMB48,400,000 (2021: RMB14,070,000). Further details are contained in note 14 to the financial statements.

Impairment of inventories

The Group manufactures and sells goods and is subject to changing consumer demands and fashion trends. As a result, it is necessary to consider the recoverability of the cost of inventories and the associated provision required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated sales of finished goods and future usage of raw materials.

Provision

An obligation related to a contingency shall be recognised by the Group as a provision when all of the following conditions are satisfied, except for contingent considerations and contingent liabilities assumed in a business combination not involving entities under common control: (i) the obligation is a present obligation of the Group; (ii) it is probable that an outflow of economic benefits from the Group will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money as a whole. Provisions are reviewed at the end of each reporting period. Where there is clear evidence that the carrying amount of a provision does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate. The carrying value of the provision at 31 December 2022 was RMB4,138,000 (2021: nil). Further details are contained in note 24 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has two reportable segments as follows:

(a) the Original Design Manufacture ("**ODM**") products segment engages in the manufacture and sale of seamless underwear or other ODM products for overseas customers or their agents; and

(b) the brand products segment engages in the manufacture and sale of ladies' brassieres, panties, thermal underwear with the Bonny brand for the domestic market.

The Group's chief operating decision maker is the Chief Executive Officer of the Company, who reviews revenue from and results of the major type of products sold for the purpose of resource allocation and assessment of segment performance. Segment result is evaluated based on gross profit less selling expenses allocated. No analysis of the Group's assets and liabilities by operating segment is disclosed as it is not regularly provided to the chief operating decision maker for review.

Year ended 31 December 2022	ODM products *RMB'000*	Brand products *RMB'000*	Total *RMB'000*
Segment revenue *(note 5)*			
Sales to external customers	119,680	41,230	160,910
Segment results	17,027	(27,233)	(10,206)
Other income and gains			6,912
Corporate and other unallocated expenses			(63,442)
Finance costs			(4,596)
Loss before tax			(71,332)

Year ended 31 December 2022	ODM products *RMB'000*	Brand products *RMB'000*	Total *RMB'000*
Other segment information			
Impairment losses recognised in the statement of profit or loss, net	618	(170)	448
Impairment of property, plant and equipment	5,891	213	6,104
Depreciation and amortisation	17,117	774	17,891
Capital expenditure*	36,057	145	36,202

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2021	ODM products RMB'000	Brand products RMB'000	Total RMB'000
Segment revenue *(note 5)*			
Sales to external customers	194,320	54,464	248,784
Segment results	33,377	(19,285)	14,092
Other income and gains			34,225
Corporate and other unallocated expenses			(55,276)
Finance costs			(5,101)
Loss before tax			(12,060)

Year ended 31 December 2021	ODM products RMB'000	Brand products RMB'000	Total RMB'000
Other segment information			
Impairment losses recognised in the statement of profit or loss, net	1,625	(2,327)	(702)
Impairment of property, plant and equipment	113	—	113
Depreciation and amortisation	14,924	481	15,405
Capital expenditure*	79,893	9	79,902

* Capital expenditure consists of additions to property, plant and equipment.

Geographic information

(a) *Revenue from external customers*

	2022 RMB'000	2021 RMB'000
Mainland China	103,580	142,709
United States of America	16,344	69,078
Netherlands	13,645	14,893
Germany	12,592	6,474
Mexico	6,806	—
Britain	2,897	—
Japan	—	5,292
Canada	2,689	3,873
Other countries/regions	2,357	6,465
	160,910	248,784

The revenue information above is based on the shipment destinations.

4. OPERATING SEGMENT INFORMATION (continued)

Geographic information (continued)

(b) Non-current assets

All non-current assets of the Group are located in Mainland China.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the year is set out below:

	2022 RMB'000	2021 RMB'000
Customer 1	**22,893**	44,840
Customer 2	**16,405**	41,723
Customer 3	**N/A***	28,847
	39,298	115,410

* The corresponding revenue of the customers is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue during the reporting period.

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers	**160,910**	248,784

5. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

(a) Disaggregated revenue information

	2022 RMB'000	2021 RMB'000
Timing of revenue recognition		
Goods transferred at a point in time	160,910	248,784

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2022 RMB'000	2021 RMB'000
Sale of goods	6,184	11,790

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

The performance obligations are satisfied upon delivery, which occurs when the goods are shipped on aboard to the overseas ODM customers, or when the goods are accepted by the PRC ODM customers, franchised outlets or by the consumers in self-operated stores and counters and E-commerce platforms, the risks of obsolescence and loss have been transferred to the customers, and acceptance by the customers occurs. Acceptance refers to the situations of either the customers accept the goods in accordance with the sales contract or the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

The payments are generally due within one to six months from delivery while some contracts with ODM customers are settled by letters of credit and some contracts require advances as deposits to transfer goods.

Some customers from branded sales are entitled to loyalty points which results in allocation of a portion of the transaction price to the loyalty points. Revenue is recognised when the points are redeemed. Some customers from branded sales are provided with a right of return usually in seven or fifteen days. The right of return assets and refund liabilities arising from rights of return as at the end of each reporting period was insignificant and no right of return assets and refund liabilities were recognised.

At 31 December 2022, the remaining performance obligations (unsatisfied or partially unsatisfied) were expected to be recognised within one year. As permitted under HKFRS 15, the transaction prices allocated to these unsatisfied contracts are not disclosed.

5. REVENUE, OTHER INCOME AND GAINS (continued)

An analysis of revenue, other income and gains is as follows:

	2022 RMB'000	2021 RMB'000
Other income		
Bank interest income	87	49
Government grants *(a)*	4,512	2,951
Gross rental income from investment property operating leases	2,716	715
Early termination of leases	66	—
Others	71	1,039
	6,912	4,754
Gains		
Gain on Government Acquisition *(b)*	—	29,471
	6,912	34,225

(a) The government grants mainly represent incentives awarded by the local governments to support the Group's operation in Yiwu City, the PRC. There were no unfulfilled conditions or contingencies attached to these government grants.

(b) Zhejiang Bonny entered into a disposal agreement of land and building (the "**Disposal Agreement**") with the People' Government of Suxi, Yiwu, Zhejiang Province, the PRC (the "**Local Government**") and Yiwu Fotang Town Industrial Asset Management Co., Ltd. ("**Yiwu Fotang**") on 31 December 2020, pursuant to which Zhejiang Bonny sold a parcel of land of approximately 40,000 square metres situated at 168 Haopai Road, Suxi, the PRC (the "**Land**") with a carrying amount of RMB3,518,000 together with the buildings to the local government (the "**Government Acquisition**") for an aggregate compensation of RMB163,719,000 to be settled by cash. As at 31 December 2020, the Group has received RMB150,172,000 from the Local Government, and the remaining RMB13,547,000 was received after the completion of relocation during the year ended 31 December 2021.

