都市丽人
COSMO LADY

Cosmo Lady (China) Holdings Company Limited
都市麗人(中國)控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 2298

2021
ANNUAL REPORT

CONTENTS

4 Corporate Information

5 Statement from Chairman and Chief Executive Officer

10 Management Discussion and Analysis

16 Biographies of Directors and Senior Management

21 Corporate Governance Report

31 Environmental, Social and Governance Report

52 Report of the Directors

64 Independent Auditor's Report

72 Consolidated Statement of Profit or Loss and Other Comprehensive Income

74 Consolidated Balance Sheet

76 Consolidated Statement of Changes in Equity

78 Consolidated Statement of Cash Flows

79 Notes to the Consolidated Financial Statements

146 Five-year Financial Summary


COTTON REGIONS 纯棉居物


都市丽人

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zheng Yaonan *(Chairman and Chief Executive Officer)*
Mr. Zhang Shengfeng *(Deputy Chairman)*
Ms. Wu Xiaoli

Non-executive Directors

Mr. Lin Zonghong
Mr. Wen Baoma
Mr. Chen Xin
Ms. Fung Yat Carol

Independent Non-executive Directors

Mr. Yau Chi Ming
Dr. Dai Yiyi
Mr. Chen Zhigang
Dr. Lu Hong Te

COMPANY SECRETARY

Mr. Loo Hong Shing Vincent *FCA, AHKSA*

BOARD COMMITTEES

Audit Committee

Mr. Yau Chi Ming *(Chairman)*
Dr. Dai Yiyi
Mr. Chen Zhigang
Dr. Lu Hong Te

Remuneration Committee

Dr. Dai Yiyi *(Chairman)*
Mr. Zhang Shengfeng
Mr. Chen Zhigang
Dr. Lu Hong Te

Nomination Committee

Mr. Zheng Yaonan *(Chairman)*
Mr. Yau Chi Ming
Mr. Chen Zhigang
Dr. Lu Hong Te

Risk Management Committee

Mr. Chen Zhigang *(Chairman)*
Mr. Yau Chi Ming
Dr. Dai Yiyi
Dr. Lu Hong Te

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China Limited
Dongguan Rural Commercial Bank
China Construction Bank Corporation

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
Stock Code: 2298

WEBSITE

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

INVESTOR RELATIONS

Porda Havas International Finance Communications Group
Website: cosmo-lady@pordahavas.com

AUTHORIZED REPRESENTATIVES

Mr. Zheng Yaonan
Mr. Loo Hong Shing Vincent

REGISTERED OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE

Building N1, Fenggang Tianan Digital City
Fenggang Town, Dongguan City
Guangdong

PLACE OF BUSINESS IN HONG KONG

Unit 909, 9/F.
China Merchants Tower, Shun Tak Centre
Nos. 168-200 Connaught Road Central
Hong Kong

SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F., Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISOR

Hong Kong
Reed Smith Richards Butler

STATEMENT FROM CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Zheng Yaonan
Chairman and Chief Executive Officer

Dear Shareholders,

2021 was a year full of challenges and uncertainties. In the first half, mainland China's economy continued to impress the world with its resilience and vitality, achieving an increase of GDP by 12.7% year-on-year.

However, the momentum was not without headwinds. The economy of mainland China slowed down in the second half due to the resurgence of the COVID-19. In addition, occasional power outages forcing factory closure, real estate market downturn and the repeated occurrence of heavy raining and flooding further pressed the mainland China's consumer market and economy. Facing a complicated and grim environment, mainland China's GDP delivered a full-year growth of 8.1% year-on-year against the 4%-growth in the fourth quarter, the weakest level since 2020.

The pandemic continued to exert a heavy blow on supply chains across the globe, and raw material commodity prices continued the hike amid the strong demand. Notably, the surge in price of cotton, a key raw material in intimate wear industry, has increased by around 44% year-on-year, affecting the gross profit margin of the Group adversely.

Statement from Chairman and Chief Executive Officer

The intimate wear industry in mainland China has been undergoing swift changes in recent years. Consumers prioritize comfort and health products over sexy ones. Manufacturers and brands are required to adopt a user-centered design strategy to satisfy the needs of consumers. The emergence of internet intimate wear brands has further intensified the competition.

In order to improve revenue in 2021, Cosmo Lady (China) Holdings Company Limited (the "Company") and its subsidiaries (the "Group") has materially increased various expenditures such as revamping its incentives programs for franchisees and staff, launching extensive advertising campaigns, as well as increasing more officers. Such expenditures did not bring fruitful results as planned, but instead affected the operating results of the Group.

In view of the above, the operating performance of the Group in 2021 was not satisfactory, especially in the second half, due to sales return and lower-than-expected sales, decline in gross profit margin, higher-than-expected expense ratio and further provision for inventories and provision for impairment of other receivables.

The Group has implemented and will implement the following reform measures for improving the operating results of the Group:

1. Products upgrading

(a) Launching hero products (dust-free cotton loungewear products, soft cup bra products, one-size underwear and one-size panty) and raising quality of products in 2021, and launching the upgraded version of the above hero products and other new hero products (rouxing cup bra and massage cup bra) in 2022;

(b) Strengthening the cooperation with top raw material manufacturers to explore and develop new raw materials, and around 40 new raw materials have already been used in the Group's products in recent two years;

(c) Increasing the ratio of classic products and reducing numbers of stock keeping unit ("SKU") to enjoy economies of scale (taking underwear as an example, the ratio of classic products has increased from about 6.0% to about 12.5% while the number of SKUs has declined by about 42.8% in 2021); and

(d) Forming strategic alliance with capable suppliers in December 2021 with a view to enhancing sales and production coordination, responding to the market changes swiftly, delivering products on a timely basis, lowering procurement costs, assuring quality and improving creativity.

2. Brand upgrading

(a) Engaging a renowned market position consultant in January 2022 to clearly define the new market position of the Group's brands, create distinctive values for attracting consumers and select appropriate competitive strategies in different markets;

(b) Continuing to enhance membership system, refine membership management, introduce appropriate products to members and drive the promotion activities between stores and online private domain traffic; and

(c) Launching various promotion activities such as new brand stories, two fashion shows and creative videos to promote hero products in various channels.

3. Distribution channel upgrading

(a) Offline stores

(i) Expanding business territories proactively in untapped markets in low-tier regions, and continuing to seek opportunities to open stores;

(ii) Retaining stores with good potential and striving for rental reduction, closing poor performance stores and continuing to set up outlets for clearing aged inventories; and

(iii) Developing shopping mall channel under a new brand "Cotton Regions" with new store image in 2022.

(b) E-commerce channel
   (i) Apart from the 3 major e-commerce channels (Alibaba, JD and VIP), the Group started cooperation with other e-commerce channels (e.g. TikTok, Kwai and Pinduoduo) in 2021;

   (ii) Arranging live-streams with celebrities in various e-commerce platforms in 2021; and

   (iii) Launching online products such as Flower Heart series and Vbra series.

4. Other areas

(a) Cooperating with JD about digitalization in 2022, with higher investments to be made in the next few years for optimizing information technology operation system;

(b) Continuing to step up effort on clearing aged inventories on both online and offline distribution channels; and

(c) Streamlining corporate structure from the second half of 2021 onwards by gradually simplifying and merging departments in order to reduce overall staff costs.


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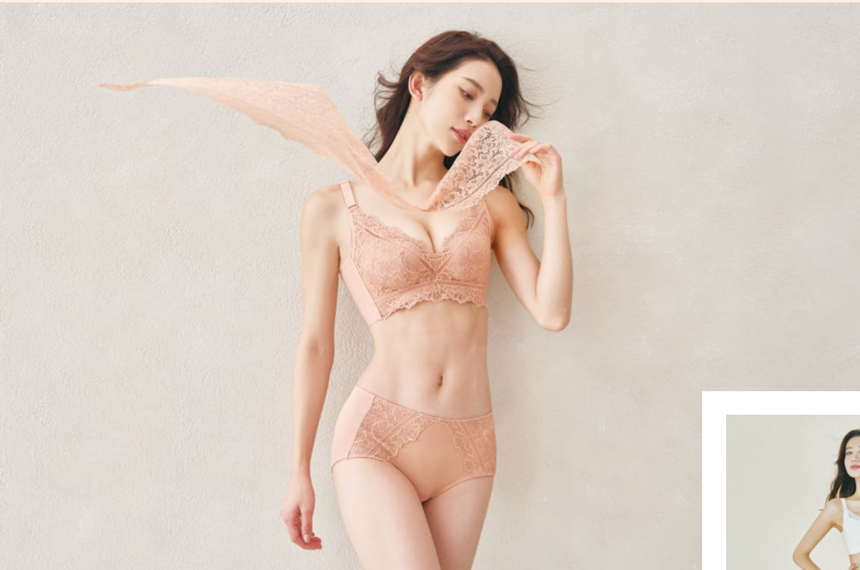
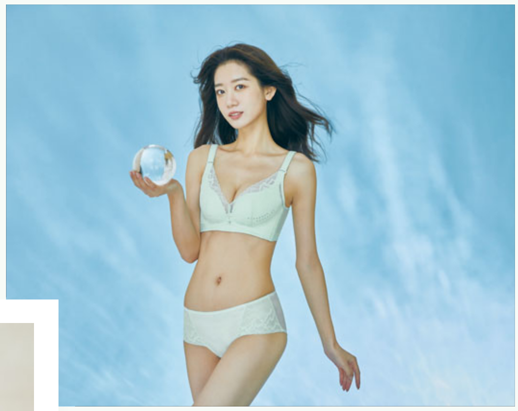
MANAGEMENT DISCUSSION AND ANALYSIS





FINANCIAL REVIEW

Revenue

The revenue of Cosmo Lady (China) Holdings Company Limited (the "Company") and its subsidiaries (the "Group") is mainly derived from sales of products, either to the franchisees or to the consumers through self-managed stores and online sales platforms.