As at 31 December 2020, Zhejiang Bonny has completed the cancellation of ownership of the Land, the ownership of the Land has been transferred to the government, and the gain on the disposal of the Land with RMB65,677,000 was recognised during the year ended 31 December 2020. Since the relocation of the factory has not been completed, the buildings and other fixed assets with a carrying amount of RMB59,503,000 were transferred to assets held for sale and the relevant receipt from the government with RMB80,977,000 was recognised as deferred revenue as at 31 December 2020.

During the year ended 31 December 2021, Zhejiang Bonny has completed the relocation and a gain on the disposal of the buildings and other fixed assets with RMB29,471,000 was recognised.

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2022 RMB'000	2021 RMB'000
Cost of inventories sold*		**129,266**	183,125
Depreciation of property, plant and equipment	13	**13,162**	12,059
Depreciation of right-of-use assets	15	**4,474**	3,611
Amortisation of intangible assets	16	**255**	417
Research and development costs**		**21,198**	25,702
Lease payments not included in the measurement of lease liabilities	15(c)	**762**	330
Government grants		**(4,512)**	(2,951)
Auditor's remuneration		**1,562**	2,033
Outsourced manufacturers		**2,917**	27,843
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):			
Wages and salaries		**56,476**	54,416
Pension scheme contributions***		**6,609**	5,853
Staff welfare expenses		**708**	1,832
		63,793	62,101
Concession fees		**6,245**	7,985
Foreign exchange differences, net		**1,377**	32
(Reversal of impairment)/impairment of inventories, net	17	**(586)**	4,502
Reversal of impairment of trade receivables, net	18	**(58)**	(3,885)
Impairment of other receivables and prepayments	19	**1,092**	—
Impairment of property, plant and equipment	13	**6,104**	113
Changes in fair value of investment properties	14	**200**	10
Rental income		**(2,176)**	(715)
Bank interest income		**(87)**	(49)
Gain on Government Acquisition *(note 5)*		**—**	(29,471)
Loss on disposal of items of property, plant and equipment		**51**	2,219

* The cost of inventories sold includes RMB26,660,000 (2021: RMB36,563,000) relating to staff cost, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets and impairment of inventories for the year ended 31 December 2022, which are also included in the respective total amounts disclosed above for each type of expenses.

** The research and development costs include RMB12,573,000 (2021: RMB11,201,000) relating to staff cost, depreciation of property, plant and equipment and amortisation of intangible assets for the year ended 31 December 2022, which are also included in the respective total amounts disclosed above for each type of expenses.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 RMB'000	2021 RMB'000
Interest on bank loans	7,965	6,068
Interest on other borrowings	98	—
Interest on lease liabilities	452	175
	8,515	6,243
Less: Interest capitalised	(3,919)	(1,142)
	4,596	5,101

8. DIRECTORS' AND EXECUTIVE'S REMUNERATION

Directors' and executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 RMB'000	2021 RMB'000
Fees	310	300
Other emoluments:		
Salaries, allowances and benefits in kind	962	987
Performance related bonuses	26	24
Pension scheme contributions	74	66
	1,062	1,077
	1,372	1,377

8. DIRECTORS' AND EXECUTIVE'S REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2022 *RMB'000*	2021 *RMB'000*
Mr. Chan Yin Tsung*	**155**	147
Mr. Chow Chi Hang Tony**	**95**	90
Dr. Wei Zhongzhe***	**60**	3
Mr. Li Youxing**	**—**	10
Mr. Wang Jian***	**—**	50
	310	300

* Mr. Chan Yin Tsung was appointed as an independent non-executive director of the Company on 1 July 2020.

** Mr. Li Youxing resigned as an independent non-executive director of the Company and Mr. Chow Chi Hang Tony was appointed as an independent non-executive director of the Company on 5 February 2021.

*** Mr. Wang Jian resigned as an independent non-executive director of the Company and Dr. Wei Zhongzhe was appointed as an independent non-executive director of the Company on 17 December 2021.

There were no other emoluments payable to the independent non-executive directors during the year (2021: nil).

8. DIRECTORS' AND EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and non-executive directors

2022	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Executive directors:				
Mr. Jin Guojun	327	17	29	373
Mr. Zhao Hui	318	—	11	329
	645	17	40	702
Non-executive directors:				
Ms. Gong Lijin	223	9	23	255
Ms. Huang Jingyi	94	—	11	105
	317	9	34	360
	962	26	74	1,062

2021	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Executive directors:				
Mr. Jin Guojun	317	16	26	359
Mr. Zhao Hui	356	—	9	365
	673	16	35	724
Non-executive directors:				
Ms. Gong Lijin	218	8	22	248
Ms. Huang Jingyi	96	-	9	105
	314	8	31	353
	987	24	66	1,077

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two executive directors (2021: two executive director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2021: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 *RMB'000*	2021 *RMB'000*
Salaries, allowances and benefits in kind	**2,422**	2,364
Performance related bonuses	**39**	69
Pension scheme contributions	**24**	27
	2,485	2,460

The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees	
	2022	2021
Nil to HK$1,000,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	1
	3	3

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% (2021:16.5%) on the estimated assessable profits arising in Hong Kong during the year. The subsidiary of the Group is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2021: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China which are granted tax concession and are taxed at preferential tax rates.

10. INCOME TAX (continued)

Zhejiang Bonny is qualified as a High and New Technology Enterprise and was entitled to a preferential income tax rate of 15% (2021:15%) during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

The income tax credit of the Group is analysed as follows:

	2022 RMB'000	2021 RMB'000
Current		
Charge for the year	135	—
Deferred *(note 25)*	(525)	(5,503)
Total tax credit for the year	(390)	(5,503)

A reconciliation of the tax credit applicable to loss before tax at the statutory rate in Mainland China to the tax credit at the effective tax rate is as follows:

	2022 RMB'000	2022 %	2021 RMB'000	2021 %
Loss before tax	(71,332)		(12,060)	
Tax at the statutory tax rate	(17,833)	25.0	(3,015)	25.0
Preferential income tax rate applicable to a subsidiary	7,022	(9.8)	1,126	(9.3)
Additional deductible allowance for research and development expenses	(3,149)	4.4	(3,841)	31.8
Income not subject to tax	–	–	(66)	0.5
Expenses not deductible for tax	122	(0.2)	202	(1.7)
Tax losses utilised from previous periods	–	–	(154)	1.3
Tax losses not recognised	13,448	(18.9)	245	(2.0)
Tax credit at the Group's effective rate	(390)	0.5	(5,503)	45.6

11. DIVIDENDS

No dividend was declared and paid by the Company during the reporting period.