Revenue by sales channel

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

	Year ended 31 December			
	2021		2020	
	RMB'000	**%**	*RMB'000*	%
Offline sales				
Retail sales	**1,780,769**	**53.1**	1,150,951	37.6
Sales to franchisees	**628,076**	**18.7**	1,127,029	36.9
	2,408,845	**71.8**	2,277,980	74.5
E-commerce	**831,532**	**24.8**	763,684	25.0
Revenue from products sales	**3,240,377**	**96.6**	3,041,664	99.5
Others	**115,026**	**3.4**	15,827	0.5
Total revenue	**3,355,403**	**100.0**	3,057,491	100.0

On adoption of various transformation measures, in 2021, revenue from product sales increased by approximately 6.5% to approximately RMB3,240,377,000 (2020: RMB3,041,664,000), while total revenue increased by approximately 9.7% to approximately RMB3,355,403,000 (2020: RMB3,057,491,000).

In 2021, retail sales increased significantly while sales to franchisees declined significantly, mainly because the Group focused on direct-to-consumers sales model during the year. There was an increase of sales by about 5.7% for the overall offline sales.

Others mainly represented revenue from logistics warehousing and delivery services and trading of raw materials.

Gross profit margin

During the year, the gross profit margin of the Group decreased to around 42.1% (2020: 48.8%), mainly due to the provision for inventories of approximately RMB146,134,000 made and the significant increase in raw material prices as mentioned in the "Statement from Chairman and Chief Executive Officer" section.

Selling and marketing expenses

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

The rise of selling and marketing expenses by about 13.6% for the year ended 31 December 2021 to approximately RMB1,539,113,000 (2020: RMB1,354,586,000) was primarily due to the increase in commission expenses in respect of consignment sales in franchisees' stores as a result of stepping up effort on promoting the direct-to-consumers sales model during the year.

General and administrative expenses

General and administrative expenses primarily consist of employee benefit expenses, impairment of right-of-use assets, consulting service expenses, travelling expenses, depreciation and amortization and others.

The decline of general and administrative expenses by about 9.6% for the year ended 31 December 2021 to approximately RMB259,930,000 (2020: RMB287,521,000) was mainly due to the fact that there was a larger provision for impairment of right-of-use assets in 2020.

Other income

Other income mainly consists of government grants, dividends from financial assets at fair value through other comprehensive income, software usage fee income and others. During the year, other income decreased by approximately 41.6% to approximately RMB43,893,000 (2020: RMB75,187,000) because the revenue and cost of logistics warehousing and delivery services were netted off and included as other income in 2020, but were separately included as revenue and cost in 2021 respectively.

Finance expenses – net

Finance expenses – net mainly represents financial expenses on bank borrowings and lease liabilities less interest income on short-term bank deposits and advances to suppliers.

The finance income increased to approximately RMB5,227,000 (2020: RMB4,743,000), mainly due to the increase in interest income on short-term bank deposits.

The decrease in finance expenses to approximately RMB53,183,000 (2020: RMB55,434,000) was in line with the decrease in bank borrowings and lease liabilities.

Income tax (expense)/credit

The income tax expense in 2021 was mainly due to the reversal of part of the deferred tax assets recognized in previous years.

WORKING CAPITAL MANAGEMENT

	Year ended 31 December	
	2021	2020
Average inventory turnover days	**165 days**	172 days
Average trade receivables turnover days	**32 days**	35 days
Average trade payables turnover days	**162 days**	137 days

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

The average trade payables turnover days increased to 162 days, mainly due to the fact that suppliers have granted longer credit period to the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a solid balance sheet. As at 31 December 2021, the Group's term deposits, restricted bank deposits and cash and cash equivalents amounted to approximately RMB755,839,000 (31 December 2020: RMB980,913,000) and bank borrowings amounted to approximately RMB369,077,000 (31 December 2020: RMB537,751,000). As at 31 December 2021, the current ratio was about 1.3 times (31 December 2020: 1.7 times).

As at 31 December 2021, the Group's gross gearing ratio, which was calculated on the basis of the amount of bank borrowings as a percentage of the total shareholders' equity, was approximately 19.5% (31 December 2020: 22.3%). The gross gearing ratio decreased as part of the bank borrowings has been repaid. The net gearing ratio, which was calculated on the basis of the amount of bank borrowings less term deposits, restricted bank deposits and cash and cash equivalents as a percentage of the total shareholders' equity, was approximately negative 20.4% (31 December 2020: negative 18.4%) as the Group was at a net cash position.

FOREIGN CURRENCY RISK

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

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company's ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 26 June 2014. The gross proceeds from the Company's initial public offering amounted to approximately HK$1,463,245,000 while the net proceeds amounted to approximately HK$1,386,405,000. The said net proceeds were fully utilized as of 31 August 2020.

USE OF PROCEEDS FOR FUNDS RAISED

Fosun Subscription

Reference is made to the announcements by the Company dated 5 May 2017 and 17 May 2017 regarding the issuance of new shares under general mandate (the "Fosun Subscription"). On 17 May 2017, the Company issued 240,000,000 shares at a price of HK$2.50 per share to a wholly-owned subsidiary of Fosun International Limited, raising gross proceeds of HK$600,000,000 and net proceeds of approximately HK$599,000,000.

It was set out at the time that the net proceeds from the Fosun Subscription were intended to be used by the Company for financing the reforms in sales and distribution channels of the Group, potential mergers, acquisitions and cooperation opportunities, and general working capital. Up to 31 December 2021, the use of net proceeds was as follows:

Use of net proceeds	Intended use of net proceeds HK$	Amount utilized as at 31 December 2021 HK$	Expected timeline of full utilization of said unutilized balance *(Note)*
Financing the reforms in sales and distributions channels of the Group	39,000,000	39,000,000	N/A
Potential mergers, acquisitions and cooperation opportunities	30,000,000	–	Before the end of 2023
General working capital	530,000,000	530,000,000	N/A

Note: The expected timeline of full utilization of said unutilized balance is based on the best estimation of the future market conditions made by the Group. It may be subject to change due to future development of market conditions.

The net proceeds not yet utilized from the Fosun Subscription have been deposited with certain licensed banks. The Company will continue to actively seek to identify opportunities suitable but has no definitive timetable nor expectation for when such opportunities will be found.

Windcreek Subscription

Reference is made to the announcements by the Company dated 26 April 2018 and 25 May 2018 regarding the issuance of new shares under general mandate (the "Windcreek Subscription"). On 25 May 2018, the Company issued an aggregate of 121,443,213 shares at a price of HK$4.20 per share to Windcreek Limited (an indirect wholly-owned subsidiary of JD.com, Inc.), Image Frame Investment (HK) Limited (a wholly-owned subsidiary of Tencent Holdings Limited), Vipshop International Holdings Limited (a wholly-owned subsidiary of Vipshop Holdings Limited) and Quick Returns Global Limited, raising gross proceeds of approximately HK$510,061,000 and net proceeds of approximately HK$509,000,000.

Management Discussion and Analysis

It was set out at the time that the net proceeds from the Windcreek Subscription were intended to be used by the Company for financing the reforms in sales and distribution channels of the Group, potential mergers, acquisitions and cooperation opportunities, and general working capital. Up to 31 December 2021, the use of the net proceeds was as follows:

Use of net proceeds	Intended use of net proceeds HK$	Amount utilized as at 31 December 2021 HK$	Expected timeline of full utilization of said unutilized balance *(Note)*
Financing the reforms in sales and distributions channels of the Group	239,000,000	31,698,369	Before the end of 2023
Potential mergers, acquisitions and cooperation opportunities	70,000,000	–	Before the end of 2023
General working capital	200,000,000	22,455,000	Before the end of 2023

Note: The expected timeline of full utilization of said unutilized balance is based on the best estimation of the future market conditions made by the Group. It may be subject to change due to future development of market conditions.

The net proceeds from the Windcreek Subscription have been deposited with certain licensed banks. The Company will continue to actively seek to identify opportunities suitable but has no definitive timetable nor expectation for when such opportunities will be found.

CAPITAL EXPENDITURE

During the year, capital expenditure amounted to approximately RMB100,404,000 (2020: RMB260,634,000), which was mainly used for the construction of the new office of the Group.

PLEDGE OF ASSETS

As at 31 December 2021, certain property, plant and equipment, and land use rights were pledged for obtaining banking borrowings of approximately RMB369,077,000 (31 December 2020: RMB529,377,000).

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES AND MANAGEMENT

The Group had approximately 3,300 full-time employees as at 31 December 2021 (31 December 2020: 3,200). The Group's remuneration package is determined with reference to the experience and qualifications of the individual employees and general market conditions. Bonus is linked to the Group's operating result as well as individual performance.

ENVIRONMENTAL MANAGEMENT

Being a socially and environmentally responsible enterprise, the Group is dedicated to achieving environmental sustainability through its daily operations and is in compliance with regulations including the "Environmental Protection Law of the People's Republic of China" and regulations set by the Environmental Protection Bureau of local governments. The Group has also attained ISO 14001 Environment Management Systems. A corporate social responsibility report for the Group issued in accordance with the Environmental, Social and Governance Reporting Guide of the Stock Exchange has been included in this report.

OUTLOOK

Over the past three years, the major goal of the Group is to revitalize its business. In this process, we continue to examine our core competitiveness and advantages while scrutinizing our shortfalls and flaw amid the fast-changing market. We also make reference to past experience in order to pick the competitive strategies suitable for the Group.

The Group has been navigating various changes and challenges. Looking ahead, we aspire to align the resources required to unlock the intrinsic value of the Group and unleash the competitive strengths that distinguish us from our peers in order to improve the Group's operating performance.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zheng Yaonan, aged 46, is the chairman of the Board, an executive Director, the chairman of the nomination committee of the Company. He is the chief executive officer of the Company from 30 November 2021 onwards. He holds positions as the executive directors and concurrently as the general manager of a number of the Company's subsidiaries, and is also one of the founders of the Group. From 30 January 2014 to 19 August 2019, Mr. Zheng was the chief executive officer of the Company as well. With approximately 22 years of experience in the intimate wear manufacturing and sales industry, Mr. Zheng has been the key driver of the business strategies and achievements to date of the Group. He is primarily responsible for the strategic planning, business development, corporate management and overall performance of the Group. Mr. Zheng has been serving the Group since September 2009.

Mr. Zheng is currently a member of Chinese People's Political Consultative Conference Dongguan Committee, an executive council member of China Youth Entrepreneur Association, a vice chairman of Guangdong Youth Association, an executive vice chairman of World Dongguan Entrepreneurs, a vice chairman of Dongguan Federation of Industry and Commerce and the chairman of the supervisory committee of Fujian Chamber of Commerce in Shenzhen. He was a committee member of Ningde City of Fujian Provincial Committee of Chinese People's Political Consultative Conference from January 2017 to January 2022.