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,200,000,000 (2021: 1,200,000,000) in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

The calculation of basic loss per share is based on:

	2022 *RMB'000*	2021 *RMB'000*
Losses		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(70,935)**	(6,548)

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year	**1,200,000,000**	1,200,000,000

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Leasehold improvements *RMB'000*	Machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Computer and office equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2022							
At 1 January 2022:							
Cost	185,658	16,956	162,835	2,120	8,286	75,583	451,438
Accumulated depreciation	(10,973)	(14,822)	(114,979)	(1,048)	(5,672)	–	(147,494)
Impairment	–	–	(13,618)	–	–	–	(13,618)
Net carrying amount	174,685	2,134	34,238	1,072	2,614	75,583	290,326
At 1 January 2022, net of accumulated depreciation and impairment	174,685	2,134	34,238	1,072	2,614	75,583	290,326
Additions	–	240	290	–	515	63,450	64,495
Transfer to investment properties *(note 14)*	(17,517)	–	–	–	–	–	(17,517)
Transfers	74,233	–	–	–	–	(74,233)	–
Disposals	–	–	(39)	–	(47)	–	(86)
Exchange realignment	–	–	–	–	3	–	3
Depreciation provided during the year	(8,366)	(968)	(3,009)	(287)	(532)	–	(13,162)
Impairment (note 6)	–	–	(5,481)	(68)	(555)	–	(6,104)
At 31 December 2022, net of accumulated depreciation and impairment	223,035	1,406	25,999	717	1,998	64,800	317,955
At 31 December 2022:							
Cost	242,374	17,196	162,736	2,120	8,711	64,800	497,937
Accumulated depreciation	(19,339)	(15,790)	(117,638)	(1,335)	(6,158)	–	(160,260)
Impairment	–	–	(19,099)	(68)	(555)	–	(19,722)
Net carrying amount	223,035	1,406	25,999	717	1,998	64,800	317,955

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings	Leasehold improvements	Machinery and equipment	Motor vehicles	Computer and office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2021							
At 1 January 2021:							
Cost	179,485	14,627	160,672	1,633	7,141	9,384	372,942
Accumulated depreciation	(5,491)	(12,936)	(112,240)	(751)	(5,340)	–	(136,758)
Impairment	–	–	(13,505)	–	–	–	(13,505)
Net carrying amount	173,994	1,691	34,927	882	1,801	9,384	222,679
At 1 January 2021, net of accumulated depreciation and impairment	173,994	1,691	34,927	882	1,801	9,384	222,679
Additions	4,017	2,329	3,359	487	1,295	76,540	88,027
Transfer to investment properties *(note 14)*	(5,933)	–	–	–	–	–	(5,933)
Transfers	10,341	–	–	–	–	(10,341)	–
Disposals	(2,095)	–	(174)	–	(6)	–	(2,275)
Depreciation provided during the year	(5,639)	(1,886)	(3,761)	(297)	(476)	–	(12,059)
Impairment (note 6)	–	–	(113)	–	–	–	(113)
At 31 December 2021, net of accumulated depreciation and impairment	174,685	2,134	34,238	1,072	2,614	75,583	290,326
At 31 December 2021:							
Cost	185,658	16,956	162,835	2,120	8,286	75,583	451,438
Accumulated depreciation	(10,973)	(14,822)	(114,979)	(1,048)	(5,672)	–	(147,494)
Impairment	–	–	(13,618)	–	–	–	(13,618)
Net carrying amount	174,685	2,134	34,238	1,072	2,614	75,583	290,326

At 31 December 2022, certain of the Group's buildings and machinery and equipment with a net carrying amount of approximately RMB111,907,000 (2021: RMB100,610,000) were pledged to secure general banking facilities granted to the Group (note 23).

At 31 December 2022, certain of the Group's machinery and equipment with a net carrying amount of RMB14,228,000 (2021: RMB15,907,000) were pledged to secure the property preservation applied by A Barcs & Co. Nominees Pty. Ltd. ("**BARCS**") who has a legal arbitration of contract dispute with the Group.

13. PROPERTY, PLANT AND EQUIPMENT (continued)

As the decline of product prices and orders, the Group performed impairment test for the cash-generating unit of the sale of traditional products, i.e., brassieres, functional sportswear, panties and thermal underwear ("traditional product CGU"), whose assets consists of buildings, machines and other long-lived assets. The recoverable amount of traditional product CGU was determined as the fair value less costs of disposal based on valuation performed by an external professional valuer using the market approach. Among the assets of traditional product CGU, the recoverable amount of certain machines was RMB11,878,000, which was lower than their carrying amount of RMB14,630,000 and therefore the provision for impairment of RMB2,752,000 was made for those machines during the year ended 31 December 2022.

As the decline of face mask prices and orders, the Group performed impairment test for the face mask cash-generating unit ("face mask CGU"), whose assets consists of machines. The recoverable amount of the face mask CGU was determined as the fair value less costs of disposal based on valuation performed by an external professional valuer using the market approach. Among the assets of the face mask CGU, the recoverable amount of machines was RMB50,000, which was lower than their carrying amount of RMB3,402,000 and therefore the provision for impairment of RMB3,352,000 (2021: RMB113,000) was made for those face mask machines during the year ended 31 December 2022.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's CGUs:

As at 31 December 2022	**Fair value measurement using**			
	Quoted prices in active markets (Level 1) *RMB'000*	**Significant observable inputs (Level 2)** *RMB'000*	**Significant unobservable inputs (Level 3)** *RMB'000*	**Total** *RMB'000*
Recurring fair value measurement for:				
Traditional product CGU	–	–	379,354	379,354
Face mask CGU	–	–	50	50
	–	–	379,404	379,404

As at 31 December 2021	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Recurring fair value measurement for:				
Face mask CGU	–	–	3,691	3,691

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Fair value hierarchy (continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2021: nil).