Mr. Zheng completed the China CEO Program and obtained an executive education program certificate from Cheung Kong Graduate School of Business, Beijing in 2013, and completed an EMBA course in Shanghai Advanced Institute of Finance of Shanghai Jiao Tong University and an EMBA course at the School of Management of Xiamen University, Xiamen, Fujian Province in 2016 and 2017 respectively. In addition, he is also studying a DBA course at Tsinghua University.

Mr. Zheng is the husband of Ms. Wu Xiaoli, an executive Director and a vice president of the Company.

Mr. Zhang Shengfeng, aged 53, is the deputy chairman of the Board, an executive Director, a vice president and a member of the remuneration committee of the Company. He also holds positions as an executive director and concurrently as the general manager of a number of the Company's subsidiaries. Mr. Zhang is also one of the founders of the Group, and he is primarily responsible for the supply chain management of the Group. Mr. Zhang has been serving the Group since September 2009.

Mr. Zhang has been a deputy chairman of Dongguan Fenggang Association of Enterprises with Foreign Investment and an executive deputy chairman of Shenzhen Underwear Association since September 2011 and August 2012 respectively and the honorary chairman of Guangdong Underwear Association in March 2016.

Mr. Zhang completed an executive master course in business administration from the School of Management of Xiamen University, Xiamen, Fujian Province. He also completed the executive master of business administration degree at Cheung Kong Graduate School of Business and the EMBA Course at PBC School of Finance, Tsinghua University in 2016 and 2018 respectively. Mr. Zhang obtained a college degree in industrial electric automation from Guangdong University of Technology in 1990.

Ms. Wu Xiaoli, aged 48, is an executive Director and a vice president of the Company. Ms. Wu is primarily responsible for the human resources and administration management of the Group. Ms. Wu has been serving the Group since September 2009.

Ms. Wu graduated from the Executive Development Program for Backbones of Private Enterprises of Guangdong Province at the School of Business Administration of South China University of Technology, Guangzhou, Guangdong Province and the Program for Elites of Leading Cantonese Enterprises at Cheung Kong Graduate School of Business, Guangdong Province.

Ms. Wu is the wife of Mr. Zheng Yaonan.

NON-EXECUTIVE DIRECTORS

Mr. Lin Zonghong, aged 53, is a non-executive Director from 19 August 2019. He was a deputy chairman of the Board and an executive Director from 30 January 2014 to 19 August 2019. Mr. Lin is one of the founders of the Group and he is primarily responsible for giving strategic advice and making recommendations on the operations and management of the Group. Mr. Lin has been serving the Group since September 2009.

Mr. Lin is currently studying for an EMBA course at the School of Management of Xiamen University, Xiamen, Fujian Province, and graduated from China Europe International Business School, Shanghai, upon finishing the study of the Advanced Management Program in 2013.

Mr. Wen Baoma, aged 60, is a non-executive Director. Mr. Wen is primarily responsible for giving strategic advice and making recommendations on the operations and management of the Group. Mr. Wen has been serving the Group since October 2010. Mr. Wen has been a partner of Capital Today China Growth (HK) Limited since 2005. Mr. Wen had held a number of senior positions in various investment companies and an investment bank:

Company	Duration of tenure	Last position held
Actis Capital LLP (Beijing)	From 2004 to 2005	Principal
AIG Investment Corporation (Asia) Ltd.	From 1998 to 2000	Investment Manager
Intel Capital (Hong Kong)	From 2000 to 2004	Investment Manager
Jardine Fleming Holdings Limited	From 1995 to 1997	Executive
Wisdom Alliance Limited	From 2007 to 2016	Director
Yuanmeng Household Products Co., Ltd.	From 2008 to 2017	Director

Mr. Wen obtained a bachelor's degree and a master's degree in engineering from Tsinghua University, Beijing, in 1984 and 1988 respectively, and a master of business administration degree from London Business School of the University of London, London, the United Kingdom, in 1995.

Mr. Chen Xin, aged 46, is a non-executive Director. Mr. Chen is mainly responsible for giving strategic advice and making recommendations on the operations and management of the Group. He has been serving the Group since February 2022.

Mr. Chen is currently the president and head of investment in Guangdong-Hong Kong-Macao Greater Bay Area of Fosun Capital Flagship Fund. Mr. Chen is an independent non-executive director and a member of the audit committee of Fu Shou Yuan International Group Limited from 21 January 2021. He has over 20 years of experience in finance and investment industries. He served as an assistant trade service manager, an assistant banking services manager and a project finance executive in The Hongkong and Shanghai Banking Corporation Limited from 1997 to 2000; served as an associate and a vice president of investment banking division and an executive director of the Asian Special Situations Group in Goldman Sachs (Asia) L.L.C. from 2002 to 2011; served as the head of China in Permira Advisors (Asia) Limited from 2011 to 2014 and the founding partner of Fides Capital Investors I, L.P. from 2014 to 2017; served as the head of direct investment in CMBC Capital Holdings Limited from 2017 to 2018 and a partner, managing director and the head of private equity investment in Ally Bridge Group from 2018 to 2020.

Mr. Chen obtained a bachelor's degree of Arts in Finance from Fudan University, a master's degree in Economics from The Hong Kong University of Science and Technology and an MBA in Business Administration from the Yale School of Management in 1997, 2000 and 2002 respectively.

Biographies of Directors and Senior Management

Ms. Fung Yat Carol, aged 54, is a non-executive Director. Ms. Fung is mainly responsible for giving strategic advice and making recommendations on the operations and management of the Group. She has been serving the Group since 2021.

Ms. Fung is currently a senior vice president of JD.com, Inc. ("JD.com"). She is also the president of JD Fashion & Lifestyle since July 2021 and served as the president of JD Worldwide, JD FMCG and JD FMCG Omnichannel from April 2014 to June 2021. Ms. Fung served as a non-executive director of China Dili Group from June 2021 to December 2021 and a director of Better Life Commercial Chain Share Co., Ltd. from February 2021 to August 2021. Ms. Fung has more than 20 years of practice experience in merchandising and senior leadership. Prior to joining JD.com, she served as a vice president of e-commerce business of Tencent Holdings Limited from September 2013 to April 2014. Ms. Fung served as a vice president of Wal-Mart China Investment Co. Ltd. from April 2001 to May 2013 and served as an officer of L&J Garment Ltd. from March 1995 to April 2001.

Ms. Fung obtained a master's degree in business administration in Hong Kong University of Science and Technology in 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yau Chi Ming, aged 54, is an independent non-executive Director, the chairman of the audit committee and a member of the nomination committee and risk management committee of the Company. Mr. Yau is mainly responsible for giving strategic advice and making recommendations on the operations and management of the Group. He has been serving the Group since 2014.

Mr. Yau has over 20 years of experience in finance and accounting. He has been the company secretary of Consun Pharmaceutical Group Limited since March 2013. Prior to that, Mr. Yau worked at KPMG from August 1992 to November 1994 and from May 1995 to October 2012, and was promoted to a partner in July 2007.

Mr. Yau is a certified public accountant in Hong Kong and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Yau graduated from The University of Hong Kong in 1992 with a bachelor's degree in Social Sciences.

Dr. Dai Yiyi, aged 54, is an independent non-executive Director, the chairman of the remuneration committee and a member of the audit committee and risk management committee of the Company. Dr. Dai is mainly responsible for supervising the activities and decisions of the remuneration committee of the Company, giving strategic advice and making recommendations on the operations and management of the Group. He has been serving the Group since 2014.

Dr. Dai obtained his bachelor's degree and doctorate degree in economics from Xiamen University, Xiamen, Fujian Province in 1989 and 1999 respectively and also graduated from the Sixth Ford Class of the Sino-American Economics Training Centre of Renmin University of China, Beijing. In 2006, Dr. Dai completed a short term study program named Program on Case Method and Participant-Centered Learning in Harvard Business School, Massachusetts, the United States of America. He has been a full-time professor and a Ph.D. supervisor of the School of Management of Xiamen University since 2004 and 2009 respectively. Dr. Dai was a senior visiting scholar at the Kellogg School of Management of Northwestern University, Illinois, the United States of America from 2007 to 2008 and the School of Management of McGill University, Montreal, Quebec, Canada in 2002.

Dr. Dai also holds the position of independent director in the following companies listed on the Shanghai/Shenzhen Stock Exchange and independent non-executive director in the companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"):

Company	Duration of tenure	Stock exchange
China SCE Property Holdings Limited	From February 2010 to present	Stock Exchange
Fujian Septwolves Industry Co., Ltd.	From July 2016 to present	Shenzhen Stock Exchange
Xiamen C&D Inc.	From July 2016 to present	Shanghai Stock Exchange
Xiamen ITG Group Co., Ltd.	From May 2020 to present	Shanghai Stock Exchange
Xiamen Bank Co., Ltd.	From January 2021 to present	Shanghai Stock Exchange

Dr. Dai had previously been an independent director of the following companies:

Company	Duration of tenure	Stock exchange
GuangDong Shirongzhaoye Co., Ltd.	From December 2008 to January 2013	Shenzhen Stock Exchange
Mingfa Group (International) Company Limited	From October 2009 to September 2018	Stock Exchange
New Hua Du Supercenter Co., Ltd.	From May 2013 to May 2017	Shenzhen Stock Exchange
Xiamen ITG Group Co., Ltd.	From April 2009 to May 2014	Shanghai Stock Exchange
Xiamen Dazhou Xingye Resources Holdings Limited	From March 2010 to October 2016	Shanghai Stock Exchange

Dr. Dai was awarded as the "Top-notch Personnel in Xiamen" (廈門市拔尖人才) in August 2010.

Mr. Chen Zhigang, aged 49, is an independent non-executive Director, the chairman of the risk management committee of the Company and a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Chen is mainly responsible for giving strategic advice and making recommendations on the operations and management of the Group. He has been serving the Group since 2014.

Mr. Chen has been a partner and the department head of the Vocation International Certified Public Accountants Co., Ltd. since 2004. He is also a Chinese Certified Public Accountant, certified by The Chinese Institute of Certified Public Accountants in September 2000 and a Certified Public Accountant with Securities and Futures Practice Qualification, certified by the China Securities Regulatory Commission in January 2004.