14. INVESTMENT PROPERTIES

	2022 *RMB'000*	2021 *RMB'000*
Carrying amount at 1 January	14,070	—
Transfer from property, plant and equipment *(note 13)*	17,517	5,933
Gains on revaluation upon reclassification to an investment property	17,013	8,147
Net loss from a fair value adjustment	(200)	(10)
Carrying amount at 31 December	48,400	14,070

The Group's investment properties consist of industrial properties in Mainland China. The addition was the Group's own-occupied properties which transferred to investment properties on 20 June 2022 and the fair value amounting to RMB34,530,000 was based on valuations performed by AVISTA Valuation Advisory Limited ("**AVISTA**"), an independent firm of professionally qualified valuers.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2022 using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Recurring fair value measurement for:				
Industrial properties	—	—	48,400	48,400

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

The following table illustrates the fair value measurement hierarchy of the Group's investment properties: (continued)

	Fair value measurement as at 31 December 2021 using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Recurring fair value measurement for:				
Industrial properties	—	—	14,070	14,070

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2021: nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	2022 ***RMB'000***	2021 *RMB'000*
Carrying amount at 1 January	**14,070**	—
Transfer from property, plant and equipment	**17,517**	5,933
Gains on revaluation upon reclassification to an investment property	**17,013**	8,147
Net loss from a fair value adjustment recognised in other expenses in profit or loss	**(200)**	(10)
Carrying amount at 31 December	**48,400**	14,070

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

As at 31 December 2022:

	Valuation technique	Significant unobservable inputs	Range or weighted average
Industrial properties	**Income method**	**Prevailing market rent**	**RMB38 per square metre per month**
		Term yield	**8.0%**
		Reversionary yield	**8.5%**

As at 31 December 2021:

	Valuation technique	Significant unobservable inputs	Range or weighted average
Industrial properties	Income method	Prevailing market rent	RMB40-RMB42 per square metre per month
		Term yield	8.0%
		Reversionary yield	8.5%

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

The income method measures the value of the properties by taking into account the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalised into the value at appropriate rates.

A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment property. A significant increase (decrease) in the term yield and the reversionary yield in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of retail shops and office properties generally have lease terms between 1 and 5 years. Other operating leases generally have lease terms of 12 months or less and/or are individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land *RMB'000*	Retail shops and office properties *RMB'000*	Total *RMB'000*
As at 1 January 2021	23,004	2,562	25,566
Additions	—	9,905	9,905
Depreciation charge	(532)	(3,079)	(3,611)
Exchange realignment	—	(32)	(32)
As at 31 December 2021 and 1 January 2022	**22,472**	**9,356**	**31,828**
Additions	**—**	**1,807**	**1,807**
Depreciation charge	**(532)**	**(3,942)**	**(4,474)**
Early termination of leases	**—**	**(659)**	**(659)**
Exchange realignment	**—**	**132**	**132**
As at 31 December 2022	**21,940**	**6,694**	**28,634**

15. LEASES (continued)

The Group as a lessee (continued)

(a) ***Right-of-use assets*** (continued)

At 31 December 2022, the Group's leasehold land with a net carrying amount of RMB20,735,000 (2021: RMB21,741,000) was pledged to secure general banking facilities granted to the Group (note 23).

(b) ***Lease liabilities***

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2022 *RMB'000*	2021 *RMB'000*
Carrying amount at 1 January	**8,594**	2,868
New leases	**1,807**	9,905
Accretion of interest recognised during the year	**452**	175
Payment	**(2,845)**	(4,214)
Covid-19-related rent concessions from lessors	**(182)**	—
Early termination of leases	**(725)**	—
Exchange realignment	**139**	(140)
Carrying amount at 31 December	**7,240**	8,594
Analysed into:		
Current portion	**3,506**	3,366
Non-current portion	**3,734**	5,228

The maturity analysis of lease liabilities is disclosed in note 34 to the financial statements.

The Group has applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain retail shops and office properties during the year.

15. LEASES (continued)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	452	175
Depreciation charge of right-of-use assets	4,474	3,611
Expense relating to short-term leases	762	330
Covid-19-related rent concessions from lessors	(182)	—
Early termination of leases	(66)	—
Exchange realignment	7	(140)
Total amount recognised in profit or loss	5,447	3,976

The Group as a lessor

The Group leases its investment properties (note 14) consisting of industrial properties in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB2,176,000 (2021: RMB715,000), details of which are included in note 5 to the financial statements.

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 RMB'000	2021 RMB'000
Within one year	2,136	—
After one but within two years	2,105	—
	4,241	—

16. INTANGIBLE ASSETS

	Trademarks RMB'000	Patents and licences RMB'000	Software RMB'000	Total RMB'000
31 December 2022				
Cost at 1 January 2022,net of accumulated amortisation	14	96	440	550
Additions	—	—	199	199
Amortisation provided during the year	(11)	(51)	(193)	(255)
At 31 December 2022	3	45	446	494
At 31 December 2022:				
Cost	252	580	6,716	7,548
Accumulated amortisation	(249)	(535)	(6,270)	(7,054)
Net carrying amount	3	45	446	494

	Trademarks RMB'000	Patents and licences RMB'000	Software RMB'000	Total RMB'000
31 December 2021				
Cost at 1 January 2021,net of accumulated amortisation	29	154	754	937
Additions	—	—	30	30
Amortisation provided during the year	(15)	(58)	(344)	(417)
At 31 December 2021	14	96	440	550
At 31 December 2021:				
Cost	252	580	6,517	7,349
Accumulated amortisation	(238)	(484)	(6,077)	(6,799)
Net carrying amount	14	96	440	550

17. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	11,471	24,074
Work in progress	19,366	21,168
Finished goods	95,174	121,838
	126,011	167,080
Impairment	(16,127)	(16,713)
	109,884	150,367

The movements in provision for impairment of inventories are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	16,713	12,211
Impairment losses recognised, net	(586)	4,502
At end of year	16,127	16,713

18. TRADE RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	34,308	68,719
Impairment	(1,732)	(3,661)
	32,576	65,058

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month to three months, extending up to six months for major customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

18. TRADE RECEIVABLES (continued)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022 **RMB'000**	2021 RMB'000
Within 3 months	**30,675**	62,795
3 to 6 months	**517**	649
6 to 12 months	**265**	560
1 to 2 years	**759**	988
2 to 3 years	**360**	66
	32,576	65,058

The movements in loss allowance for impairment of trade receivables are as follows:

	2022 **RMB'000**	2021 RMB'000
At beginning of year	**3,661**	7,546
Reversal of impairment losses, net *(note 6)*	**(58)**	(3,885)
Amount written off as uncollectible	**(1,870)**	—
Exchange realignment	**(1)**	—
At end of year	**1,732**	3,661

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The Group has applied the simplified approach to provide for expected credit losses under HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the credit risk characteristics and the days past due of each group of trade receivables to measure the expected credit losses. The Group classifies the trade receivables into three groups according to the credit risk characteristics. The Group considers the historical loss rate and adjusts for forward looking macroeconomic data in calculating the expected credit loss rate.