Mr. Chen served as an independent non-executive director of SZ Reach Tech Co., Ltd. from November 2011 to June 2018, and served as an independent non-executive director of Guangdong Chaohua Technology Co., Ltd. from September 2010 to October 2011.

Dr. Lu Hong Te, aged 61, is an independent non-executive Director, a member of the audit committee, the remuneration committee, the nomination committee and the risk management committee of the Company. He has been serving the Group since 2017.

Dr. Lu is an independent non-executive director of China Lilang Limited and China SCE Property Holdings Limited and an independent director of Uni-President Enterprises Corp. Dr. Lu is also an independent director of Firich Enterprises Co., Ltd. and Lanner Electronics Inc., the shares of which are traded in Taipei Exchange. Dr. Lu is currently an adjunct professor at the department of business administration of Chung Yuan Christian University in Taiwan and Xiamen University's EMBA Center. Dr. Lu was appointed as an independent non-executive director of ANTA Sports Products Limited from 26 February 2007 to 1 March 2019. Dr. Lu has resigned an independent non-executive director of Capxon International Electronic Company Limited on October 2020.

Dr. Lu obtained a bachelor's degree in industrial management science from National Cheng Kung University in 1983, and a master's degree and a doctoral degree in marketing from the Graduate Institute of Business Administration of the College of Management of National Taiwan University in 1985 and 1992 respectively.

Biographies of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Xian Shunxiang, aged 57, joined the Group in December 2021. He is the chief operating officer of the Group, and is mainly responsible for sales operation in various channels. Mr. Xian was a vice president responsible for retail operations of the Group from 2011 to 2016.

Prior to joining the Group, Mr. Xian was the operation director of Best Food Holding Company Limited. He was also previously the operation director of McDonald (Shenzhen) Limited and Real Kung Fu Catering Management Co., Ltd. Mr. Xian graduated from China Europe International Business School, upon completing the China Europe Leadership Development of Senior Level Programme in 2010. He obtained a college degree in Chinese from Shenzhen Institute of Education, Shenzhen, Guangdong Province in 1988.

Mr. Sha Shuang, aged 49, joined the Group in April 2012. He is a senior vice president and the chief executive officer for Ordifen brand business of the Group. He is mainly responsible for the development of Ordifen brand business.

Mr. Sha was appointed as the general manager of the information systems at Li Ning (China) Sports Goods Co., Ltd. and a senior manager of integrated service at the information systems integration and service operation department of Lenovo (Beijing) Co., Ltd. Mr. Sha obtained a bachelor's degree in economics of technology from the School of Economics of Jilin University, Changchun, Jilin Province in 1998 and a finance master's degree of business administration jointly offered by The Chinese University of Hong Kong in collaboration with Tsinghua University in Beijing in 2009. Mr. Sha is an assistant engineer qualified by Chinese Academy of Sciences in 2000.

Mr. Mao Yu-in, aged 57, joined the Group in July 2017. He is a vice president of the Group. He is mainly responsible for developing the Group's business in shopping malls.

Mr. Mao worked in Nike, Inc. and served as the sports product manager. He was also a vice president of ANTA (China) Co., Ltd. and was responsible for product management, retail marketing and brand marketing. Mr. Mao obtained a double master's degree in marketing and mass communication from University of Hartford, the United States in 1993.

Mr. Loo Hong Shing Vincent, aged 55, has been appointed as a vice president, the chief financial officer, company secretary and authorized representative of the Company since December 2016. Before joining the Group, Mr. Loo was an executive director, the chief financial officer, company secretary and authorized representative of Hengan International Group Company Limited, a company listed on the Stock Exchange. Mr. Loo has been appointed as an independent non-executive director of Huabang Financial Holdings Limited, a company listed on the Stock Exchange, since 26 June 2012.

Mr. Loo worked previously in an international firm of accountants in Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Institute of Chartered Accountants in England and Wales.

Mr. Xiao Wei, aged 43, joined the Group in July 2017. He is mainly responsible for the supply chain management of the Group.

Mr. Xiao was previously the manufacturing director of TAL Group from 2003 to 2012, the production director of Joeone Co., Ltd. from 2012 to 2014, and the operation director of Winson Group from 2014 to 2017. Mr. Xiao graduated from Hubei University of Technology with a bachelor's degree in 2003.

CORPORATE GOVERNANCE REPORT

The board of directors of the Company (the "Board") is committed to maintaining a high standard of corporate governance practices which emphasize management of high quality, transparency and accountability to all shareholders.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and has complied with the code provisions contained therein during the year ended 31 December 2021 and up to the date of this report, with the exception of Code Provision C.2.1.

According to Code Provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same person. The Company deviated from this provision from 30 November 2021 because Mr. Zheng Yaonan ("Mr. Zheng") performed both the roles of the chairman of the Board and the chief executive officer of the Company. Mr. Zheng, with the established market reputation in the intimate wear industry in China, is the founder of the Company and its subsidiaries (the "Group") and has extensive experience in business operations and management in general. Under the leadership of Mr. Zheng, the Board worked effectively and performed its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions were made in consultation with members of the Board and relevant Board committees, and there are four independent non-executive directors on the Board offering advice in independent perspectives, the Board was therefore of the view that there were adequate safeguards in place to ensure sufficient balance of powers within the Board.

THE BOARD

The Board currently comprises eleven Directors of which three are executive Directors, four are non-executive Directors and four are independent non-executive Directors.

The members of the Board as at the date of this report are as follows:

Executive Directors

Mr. Zheng Yaonan *(Chairman and Chief Executive Officer)*
Mr. Zhang Shengfeng *(Deputy Chairman)*
Ms. Wu Xiaoli

Non-executive Directors

Mr. Lin Zonghong
Mr. Wen Baoma
Mr. Chen Xin (appointed on 28 February 2022)
Ms. Fung Yat Carol (appointed on 9 September 2021)

Independent Non-executive Directors

Mr. Yau Chi Ming
Dr. Dai Yiyi
Mr. Chen Zhigang
Dr. Lu Hong Te

All Directors have signed service contracts or letters of appointment with the Company which set out the key terms and conditions of their appointments. Biographical details of the Director and relevant relationships among them, together with their respective roles on the Board and its committees, are set out under the section headed "Biographies of the Directors and Senior Management" on pages 16 to 20 of this report.

The Board has adopted a board diversity policy (the "Board Diversity Policy") recognizing and embracing the benefits of having a diverse Board to enhance the quality of its performance. A diverse Board is crucial to the Board's performance and development of the Company. Accordingly, in designing the Board's composition, the Company has considered Board diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, qualification, ethnicity, skills, knowledge and length of service, having due regards to the Company's own business model and specific needs from time to time. During the year under review, the Board has conducted an annual review of its structure and composition at a regular meeting. With the Board members coming from a variety of business and/or industry bodies and/or professional and/or academic institutions and two out of the eleven Board members being female, the Company considers that the Board possesses a balanced structure and a diverse mix of skills, experience and expertise appropriate to the requirements of the Company's business and development.

The nomination committee of the Company (the "Nomination Committee") has been delegated the authority to review and assess the diversity of the Board, with the objective of maintaining a balance of skills, knowledge, experience and diversity of perspectives on the Board which are appropriate to the requirements of the Company's business. When identifying and selecting suitably qualified candidates for recommendation to the Board, the Nomination Committee will give consideration to the Board Diversity Policy whereby selection of candidates will be based on merit against objective criteria and with due regard to the benefits of diversity on the Board. The Nomination Committee reviews and monitors the implementation of the Board Diversity Policy as appropriate.

In compliance with Rule 3.10 of the Listing Rules, the Company has appointed four independent non-executive Directors which represent at least one-third of the Board, and complied with the requirement that at least one of them has appropriate professional qualifications of accounting or related financial management expertise. The Company has received written confirmation for the year 2021 from each of the independent non-executive Directors of his independence pursuant to Rule 3.13 of the Listing Rules and considers all independent non-executive Directors to be independent.

The Directors have disclosed to the Company the offices held in other public companies or organizations and the time involved and the Company had received confirmations from each Director that he/she has devoted sufficient time to perform his/her responsibilities as a Director and has given sufficient attention to the affairs of the Company.

The Board meetings are held regularly and are also held on an ad hoc basis as required by business needs. All Directors are consulted as to whether to include any matters in the agenda. Notice of at least 14 days are given to all Directors before the date of regular Board meeting. Agenda and accompanying board papers are given to all Directors in a timely manner before the date of each regular Board meeting. During the year 2021, four regular meetings were held by the Board and the chairman of the Board had an annual meeting with the independent non-executive Directors without the presence of the other Director.

The Board, led by the Chairman, has reserved for its decision or conservation matters covering formulation of the Group's overall long-term strategy, supervising the performance of the management, approving annual and interim results, monitoring and controlling other significant operations of the Group, reviewing and monitoring the Group's systems of financial controls and risk management, and assessing the results and achievement of the Group on an on-going basis, etc. The Board confines itself to making decisions on major operational and financial matters as well as investments. The Board commits itself to acting in the best interests of the Group and shareholders. It is accountable to the shareholders for the long-term performance of the Group, while taking into consideration the interests of the other stakeholders. The non-executive Directors (including independent non-executive Directors) have contributed valuable independent views and proposals for the Board's deliberation and decisions. The Board has established an audit committee, a nomination committee, a remuneration committee and a risk management committee (collectively the "Committees") with clear written terms of reference to oversee particular aspects of the Company's affairs and to assist in sharing the Board's responsibilities. The Committees have to report regularly to the Board on their decisions and recommendations.

With delegated responsibility, the management is responsible for the day-to-day management, administration and operation of the Group, implementing the strategies and plans adopted by the Board and the Committees and assumes full accountabilities to the Board for the operation of the Group. Both the Board and the management have clearly defined authorities and responsibilities under various risk management, internal control and check-and-balance mechanisms. The Board has agreed on procedures to enable the Directors to seek independent professional advice whenever deemed necessary, at the Company's expense, to assist them to perform their duties.

The Company has arranged appropriate directors' and offices' liabilities insurance in respect of legal actions against the Directors and officers of the Company. The insurance coverage is reviewed on an annual basis.

Audit Committee

The audit committee (the "Audit Committee") was established by the Board in June 2014 with specific written terms of reference. The Audit Committee is composed of all the independent non-executive Directors, namely Mr. Yau Chi Ming, Dr. Dai Yiyi, Mr. Chen Zhigang and Dr. Lu Hong Te. Mr. Yau Chi Ming who possesses appropriate professional qualifications as required by the Listing Rules is the chairman of the Audit Committee.

Under its terms of reference, the Audit Committee is required to review the Company's financial information, to oversee the Group's financial reporting system, financial risk management and internal control system, and to oversee the relationship with the Company's auditor. The terms of reference of the Audit Committee are available on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company.

During the year ended 31 December 2021, the Audit Committee held two meetings. The Audit Committee reviewed the interim and annual financial statements, interim and annual report as well as the accounting policies and practices adopted by the Group, discussed on auditing and financial reporting matters, evaluated the overall effectiveness of the internal control system of the Group and the significant risks faced by the Group, reviewed the continuing connected transaction entered into by the Group, reviewed and monitored the effectiveness and resource adequacy of internal audit function of the Group, reviewed the arrangements for raising concerns about improprieties and considered the audit scope and fees for the year ended 31 December 2021.

The Audit Committee held a meeting in March 2022 to review the consolidated financial statements of the Group for 2021 and consider the re-appointment of the auditor. On the recommendation of the Audit Committee, the Board resolved to submit the Group's consolidated financial statements for 2021 and to propose the re-appointment of the auditor for approval by the shareholders at annual general meeting of the Company for 2022.

Nomination Committee

The Nomination Committee was established by the Board in June 2014 with specific written terms of reference. The Nomination Committee comprises four members, including Mr. Zheng Yaonan, chairman of the Board, together with three independent non-executive Directors, namely Mr. Yau Chi Ming, Mr. Chen Zhigang and Dr. Lu Hong Te. Mr. Zheng Yaonan is the chairman of the Nomination Committee.

Under its terms of reference, the primary responsibilities of the Nomination Committee include recommending to the Board on the appointment and re-appointment of Directors and succession plans for Directors, reviewing the structure, size and composition of the Board and assessing the independence of independent non-executive Directors. The terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2021, the Nomination Committee held three meetings. The Nomination Committee reviewed the Board structure, size and composition, nomination policy, the Board diversity, and recommended the appointments of Mr. Zheng Yaonan as the chief executive officer and Ms. Fung Yat Carol as a non-executive Director to the Board for approval.

Remuneration Committee

A remuneration committee (the "Remuneration Committee") was established by the Board in June 2014 with specific written terms of reference. The Remuneration Committee comprises four members, including an executive Director, Mr. Zhang Shengfeng, and three independent non-executive Directors, namely Dr. Dai Yiyi, Mr. Chen Zhigang and Dr. Lu Hong Te. Dr. Dai Yiyi is the chairman of the Remuneration Committee.

Under its terms of reference, the primary responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all Directors and senior management's remuneration and the remuneration packages of individual executive directors and senior management, and make recommendations to the Board on the remuneration of non-executive Directors. The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

Three meetings of the Remuneration Committee were held during 2021 for considering and making recommendations to the Board for determining the remuneration of the nominated chief executive officer and non-executive Director and for an annual review of remuneration policy and packages for all the Directors and senior management. Details of emoluments paid to the Directors and senior management for the year ended 31 December 2021 are set out in Note 11 to the consolidated financial statements.

Risk Management Committee

A risk management committee (the "Risk Management Committee") was established by the Board in December 2015 with specific written terms of reference. The Risk Management Committee comprises four members, all of whom are independent non-executive Directors, namely Mr. Chen Zhigang, Mr. Yau Chi Ming, Dr. Dai Yiyi and Dr. Lu Hong Te. The chairman of the Risk Management Committee is Mr. Chen Zhigang.

Under its terms of reference, the Risk Management Committee is primarily responsible for overseeing the design, implementation and monitoring risk management systems, reviewing the risks associated with the Group strategy and making recommendations to the Board for consideration and approval. The terms of reference of the Risk Management Committee are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2021, the Risk Management Committee held three meetings to review the risk management framework, internal audit program, including its program status and internal audit findings, and the risk associated with Group's strategies.

Attendance Records at Meetings

The attendance of individual Directors at general meeting, regular meetings of the Board and meetings of the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee held during the year ended 31 December 2021 is set out below:

	Number of meetings attended/held					
Name of directors	Annual general meeting	Board meeting	Audit committee	Nomination committee	Remuneration committee	Risk management committee
Executive Directors						
Mr. Zheng Yaonan	1/1	4/4	N/A	3/3	N/A	N/A
Mr. Zhang Shengfeng	1/1	4/4	N/A	N/A	3/3	N/A
Ms. Wu Xiaoli	1/1	4/4	N/A	N/A	N/A	N/A
Mr. Siu Ka Lok *(Note (1))*	1/1	3/4	N/A	N/A	N/A	N/A
Non-executive Directors						
Mr. Lin Zonghong	1/1	4/4	N/A	N/A	N/A	N/A
Mr. Wen Baoma	1/1	4/4	N/A	N/A	N/A	N/A
Mr. Jiang Bo *(Note (2))*	1/1	4/4	N/A	N/A	N/A	N/A
Mr. Zhao Yingming *(Note (3))*	0/1	0/4	N/A	N/A	N/A	N/A
Ms. Fung Yat Carol *(Note (4))*	N/A	1/1	N/A	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. Yau Chi Ming	1/1	4/4	2/2	3/3	N/A	3/3
Dr. Dai Yiyi	1/1	4/4	2/2	N/A	3/3	3/3
Mr. Chen Zhigang	1/1	4/4	2/2	3/3	3/3	3/3
Dr. Lu Hong Te	0/1	4/4	2/2	3/3	3/3	2/3

Notes:

(1) Mr. Siu Ka Lok resigned on 30 November 2021.
(2) Mr. Jiang Bo resigned on 28 February 2022.
(3) Mr. Zhao Yingming resigned on 9 September 2021.
(4) Ms. Fung Yat Carol was appointed on 9 September 2021.

Appointment and Re-election of Directors

In accordance with article 112 of the Memorandum and Articles of Association of the Company, Ms. Fung Yat Carol and Mr. Chen Xin were appointed as non-executive Directors on 9 September 2021 and 28 February 2022 respectively. They will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

In accordance with article 108 of the Memorandum and Articles of Association of the Company and Code Provision B.2.2 in Appendix 14 of the Listing Rules, Ms. Wu Xiaoli, Mr. Yau Chi Ming, Dr. Dai Yiyi and Dr. Lu Hong Te will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

Nomination Policy

The Nomination Committee shall endeavor to find individuals of high integrity who have a solid record of accomplishment in their chosen fields and who possess the qualifications, qualities and skills to effectively represent the best interests of the Group and the shareholders of the Company.

The Nomination Committee shall consider, among other things, the following key factors in assessing the suitability of a proposed candidate:

(a) diversity that the candidate can bring to the Board in all its aspects, including but not limited to gender, age, cultural and educational background, skills, knowledge, professional experience, expertise, length of service and other personal qualities of the candidate;

(b) the candidate's commitment in respect of available time and relevant interest, in particular, whether the candidate would be able to devote sufficient time to effectively carry out his/her duties;

(c) reputation for integrity;

(d) independence of candidate; and

(e) accomplishment and experience in the relevant industries involved in the Company's business.

The Nomination Committee has discretion to nominate any person, as it considers appropriate. Proposed candidates will be asked to submit the relevant and necessary documents and information (including personal information) for the Nomination Committee's consideration and assessment, together with their written consent to be appointed as Directors and to the public disclosure of their personal data on any documents or relevant websites in connection with their nomination. The Nomination Committee will evaluate and recommend retiring Directors to the Board for re-appointment by giving due consideration to the criteria including but not limited to (i) the overall contribution and service of the retiring Directors to the Company; and (ii) whether the retiring Directors continue to satisfy the above key factors.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Every newly appointed Director is given a comprehensive orientation package on their legal and responsibilities as a listed company director and the role of the Board. They also receive a comprehensive induction package covering the latest information of the Group, the statutory and regulatory obligations of a director, terms of reference of the relevant committees and other related regulatory requirements. All Directors are encouraged to participate in continuous professional development and refresh their knowledge and skills.

Directors have participated in continuous professional development by attending seminars and/or conferences and/or forums and/or in-house trainings, giving talks at seminars and/or conference and/or forums and reading materials on the relevant topics to develop and refresh their knowledge and skills.

A summary of the continuous professional development in which Directors participated during the year ended 31 December 2021 is as follows:

Name of directors	Types(Notes)
Executive Directors	
Mr. Zheng Yaonan	C
Mr. Zhang Shengfeng	A, C
Ms. Wu Xiaoli	A, B, C
Mr. Siu Ka Lok	C
Non-executive Directors	
Mr. Lin Zonghong	C
Mr. Wen Baoma	C
Mr. Jiang Bo	A, B, C
Mr. Zhao Yingming	A, B, C
Ms. Fung Yat Carol	C
Independent Non-executive Directors	
Mr. Yau Chi Ming	A, C
Dr. Dai Yiyi	A, C
Mr. Chen Zhigang	A, C
Dr. Lu Hong Te	A, C

Notes:

A: Attending seminars and/or conferences and/or forums and/or in-house trainings

B: Giving talks at seminars and/or conferences and/or forums

C: Reading newspapers, journals and updates in relation to the economy, general business, retails or director's duties and responsibilities, etc.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. Specific enquiry was made with all the Directors and all confirmed that they have complied with the requirements set out in the Model Code during the year ended 31 December 2021.

ACCOUNTABILITY AND AUDIT

Directors' and Auditors' Responsibilities for the Financial Statements

The Directors acknowledge their responsibilities for preparing all information and representations contained in the consolidated financial statements for the year ended 31 December 2021 as disclosed in this report. The Directors have selected suitable accounting policies and applied them consistently, have made judgements and estimates that were prudent and reasonable and have prepared the consolidated financial statements on a going concern basis.

The statement of the Company's auditor regarding its responsibilities for the consolidated financial statements is set out under the section headed "Independent Auditor's Report" on pages 64 to 71 of this report.

Risk Management and Internal Control

The Board acknowledges its responsibilities for ensuring that proper risk management and internal control systems are maintained within the Group and for overseeing the effectiveness of these systems to safeguard the Group's assets and to protect the shareholders' investments.