18. TRADE RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	As at 31 December 2022		
	Gross carrying amount *RMB'000*	Expected credit loss rate	Expected credit losses *RMB'000*
ODM customers and E-commerce platform			
Within 1 year	24,270	0.63%	151
1 to 2 years	81	36.95%	30
2 to 3 years	112	81.40%	91
Over 3 years	103	100.00%	103
Self-operated stores and counters and franchised outlets			
Within 1 year	6,654	1.10%	73
1 to 2 years	845	18.70%	158
2 to 3 years	22	58.30%	13
Over 3 years	227	100.00%	227
Others			
Within 1 year	792	4.40%	35
1 to 2 years	26	18.70%	5
2 to 3 years	699	52.80%	369
Over 3 years	58	100.00%	58
	33,889		1,313
Individually identified as high expected credit loss rate while the ageing is less than three years	419	100.00%	419
	34,308		1,732

18. TRADE RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix: (continued)

	As at 31 December 2021		
	Gross carrying amount RMB'000	Expected credit loss rate	Expected credit losses RMB'000
ODM customers and E-commerce platform			
Within 1 year	51,658	0.01%	5
1 to 2 years	115	0.70%	1
2 to 3 years	—	6.60%	—
Over 3 years	122	100.00%	122
Self-operated stores and counters and franchised outlets			
Within 1 year	9,172	4.40%	404
1 to 2 years	2	62.70%	2
2 to 3 years	147	83.60%	123
Over 3 years	1,673	100.00%	1,673
Others			
Within 1 year	3,928	8.80%	345
1 to 2 years	1,105	20.90%	231
2 to 3 years	135	69.30%	93
Over 3 years	243	100.00%	243
	68,300		3,242
Individually identified as high expected credit loss rate while the ageing is less than three years	419	100.00%	419
	68,719		3,661

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022	2021
	RMB'000	*RMB'000*
Prepayments	**2,312**	3,795
Prepaid expenses	**1,182**	4,328
Deposits and other receivables	**17,997**	16,679
Tax recoverable	**78**	24
	21,569	24,826
Impairment allowance:		
Prepayments	**(1,072)**	(1,072)
Deposits and other receivables	**(13,716)**	(12,624)
	6,781	11,130

The movement in the loss allowance for impairment of prepayments and other receivables is as follows:

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**13,696**	15,128
Impairment losses recognised	**1,092**	—
Amount written off as uncollectible	**—**	(1,432)
At end of year	**14,788**	13,696

Due to the delay in delivery of face mask machines and decline in the purchase price of face mask machines, the Group requested the suppliers to refund the advance payment and credit loss allowance of RMB12,624,000 were recorded for those suppliers with poor financial position and credit history. Provisions for prepayments of raw materials of RMB1,072,000 (2021: RMB1,072,000) were recorded due to the decline of face mask orders.

During the year ended 31 December 2022, additional impairment losses of RMB1,092,000 were recognised due to the dispute with one supplier. The Group estimated the probability of refunding the advance payments from this supplier would be minimal.

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2022 *RMB'000*	2021 *RMB'000*
Cash and bank balances	**13,711**	8,701
Less:		
Frozen deposits*	**(7,257)**	-
Cash and cash equivalents	**6,454**	8,701

* The Group's deposits with a net carrying amount of RMB7,257,000 (2021: nil) were frozen to secure the property preservation applied by BARCS who has a legal dispute with a subsidiary of the Group.

	2022 *RMB'000*	2021 *RMB'000*
Denominated in RMB	**4,154**	8,184
Denominated in United States dollars ("**USD**")	**2,242**	481
Denominated in Euro ("**EUR**")	**—**	10
Denominated in Hong Kong dollars ("**HKD**")	**58**	26
Cash and cash equivalents	**6,454**	8,701

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables	**26,378**	38,189

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 RMB'000	2021 RMB'000
Within 3 months	**17,513**	20,311
3 to 6 months	**5,878**	12,149
6 to 12 months	**1,737**	3,797
Over 12 months	**1,250**	1,932
	26,378	38,189

The trade payables are non-interest-bearing and are normally settled on terms of one to six months.

22. ADVANCES FROM CUSTOMERS, OTHER PAYABLES AND ACCRUALS

	Notes	2022 RMB'000	2021 RMB'000
Contract liabilities	(a)	**17,952**	6,184
Advances from a customer		**—**	15,582
Payroll payables		**8,990**	11,912
Tax payable other than income tax		**9,239**	5,883
Accruals		**—**	559
Payable for property, plant and equipment and other intangible assets		**28,708**	13,290
Interest payable		**226**	224
Other payables	(b)	**23,415**	10,486
		88,530	64,120

22. ADVANCES FROM CUSTOMERS, OTHER PAYABLES AND ACCRUALS (continued)

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000	1 January 2021 RMB'000
Short-term advances received from customers			
Sale of goods	**17,952**	6,184	11,790

Contract liabilities represented the obligations to transfer goods to a customer for which the Group has received consideration. The amount was included in "Other payables and accruals" in the consolidated statement of financial position. As at 31 December 2022, no contract liabilities were resulted from the loyalty points programme (2021: nil).

The changes in the contract liabilities are mainly attributable to the short-term advances received to transfer goods to customers and satisfaction of performance obligations.

(b) Other payables are non-interest-bearing and repayable on demand except the amount payable to BARCS of RMB17,021,000 which bore interest at an annual interest rate of 3.85%.

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022			2021		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Lease liabilities *(note 15(b))*	**4.75**	**2023**	**3,506**	4.75	2022	3,366
Bank loans – secured	**4.35-6.00**	**2023**	**57,000**	4.35-5.60	2022	56,200
			60,506			59,566
Non-current						
Lease liabilities *(note 15(b))*	**4.75**	**2024-2027**	**3,734**	4.75	2023-2027	5,228
Bank loans – secured	**6.00**	**2024-2029**	**80,000**	6.00	2024-2029	80,000
			83,734			85,228
			144,240			144,794

23. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	2022 RMB'000	2021 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**57,000**	56,200
In the second year	**38,000**	–
In the third to fifth years, inclusive	**24,000**	54,000
Beyond five years	**18,000**	26,000
	137,000	136,200
Other borrowings repayable:		
Within one year	**3,506**	3,366
In the second year	**2,156**	2,391
In the third to fifth years, inclusive	**1,578**	2,837
	7,240	8,594
	144,240	144,794

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) the Group's buildings and machinery and equipment situated in Mainland China, which had a net carrying value of RMB111,907,000 as at 31 December 2022 (2021: RMB100,610,000) (note 13);

(ii) the Group's leasehold land situated in Mainland China, which had a net carrying value of RMB20,735,000 as at 31 December 2022 (2021: RMB21,741,000) (note 15); and

(b) Mr. Jin Guojun, the Chairman, has guaranteed certain of the Group's bank loans of up to nil as at 31 December 2022 (2021: RMB143,020,000).

(c) Ms. Gong Lijin, a shareholder and the wife of the Chairman, has guaranteed certain of the Group's bank loans of up to nil as at 31 December 2022 (2021: RMB143,020,000).

(d) Mr. Jin Guojun and Ms. Gong Lijin have guaranteed certain of the Group's bank loans of up to RMB100,000,000 as at 31 December 2022 (2021: RMB208,700,000).

(e) Mr. Ren Chengxiu and Ms. Jin Qiumei, independent third parties, have guaranteed certain of the Group's bank loans of up to nil as at 31 December 2022 (2021: RMB8,700,000).

(f) Zhejiang Aolai Textile Co., Ltd., an independent third party, has guaranteed certain of the Group's bank loans of up to nil as at 31 December 2022 (2021: RMB8,700,000).

(g) Yiwu Furuiduo Ecological Technology Co., Ltd., an independent third party, has guaranteed certain of the Group's bank loans of up to nil as at 31 December 2022 (2021: RMB17,040,000).

24. PROVISION

	Legal arbitration RMB'000
At 1 January 2021	927
Amounts utilised during the year	(310)
Reversal of unutilised amounts	(617)
At 31 December 2021 and 1 January 2022	—
Additional provision	4,138
At 31 December 2022	**4,138**

A provision for a legal claim of RMB4,138,000 was recognised as at 31 December 2022, which was based on the first-instance judgement. The claim is still subject to legal arbitration after the appeal proposed by the Group and is not expected to be finalised by the middle of 2023.

25. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

2022

	Impairment of financial assets RMB'000	Impairment of inventories and fixed assets RMB'000	Accruals RMB'000	Lease liabilities RMB'000	Loss available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2022	2,586	4,550	190	1,322	1,234	9,882
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 10)*	(125)	827	643	(970)	(1,234)	(859)
Gross deferred tax assets as at 31 December 2022	2,461	5,377	833	352	–	9,023

2021

	Impairment of financial assets RMB'000	Impairment of inventories and fixed assets RMB'000	Accruals RMB'000	Lease liabilities RMB'000	Loss available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2021	3,384	3,858	791	430	1,503	9,966
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 10)*	(798)	692	(601)	892	(269)	(84)
Gross deferred tax assets as at 31 December 2021	2,586	4,550	190	1,322	1,234	9,882

25. DEFERRED TAX (continued)

Deferred tax liabilities

	2022		
	Right-of-use assets *RMB'000*	**Revaluation of investment properties** *RMB'000*	**Total** *RMB'000*
At 1 January 2022	**4,794**	**4,787**	**9,581**
Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 10)*	**(1,183)**	**(201)**	**(1,384)**
Deferred tax charged to the other comprehensive income during the year	**—**	**2,551**	**2,551**
Gross deferred tax liabilities at 31 December 2022	**3,611**	**7,137**	**10,748**

	2021			
	Right-of-use assets *RMB'000*	Government Acquisition *RMB'000*	Revaluation of investment properties *RMB'000*	Total *RMB'000*
At 1 January 2021	384	9,852	3,710	13,946
Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 10)*	4,410	(9,852)	(145)	(5,587)
Deferred tax charged to the other comprehensive income during the year	—	—	1,222	1,222
Gross deferred tax liabilities at 31 December 2021	4,794	—	4,787	9,581

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2022 *RMB'000*	2021 *RMB'000*
Deferred tax assets recognised in the consolidated statement of financial position	**4,896**	301
Deferred tax liabilities recognised in the consolidated statement of financial position	**(6,621)**	—

25. DEFERRED TAX (continued)

The Group has tax losses arising in Mainland China of RMB100,990,000 (2021: RMB24,581,000) that will expire in one to ten years for offsetting against future taxable profits of the companies in which the losses arose. The Group has tax losses arising in Hong Kong of RMB716,000 (2021: nil) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of the following item:

	2022 ***RMB'000***	2021 *RMB'000*
Tax losses	**102,354**	19,872

The above tax losses will expire in one to ten years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributable by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2022, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled nil at 31 December 2022 (2021: RMB52,949,000).

26. SHARE CAPITAL

Shares

	2022 RMB'000	2021 RMB'000
Issued and fully paid:		
1,200,000,000 (2021: 1,200,000,000) ordinary shares	**80,827**	80,827

A summary of movement in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000	Share premium RMB'000
At 1 January 2021 and 31 December 2021 and 31 December 2022	**1,200,000,000**	**80,827**	**205,242**

27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 95 of the financial statements.

Capital reserve

The capital reserve of the Group represents the paid-up capital of the companies comprising the Group prior to the incorporation of the Company and the reserve arising pursuant to the business combination. Details of the movements in the capital reserve are set out in the consolidated statement of changes in equity.

Statutory surplus reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all relevant exchange differences arising from the translation of the financial statements of foreign operations.

27. RESERVES (continued)

Asset revaluation reserve

The asset revaluation reserve arises from a change in use from an owner-occupied property to an investment property measured at fair value.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,807,000 (2021: RMB9,905,000) and RMB1,807,000 (2021: RMB9,905,000), respectively, in respect of lease arrangements for retail shops and properties.

(b) Changes in liabilities arising from financing activities

2022

	Bank and other loans *RMB'000*	Lease liabilities *RMB'000*	Due to related parties *RMB'000*	Interest payable *RMB'000*
At 1 January 2022	136,200	8,594	–	224
Changes from financing cash flows	800	(2,845)	11,200	(4,044)
New leases	–	1,807	–	–
Interest expense	–	452	98	4,046
Lease modification	–	(725)	–	–
Covid-19-related rent concessions from lessors	–	(182)	–	–
Exchange realignment	–	139	–	–
At 31 December 2022	137,000	7,240	11,298	226

2021

	Bank and other loans *RMB'000*	Lease liabilities *RMB'000*	Interest payable *RMB'000*
At 1 January 2021	121,650	2,868	570
Changes from financing cash flows	14,550	(4,214)	(5,272)
New leases	–	9,905	–
Interest expense	–	175	4,926
Exchange realignment	–	(140)	–
At 31 December 2021	136,200	8,594	224

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 RMB'000	2021 RMB'000
Within operating activities	762	330
Within financing activities	2,845	4,214
	3,607	4,544

29. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and for legal arbitration of contract dispute are included in notes 13, 15, 20 and 23, respectively, to the financial statements.

30. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Buildings	35,957	58,508

31. RELATED PARTY TRANSACTIONS

The Group's principal related parties are as follows:

Name	Relationship with the Company
Bode Holding Group Co., Ltd.* ("**Bode Holding**")	An entity controlled by the ultimate controlling shareholder's sister
Zhejiang Deshipu New Materials Technology Co., Ltd. ("Deshipu New Materials")	An entity controlled by the ultimate controlling shareholder's sister
Zhejiang Baicheng Trading Co., Ltd. ("**Baicheng Trading**")	An entity controlled by the ultimate controlling shareholder
Mr. Jin Guojun	Chairman and a director
Ms. Gong Lijin	Shareholder, wife of the Chairman and a director

31. RELATED PARTY TRANSACTIONS (continued)

(a) The Group had the following transactions with related parties during the year:

	Notes	2022 RMB'000	2021 RMB'000
Borrowings from:			
Baicheng Trading	(i)	**12,000**	–
Interest accrued:			
Baicheng Trading	(i)	**98**	–
Purchase of materials from:			
Deshipu New Material	(ii)	**980**	5,128
Loans granted to:			
Mr. Jin Guojun	(iii)	**27**	–

Notes:

(i) The borrowings from Baicheng Trading are unsecured, repayable within one to two years and bear interest at an annual interest rate of 4%.

(ii) The purchases of materials from Deshipu New Material were made according to the published prices and conditions offered by the related party to its major customers.

(iii) The loans granted to Mr. Jin Guojun are unsecured, non-interest-bearing and repayable on demand.

(b) Other transactions with related parties:

(i) Mr. Jin Guojun, the Chairman, has guaranteed certain of the Group's bank loans of up to nil as at 31 December 2022 (2021: RMB143,020,000)

(ii) Ms. Gong Lijin, a shareholder and the wife of the Chairman, has guaranteed certain of the Group's bank loans of up to nil as at 31 December 2022 (2021: RMB143,020,000).

(iii) Mr. Jin Guojun and Ms. Gong Lijin have guaranteed certain of the Group's bank loans of up to RMB100,000,000 as at 31 December 2022 (2021: RMB208,700,000).

(iv) The Group has returned materials of RMB1,047,000, which were purchased in previous years, to Deshipu New Material during the year ended 31 December 2022 (2021: nil).

31. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties:

	2022 RMB'000	2021 RMB'000
Due from related parties		
Deshipu New Material	2,275	2,384
Trade (i)	*16*	*125*
Non-trade (ii)	*2,259*	*2,259*
Mr. Jin Guojun	27	–
Bode Holding *(ii)*	–	276
	2,302	2,660
Due to related parties		
Baicheng Trading *(iii)*	11,298	–
Bode Holding *(ii)*	86	–
	11,384	–

The balances with related parties are unsecured, interest-free and repayable on demand except the amounts due to Baicheng Trading.

(i) The balances with related parties above are trade in nature.

(ii) The balances with related parties above are non-trade in nature and represented interest receivables.

(iii) The borrowings from Baicheng Trading are unsecured, repayable within two to three years and bear interest at an annual interest rate of 4%.

(d) Compensation of key management personnel of the Group:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	2,075	1,849
Performance related bonuses	26	25
Pension scheme contributions	122	108
Total compensation paid to key management personnel	2,223	1,982

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2022

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	32,576
Financial assets included in prepayments, other receivables and other assets	4,281
Due from related parties	2,302
Pledged deposits	7,257
Cash and cash equivalents	6,454
	52,870

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	26,378
Financial liabilities included in other payables and accruals	52,349
Interest-bearing bank and other borrowings	144,240
Due to related parties	11,384
	234,351

32. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2021

Financial assets

	Financial assets at amortised cost *RMB'000*
Trade receivables	65,058
Financial assets included in prepayments, other receivables and other assets	4,055
Due from related parties	2,660
Cash and cash equivalents	8,701
	80,474

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	38,189
Financial liabilities included in other payables and accruals	24,559
Interest-bearing bank and other borrowings	144,794
	207,542

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals, current interest-bearing bank and other borrowings, amounts due from related parties and amounts due to related parties, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of non-current interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2022 were assessed to be insignificant.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, amounts due to the related parties, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales by operating units in currencies other than the units' functional currencies. Approximately 37% (2021: 37%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale. At present, the Group does not intend to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD and HKD exchange rates, with all other variables held constant, of the Group's loss before tax (arising from USD and HKD denominated financial instruments) and the Group's equity.

	Increase/ (decrease) in USD/HKD rate *%*	Increase/ (decrease) in profit before tax *RMB'000*	Increase/ (decrease) in equity *RMB'000*
2022			
If RMB weakens against USD	**5**	**1,250**	**1,063**
If RMB strengthens against USD	**(5)**	**(1,250)**	**(1,063)**
If RMB weakens against HKD	**5**	**3**	**3**
If RMB strengthens against HKD	**(5)**	**(3)**	**(3)**
2021			
If RMB weakens against USD	5	1,686	1,433
If RMB strengthens against USD	(5)	(1,686)	(1,433)
If RMB weakens against HKD	5	2	2
If RMB strengthens against HKD	(5)	(2)	(2)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade receivables*	–	–	–	34,308	34,308
Financial assets included in prepayments, other receivables and other assets					
– Normal**	4,281	–	–	–	4,281
– Doubtful**	–	–	13,716	–	13,716
Due from related parties	2,302	–	–	–	2,302
Pledged deposits					
– Not yet past due	7,257	–	–	–	7,257
Cash and cash equivalents					
– Not yet past due	6,454	–	–	–	6,454
	20,294	–	13,716	34,308	68,318

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade receivables*	–	–	–	68,719	68,719
Financial assets included in prepayments, other receivables and other assets					
– Normal**	4,055	–	–	–	4,055
– Doubtful**	–	–	12,624	–	12,624
Due from related parties	2,660	–	–	–	2,660
Cash and cash equivalents					
– Not yet past due	8,701	–	–	–	8,701
	15,416	–	12,624	68,719	96,759

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings, and lease liabilities.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2022					
	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to less than 12 months *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Lease liabilities	–	1,103	2,797	4,136	–	8,036
Interest-bearing bank and other borrowings (excluding lease liabilities)	–	1,852	71,950	71,389	19,295	164,486
Trade payables	8,864	17,514	–	–	–	26,378
Due to related parties	–	2,086	9,298	–	–	11,384
Other payables	40,830	11,519	–	–	–	52,349
	49,694	34,074	84,045	75,525	19,295	262,633

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Group (continued)

	2021					
	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to less than 12 months *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Lease liabilities	—	786	2,882	5,572	—	9,240
Interest-bearing bank and other borrowings (excluding lease liabilities)	—	8,980	52,973	12,866	82,698	157,517
Trade payables	17,878	20,311	—	—	—	38,189
Other payables	16,591	7,968	—	—	—	24,559
	34,469	38,045	55,855	18,438	82,698	229,505