The Group has carried out risk management with reference to the corporate risk management framework of The Committee of Sponsoring Organizations of the Treadway Commission. The framework facilities a systematic approach to the management of risks within the Group. The Group's business units have listed out the risks that the Group is exposed to one by one through a variety of risk identification techniques. The business units and the risk management department have analyzed and evaluated those risks in different ways so as to develop risk response plans. The risk management department has tracked and evaluated those risk response plans to ensure the effectiveness of risk control activities. In addition, the Group has established a database for risk management and has kept optimizing it to offer support to the risk management of the Group. The relevant concepts and procedures of such framework are set out in the risk management manual of the Group ("Manual"), and the Manual has been assigned to the various business units on real-time basis in a bid to build a comprehensive risk management environment for the Group.

The Group has developed a standard and improved procedural management system and authorisation to prevent or detect unauthorized expenses and payments in a bid to protect the Group's assets so as to ensure the accuracy and completeness of the Group's accounts and ensure that financial statements are prepared reliably and timely.

On the other hand, the Group also has an internal audit department which regularly reviews the routines, procedures, expenses and internal controls (including financial monitoring, operational monitoring and compliance monitoring and risk management functions) for all business units and companies in the Group.

The Group has established a system for handling and dissemination of inside information to ensure that inside information remains confidential until the disclosure of such information is appropriately approved and the dissemination of such information is efficiently and consistently made.

The Board had authorized the Audit Committee and Risk Management Committee to review the effectiveness of the risk management and internal control systems. Information about the two Committees, including their work in 2021, is set out under the sections headed "Audit Committee" on page 23 and "Risk Management Committee" on page 24 of this report.

The Board, through the review of the Audit Committee and Risk Management Committee, was not aware of any areas of concern that would have a material impact on the Group's financial position or result of operations, and considered that the Group's risk management and internal control systems were adequate and effective. The Group had complied with the provisions on risk management and internal control as set out in the CG Code during the year ended 31 December 2021.

Auditor's Remuneration

The Company engages PricewaterhouseCoopers as external auditor and has received a written confirmation from PricewaterhouseCoopers confirming that they are independent and that there are no relationships between PricewaterhouseCoopers and the Company that are likely to impair its independence. The roles and responsibilities of our external auditor are stated under the section headed "Independent Auditor's Report" on pages 64 to 71. During the year ended 31 December 2021, PricewaterhouseCoopers provided the following services to the Group:

Service rendered	*RMB'000*
Audit services	
Annual audit and interim review	3,900
Non-audit services	
Tax services	43
Corporate advisory services	10
Total	3,953

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company endeavours to develop and maintain continuing relationship and effective communication with its shareholders and investors. In order to facilitate and enhance the relationships and communication, the Company has adopted a shareholders communication policy, which is available on the Company's website. The principles of the shareholder communication policy are:

Shareholders' Enquiries

- shareholders should direct their questions about their shareholdings to the Company's share registrar;
- shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available; and
- shareholders and the investment community shall be provided with designated contacts, email addresses and enquiry lines of the Company in order to enable them to make any query in respect of the Company.

Corporate Communication

- corporate communication will be provided to shareholders in plain language and in both English and Chinese versions to facilitate shareholders' understanding; and
- shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communication (in hard copy or through electronic means).

Corporate Website

- a dedicated Investor Relations section is available on the Company's website (http://www.cosmo-lady.com.hk). Information on the Company's website is updated on a regular basis;
- information released by the Company to the Stock Exchange is also posted on the HKEx's website immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents, etc.; and
- all presentation materials provided in conjunction with the Company's annual general meeting and results announcements each year will be made available on the Company's website as soon as practicable after their release.

Shareholders' Meetings

- shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings;
- the process of the Company's general meeting will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that shareholders' needs are best served; and
- board members, in particular, the chairmen of Board committees or their delegates, appropriate management executives and external auditors will attend annual general meetings to answer shareholders' questions.

Investment Market Communications

Investor/analysts briefings and one-on-one meetings, roadshows (both domestic and international), media interviews and marketing activities for investors etc. will be available on a regular basis in order to facilitate communications between the Company, shareholders and the investment community.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting and Put Forward Proposals

(a) Any shareholder(s) holding, at the date of deposit of the requisition, not less than 10% of the paid up capital of the Company may request the Board to convene an extraordinary general meeting. The requisition of the shareholder(s) concerned must clearly state the purposes and transaction of business of the meeting and must be deposited at the Hong Kong office of the Company at Unit 909, 9/F., China Merchants Tower, Shun Tak Centre, Nos. 168–200 Connaught Central, Hong Kong for the attention of the Board or the company secretary. 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. The Company would take appropriate actions and make necessary arrangements in accordance with the requirements under article 64 of the Memorandum and Articles of Association once a valid requisition is received.

(b) The procedures for nomination of Directors by the shareholders of the Company are available on the Company's website at www.cosmo-lady.com.hk.

Procedures for Putting Forward Enquiries to the Board

Shareholders' questions in relation to their shareholdings should be directed to the share registrar of the Company in Hong Kong at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Shareholders may at any time put forward enquiries to the Board through company secretary in writing by mail to the office of the Company in Hong Kong at Unit 909, 9/F., China Merchants Tower, Shun Tak Centre, Nos. 168–200 Connaught Central, Hong Kong.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There was no change in the constitutional documents of the Company during the year ended 31 December 2021 and up to the date of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MESSAGE FROM THE BOARD

This Environmental, Social and Governance Report (the "ESG Report") outlines the initiatives, plans and performance of Cosmo Lady (China) Holdings Limited (the "Company") and its subsidiaries (the "Group") on environmental, social and governance (the "ESG") and demonstrates its commitment to sustainable development.

The Group has incorporated this concept into its business in line with the general trend of sustainable development and is in compliance with regulations including the "Environmental Protection Law of the People's Republic of China" and regulations set by the Environmental Protection Bureau of local governments. At the same time, in pursuit of a successful and sustainable business model, the Group is committed to promoting a culture of environmental and social sustainability among all employees and stakeholders. This culture enables the Group to develop appropriate ESG policies and procedures from a day-to-day operational and governance perspective, to monitor and measure the progress of ESG efforts, and to report its performance to investors and key stakeholders.

The Group takes a top-down approach to the management of its ESG issues. The board of directors of the Company (the "Board") oversees the Group's ESG performance, develops ESG strategies and regularly reviews the progress of the significant ESG issues identified. The Board is also responsible for ensuring the effectiveness of the Group's risk management and internal controls.

The Group has established an Environmental, Social and Governance Working Group (the "ESG Working Group") comprising designated individuals to assist in the collection of data and the preparation of ESG reports and the identification of ESG issues of the Group. The Group's ESG management approach, strategy, risks, performance and progress are regularly discussed, reviewed and examined to review the Group's ESG performance, including environmental, labor practices and other ESG aspects. In addition, these designated officers will report regularly to the Board for evaluation and subsequent implementation or revision of the Group's ESG strategy.

ABOUT THIS REPORT

This ESG report provides an annual update describing the overall ESG performance and initiatives of the Group, including the head office and retail stores in mainland China, for the year ended 31st December 2021. Information and data of the previous year are provided for reference. This report was prepared in accordance with the ESG Reporting Guide ("ESG Reporting Guide") set out in Appendix 27 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The information disclosed in this report originates from official documents of the Group which ensured its content adheres to the four major reporting principles of "Materiality", "Quantitative", "Balance" and "Consistency". The Group will continue to expand its scope of disclosure, to improve its performance and disclosure on sustainability issues.

During the preparation for this ESG Report, the Group has applied the reporting principles stipulated in the ESG Reporting Guide as follows:

- Materiality: Materiality assessment was conducted to identify material issues during 2021, thereby adopting the identified material issues as the focus of preparation of ESG report. The materiality of the issues has been reviewed and confirmed by the Board and the management. Please refer to the "Stakeholders' Engagement" and "Material Assessment" sections for further details.

- Quantitative: This ESG report has included additional clarifications to the quantitative data disclosed to explain any standard, methodologies and conversion factors used during the calculation of emissions and energy consumption.

Environmental, Social and Governance Report

- Consistency: The reporting scope and preparation method of this ESG report were substantially consistent with the previous year, and explanations were provided regarding data with changes in the scope of disclosure and calculation methodologies.

The governance structure and practices of the Group are set out in the "Corporate Governance Report" on pages 21 to 30 of the 2021 Annual Report and the section headed "Message from the Board" of this ESG Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE APPROACHES

As an industry leader in the intimate wear business in mainland China, the Company continuously works towards balancing economic success and stakeholder expectations with the needs of its employees, workers in its supply chain, and the environment. The Group is committed to acting as a responsible enterprise through aligning its core strategy with the sustainability objectives of the communities in which it operates. The Group's core values reflect the Group's culture and are embedded in the day-to-day operations.

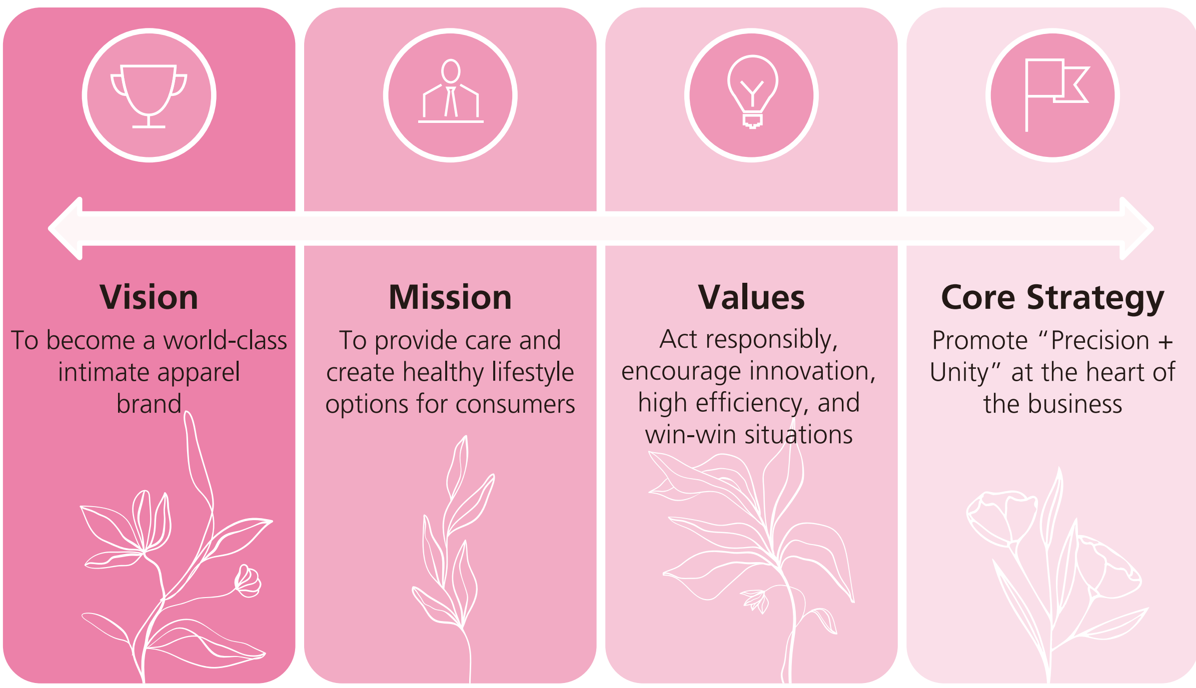


Figure 1: The Group's vision, mission, values, and core strategy

The board of directors of the Company oversees the environmental, social and governance affairs of the Group and strives to enhance the sustainability of the Group in order to ensure socially and environmentally responsible business operations while generating strong returns for shareholders. ESG-related activities are implemented within the Group and sustainability performance and development are monitored and regularly reviewed by the Board to raise awareness and encourage improvement.