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade payables, certain other payables and accruals and amounts due to related parties, less cash and cash equivalents and pledged deposits. Total capital represents equity attributable to the owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2022 ***RMB'000***	31 December 2021 *RMB'000*
Interest-bearing bank and other borrowings	**144,240**	144,794
Trade payables	**26,378**	38,189
Other payables and accruals	**88,530**	64,120
Due to related parties	**11,384**	—
Less: Cash and cash equivalents	**(6,454)**	(8,701)
Pledged deposits	**(7,257)**	—
Net debt	**256,821**	238,402
Equity attributable to owners of the parent	**288,877**	344,662
Capital and net debt	**545,698**	583,064
Gearing ratio	**47%**	41%

35. EVENTS AFTER THE REPORTING PERIOD

In March 2023, the Group entered into supplemental agreement with Baicheng Trading, pursuant to which Baicheng Trading agreed to fully exempt an annual interest rate of 4% of borrowings and extend the repayment dates of the outstanding borrowings to 31 March 2025.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 *RMB'000*	2021 *RMB'000*
NON-CURRENT ASSETS		
Right-of-use assets	**1,142**	1,688
Investment in a subsidiary	**8**	8
Total non-current assets	**1,150**	1,696
CURRENT ASSETS		
Cash and cash equivalents	**19**	13
Prepayments, other receivables and other assets	**166**	244
Due from a subsidiary	**319,441**	292,873
Total current assets	**319,626**	293,130
CURRENT LIABILITIES		
Lease liabilities	**804**	675
Other payables and accruals	**112**	216
Due to a subsidiary	**12,380**	12,368
Due to a related party	**409**	374
Total current liabilities	**13,705**	13,633
NET CURRENT ASSETS	**305,921**	279,497
TOTAL ASSETS LESS CURRENT LIABILITIES	**307,071**	281,193
NON-CURRENT LIABILITIES		
Lease liabilities	**375**	1,122
Net assets	**306,696**	280,071
EQUITY		
Share capital	**80,827**	80,827
Share premium	**205,242**	205,242
Other reserves *(note)*	**20,627**	(5,998)
Total equity	**306,696**	280,071

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Exchange fluctuation reserves *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2021	(6,424)	(2,373)	(8,797)
Loss for the year	—	(312)	(312)
Exchange differences on translation from functional currency to presentation currency	3,111	—	3,111
At 31 December 2021 and 1 January 2022	**(3,313)**	**(2,685)**	**(5,998)**
Profit for the year	**—**	**672**	**672**
Exchange differences on translation from functional currency to presentation currency	**25,953**	**—**	**25,953**
At 31 December 2022	**22,640**	**(2,013)**	**20,627**

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2023.

A summary of the results of the assets and liabilities of the Group for the last five financial years is set out below:

	2017 *RMB'000*	2018 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*	2021 *RMB'000*	**2022** ***RMB'000***
NON-CURRENT ASSETS						
Property, plant and equipment	141,158	133,495	172,176	172,176	290,326	**317,955**
Advance payments for property, plant and equipment	1,127	19,675	22,617	22,617	13,570	**695**
Investment properties	18,262	42,750	46,510	46,510	14,070	**48,400**
Right-of-use assets	–	–	40,028	40,028	31,828	**28,634**
Prepaid land lease payments	27,788	27,155	–	–	–	**–**
Intangible assets	2,277	1,764	1,174	1,174	550	**494**
Deferred tax assets	1,791	–	2,418	2,418	301	**4,896**
Other non-current assets	5,170	5,170	5,170	5,170	5,170	**5,170**
Total non-current assets	197,573	230,009	290,093	290,093	355,815	**406,244**
CURRENT ASSETS						
Inventories	113,119	132,819	136,053	136,053	150,367	**109,884**
Trade receivables	96,325	93,694	88,776	88,776	65,058	**32,576**
Prepayments, other receivables and other assets	23,163	26,319	34,782	34,782	11,130	**6,781**
Financial assets at fair value through profit or loss	–	–	1,321	1,321	–	**–**
Due from a director	300	–	–	–	–	**27**
Due from related parties	15,328	11,844	375	375	2,660	**2,275**
Time deposits with original maturity of over three months	–	–	–	–	–	**–**
Pledged deposits	13,598	16,876	9,629	9,629	–	**7,257**
Cash and cash equivalents	28,770	25,438	59,165	59,165	8,701	**6,454**
Total current assets	290,603	306,990	330,101	330,101	237,916	**165,254**
CURRENT LIABILITIES						
Trade and bills payables	57,666	63,747	43,676	43,676	38,189	**26,378**
Advances from customers, other payables and accruals	98,277	44,703	43,369	43,369	64,120	**88,530**
Interest-bearing bank and other borrowings	248,662	248,680	232,397	232,397	59,566	**60,506**
Due to related parties	100,895	46	232	232	–	**11,384**
Due to a director	2,311	–	–	–	–	**–**
Tax payable	2,462	3,293	1,035	1,035	895	**266**
Provision	–	–	267	267	–	**4,138**
Total current liabilities	510,273	360,469	320,976	320,976	162,770	**191,202**

	2017 *RMB'000*	2018 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*	2021 *RMB'000*	**2022** ***RMB'000***
NET CURRENT ASSETS/ (LIABILITIES)	(219,670)	(53,479)	9,125	78,470	75,146	**(25,948)**
TOTAL ASSETS LESS CURRENT LIABILITIES	(22,097)	176,530	299,218	351,000	430,961	**380,296**
NON-CURRENT LIABILITIES						
Interest-bearing bank and other borrowings	–	4,413	1,388	366	85,228	**83,734**
Provision	–	–	–	927	–	**–**
Due to related parties	–	–	–	–	–	**–**
Deferred tax liabilities	–	910	–	3,980	–	**6,621**
Total non-current liabilities	–	5,323	1,388	5,273	85,228	**90,355**
Net assets/(liabilities)	(22,097)	171,207	297,830	345,727	345,733	**289,941**
EQUITY						
Equity attributable to owners of the parent						
Share capital	337	400	80,827	80,827	80,827	**80,827**
Share premium	–	147,602	205,242	205,242	205,242	**205,242**
Other reserves	(23,668)	22,278	10,997	58,578	58,593	**2,808**
	(23,331)	170,280	297,066	344,647	344,662	**288,877**
Non-controlling interests	1,234	927	764	1,080	1,071	**1,064**
Total equity/(deficit)	(22,097)	171,207	297,830	345,727	345,733	**289,941**