STAKEHOLDER ENGAGEMENT & MATERIALITY ASSESSMENT

Open and transparent communication with the Group's stakeholders is a key element in helping to shape the Group's environmental, social and governance visions, policies and practices. This ESG report is an essential tool to engage the Group's stakeholders in order to understand and address their concerns and interests. The Group has a wide range of stakeholders, including the Group's employees, customers, suppliers, industry associations, shareholders and investors, as well as the community-level stakeholders. The Group actively engages with a wide range of stakeholders through group discussions, seminars and surveys.

Relying on the Group's past stakeholder engagement results and ongoing communication channel, the Group continues to gather fair insights on environmental, social and governance performance and prioritize areas for improvement in its business operations. The results of the stakeholder engagement materiality assessment were analyzed in accordance with the requirements of the ESG Reporting Guide. The following areas were identified by stakeholders as being of importance to the Group and are detailed in this ESG report.

Topics	Material aspects
Employment and labor practices	Employment Employee benefits and welfare Care for employees Health and safety Development and training Labor standards
Operating practices	Supply chain management Product responsibility Anti-corruption
Environmental protection	Emissions Use of resources The environment and natural resources Climate change
Community investment	Community investment
Regulatory compliance	Regulatory compliance

Table 1: Material ESG aspects of the Group

EMPLOYMENT AND LABOR PRACTICES

The Group highly values its staff as precious assets contributing to the growth and success of the business, and increasingly works towards building a stronger workforce that encourages mutual trust, respect, and an inclusive, open, healthy, and pleasant workplace. The excellence of the Group stems from staff allegiance, commitment, and innovation to go beyond customer expectations.

The Group has invested in a number of initiatives across the following aspects:

- Employment
- Employee benefits and welfare
- Care for employees
- Health and safety
- Development and training
- Labor standards

Employment

To advocate open and trusting working relationships amongst its employees, the Group attributes great emphasis to fair and equal treatment as well as diversity. The Group acquires new talents through various channels, which include but are not limited to, campus recruitment, experienced hiring, internal recommendations, and Group-sponsored competitions. All candidates are selected in a fair manner based on their ability and competencies, regardless of their age, disability, gender, race, etc.

Understanding that the success of a sustainable business relies on a talented and engaged workforce as well as a balanced and positive working environment, the Group encourages employees to pursue their career paths within the Group. The Group does so by providing multiple promotion tracks for career progression and tailored on-the-job training. As of 31 December 2021, the Group had approximately 3,300 employees with an average monthly turnover rate of 2.24%. Given the nature of business, the workforce is mainly composed of females and young people.

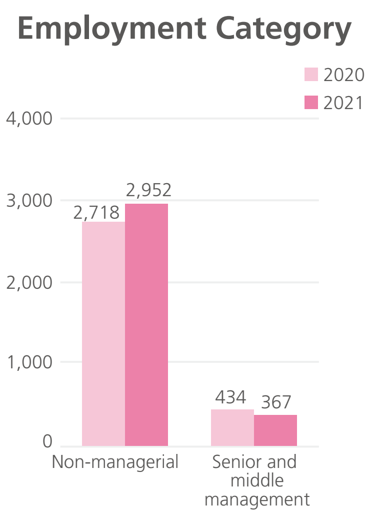


Figure 2: Total workforce by employment category

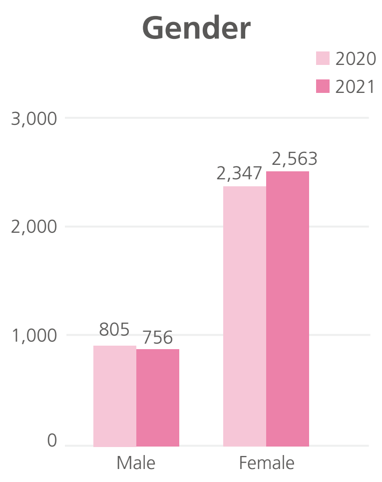


Figure 3: Total workforce by gender

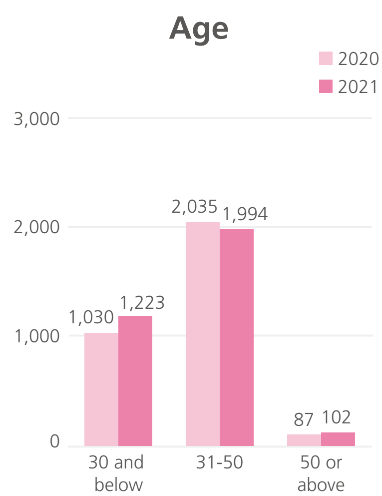


Figure 4: Total workforce by age

Employee Benefits and Welfare

An employee handbook was formally published as one of the human resources initiatives, which stipulates policies and procedures relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, as well as diversity, anti-discrimination, welfare, and other benefits. The Group also implemented human resources management systems to streamline processes for pay and performance, attendance and leave as well as staff promotions. For enhancement purposes, all initiatives are reviewed annually against market conditions and business strategy. The majority of the Group's remuneration packages are above the average in comparison to industry peers. The Group's payment and performance management system, remuneration policy, and bonus system are in place to align staff salaries with their work experience, qualifications, individual performance, and market conditions. Bonus evaluation for employees is based on their performance assessment, the operating performance of their respective business units, and the Group's overall operating results.

Care for Employees

The Group motivates employees to deliver quality work through promoting a comfortable, open, and trusting atmosphere as well as advocating equal opportunities, inclusion, and harmony in the workplace. In addition to recognizing employees' performance at work by appraisals, rewards were also given to employees for achievements in the areas of innovation, service excellence, cost savings, and collaboration. The purpose is to promote the culture of sharing and learning of different aspects between colleagues.

To foster a sense of belonging, the Group organized diverse entertainment and employee engagement activities, including team building activities, staff birthday parties, and photo days throughout the year. Details of the events were typically announced through the Group's WeChat official account. The Group upholds the values of a healthy work-life balance, well-being, and personal growth for its employees. Flexible working arrangements and paid leave are offered to employees to enhance their mental and physical well-being. A gym room and a yoga room located in the office building helped to promote healthy lifestyles among staff. The Group also makes use of a number of channels to facilitate transparent and effective communication between management and other employees, including informal gatherings, newsletters, office administrative bulletins, and online social networking groups.

The Group was awarded the certificate for "Best Employer in China 2021" by the CHiRC in the 16th Business Management Award 2021. This is also the fifth consecutive year that the Company has won this award since 2017 to 2021.

Award: "Best Employer in China 2021" by the CHiRC

Environmental, Social and Governance Report

In 2021, driven by industrial restructuring, digital trends, and pandemics, the traditional work model and employer perception have gradually changed. The Group responded to the changes, integrated resources, paid attention to the experience of internal staff and external talents, and actively improved the employer brand image. Under this new atmosphere, the Group has established a new mechanism on work-life balancing to ensure a continuous development and the positive working and living conditions of employees while trying to adapt to the challenges of external changes. With the Group's efforts on employee benefits aspect, we achieved the followings awards.

Award: "Best Entrepreneur in Caring Employee Development in China 2021"

Award: "2021 Gold Award for the Person of Craftsman's Spirit"

Award: "The Love and Care Enterprise Award – Women's Safety League"

In 2022, the Group will further enhance the employer brand image, establish a harmonious working environment, promote good interaction between employees and the Company, thrive on the employees' morale, and create greater organizational effectiveness and value.

Health and Safety

The Group regards the health and safety of its employees as a priority in caring for them. In addition to fulfilling the basic statutory responsibilities of occupational safety, such as the Law of the People's Republic of China (the "PRC") on Production Safety, the Law of the PRC on Prevention and Control of Occupational Diseases and the Occupational Safety and Health Ordinance of Hong Kong, the Group has formulated a policy on "Injury Prevention and Safety Management System" and implemented internal controls to ensure a zero-hazard workplace to minimize the threat of possible injuries or fatal accidents and regularly conducts fire safety drills for emergency response. Fire safety drills and emergency response activities are conducted regularly. In line with the occupational health and safety assessment series, the Group has established an "Occupational Health and Safety Management System" with reference to OHSAS 18001:2007, which focuses on the comprehensive identification, assessment and implementation of preventive measures for hazards within the Group's area of responsibility. During the reporting year, the Group arranged regular health checks for its employees to ensure their occupational health level. The Group was awarded ISO 45001:2018 Occupational Health and Safety Management System certification in recognition of its efforts to provide a safe and healthy workplace through the prevention of work-related injuries and diseases and proactive improvement of occupational safety and health performance.

In response to the outbreak of coronavirus disease, the Group has implemented a series of measures to ensure a safe working environment. The Group insists on daily cleaning and disinfection in its factories, offices and other facilities, and all entrances are routinely tested for body temperature. The Group provides hand sanitizer and masks to its staff, encourages them to receive vaccinations and take daily preventive measures to reduce the risk of infection in the office, and has flexible working arrangements to deal with unexpected epidemic situations when necessary.

Development and Training

Development programs are a fundamental part of the Group's core strategy to attract new talents, enhance employees' potential and retain existing employees. The Group intends to create an atmosphere of continuous learning and team skills enhancement to meet the needs of the fast-changing market and industry. In order to maintain the Group's professionalism, the Group provides timely development programs such as local training, cultural and sports events and career development planning to relevant employees, thereby enhancing employee engagement and developing and upgrading the skills of future talents.

In 2021, training sessions were provided to all the Group's employees. The respective percentage of staff trained and average training hours per employee by categories are summarized below:

Employee category	Percentage of employees trained	2020 Average training hours	2021 Average training hours
Senior and middle management	100%	103	106
Non-managerial employees	100%	35	48
Store salesman	100%	15	18

Table 2: Average training hours per employee by category

The Group provides similar training for both internal staff and employees from third-party business partners, who are included in the calculation of the above-average training hours.

Labor Standards

The Group's policy of employment and labor standards is fully compliant with the Labor Laws of the PRC and the Employment Ordinance of Hong Kong as well as other applicable laws and regulations of the jurisdictions in which it operates.

In strict compliance with the Labor Contract Law of the PRC, the Law of the PRC on Promotion of Employment, and the Employment Ordinance of Hong Kong, the Group prohibits any form of forced labor and child labor. In particular, the Group strictly follows the Provisions on the Prohibition of Using Child Labor of PRC and the Employment of Children Regulations of Hong Kong to protect the human rights of children and disadvantaged groups.

Regular review mechanisms on employment arrangements encompassing working environment, social insurance, and non-discrimination are in place so as to preserve the right of employees. In alignment with the Group's commitment to conduct ethical business, precautionary measures have been established to preclude possible immoral and corrupt practices within the business operations. These measures are continuously improved to align with necessary remedial measures.

OPERATING PRACTICES

The Group strives to maintain its brand reputation as China's intimate wear industry leader through continuous improvements in its internal processes, product design, and supply chain network. To ensure that its business is in accordance with the highest ethical, social and environmental standards, the Group also strictly abides by applicable laws in China and practices due diligence in the following areas:

- Supply chain management
- Product responsibility
- Anti-corruption

Supply Chain Management

The Group has an extensive supply chain network in the PRC for sourcing garments in Guangdong Province, Jiangsu, Zhejiang, Shanghai and other regions in the PRC. The Group continues to adopt stringent supplier selection criteria and regularly evaluates supplier performance. During the reporting year, the Group worked closely with 104 outstanding suppliers to further stabilize its business and continue to provide high quality products to its customers. This section will further describe the Group's supply chain management process.

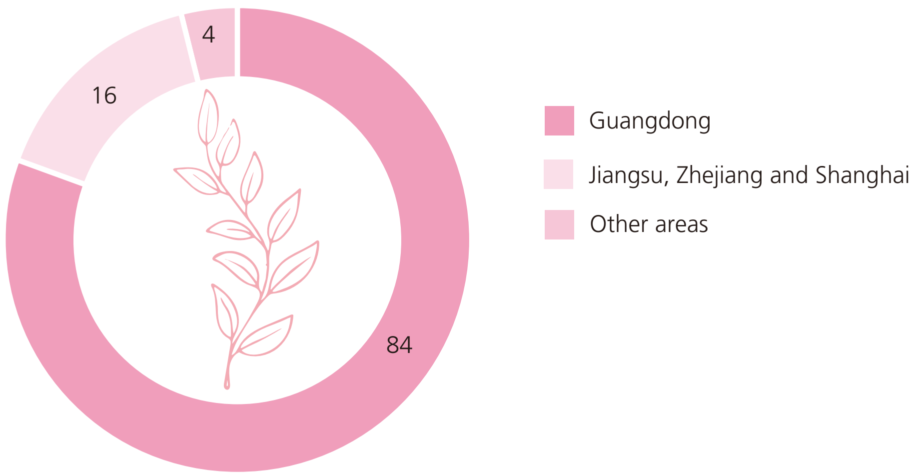


Figure 5: Distribution of suppliers by geographical region

The Group considers partnerships with suppliers and franchisees as an important factor in providing quality products to customers. Therefore, when selecting new business partners, the Group will consider various factors such as the quality of the products supplied and the ethical standards of the potential business partners. Since 2020, the Group has strategically reviewed and revamped its policy and guidelines in the acceptance of new suppliers and the continuation of existing supplier procedures in line with the Group's sustainability strategy, with a view to establishing a green supply chain in the future. The Group is continuously refining its selection process so that suppliers with better environmental performance will be given preference. For example, the Group will consider the pollution emissions, social responsibility and integrity of suppliers. Background checks are conducted annually to evaluate potential suppliers for any of these areas, and suppliers that generate significant amounts of pollution or hazardous waste, have disputes with stakeholders, or are potentially at risk of fraud are given a lower ranking in the annual review process. The Group strives to achieve consistency between parties when there are misalignments and/or inconsistencies in product design, sourcing, packaging or distribution stages prior to the commencement of the relationship, for example, in business operations, product design specifications and risk mitigation requirements.

The Group adopts a strict procurement policy in its business operations as the first step towards achieving sustainability in the supply chain. The Group strive to source materials that meet specific environmental standards, such as products with authoritative independent certificates issued by third parties, to ensure a sustainable supply of products and to promote a greener environment. To ensure continued business growth, the Group has established formal processes to select and evaluate suppliers and to communicate with existing and potential suppliers. The Group will update the supplier list as appropriate to ensure that all suppliers meet the latest standards.

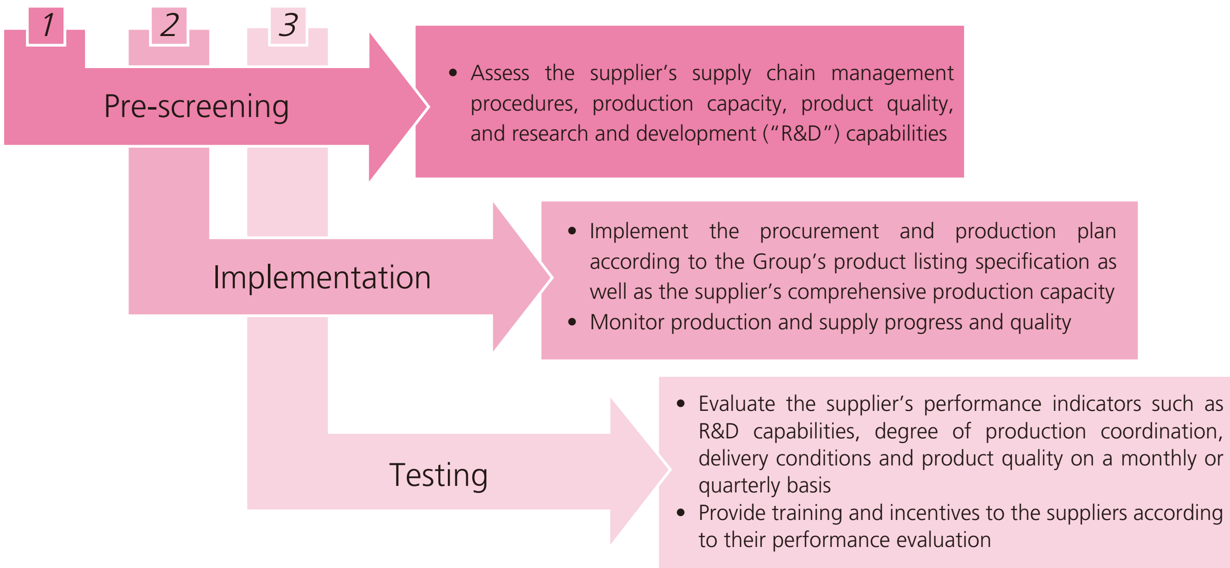


Figure 6: illustration of supply chain management procedures

The Group has established a set of "Qualified Supplier Rating Criteria" to assess suppliers' performance, and assessments are carried out by independent departments to ensure objectivity. The "Qualified Supplier Rating Criteria" have two aims:

- Ensure that the service performance and product quality of new suppliers can meet the Group's standards; and

- Perform quarterly assessments of existing suppliers to evaluate whether they continue to meet the Group's contractor criteria. This also helps to enhance their service performance and product quality.

Product Responsibility

The Group is dedicated to strengthening its brand recognition, solidifying its industry-leading position and offering consumers with superior products. The Group strictly complies with the applicable laws of the PRC on product quality, advertisements, and protection of consumer rights and interests. For example, all the Group's child products meet the requirements of the Safety Technical Code for infants and children textile products implemented in 2016. Different policies and procedures have been drafted to facilitate the integration of such commitment with the Group's daily operations. Clear descriptions of the duties, control methods, and requirements on quality and safety management are published across the Group's properties. The policies focus on the following areas:

- Quality and safety of products and services

- Research and development and design

- Product transport and packaging

- Customers

Specifically, product responsibilities are categorized into three major areas, namely, product information, selection and advice, and accidental injury and privacy protection. In response to the Group's concerns regarding product safety and customer privacy issues, the Group has implemented a set of product quality and safety procedures that deal with the pre-sales and post-sales business phases. These procedures encompass the Group's advertisements, store shopping guides, and customer service hotlines (i.e., telephone and network) amongst other service sectors.

Environmental, Social and Governance Report

Activities such as online ordering and other interactive programs require the Group to handle or retain customers' sensitive information such as personal contact details and their product preferences. Therefore, strict policies are in place to protect the personal data collected for transaction purposes. As a safeguard against information leakage, the Group has also implemented a secure member management system that serves the purpose of data collection, transmission, and storage of membership information. There is no complaint regarding customer privacy or loss of customer data as of 2021.

The Group believes that providing a high-quality shopping experience remains the best way to promote customer loyalty and attract new customers. Therefore, numerous strategies have been implemented on different levels across the Group. On the Group level, initiatives such as "Customer Service Management System", "Store Shopping Guide Process" and "Exhibition Guideline" are constantly optimized across different business departments. On the retail level, staff is required to undergo training to master the "Underwear Product Knowledge Dictionary". This allows the Group's staff to be proficient with the available products, and to assist potential customers in finding their best fit through introducing comprehensive intimate wear information in a friendly environment.

To prevent any adverse effect of products on consumers, the Group's quality control department adopts the most stringent quality inspection procedures that adhere to national standards. The Group obtained the ISO 9001:2015 certification for underwear design, production, sales, warehousing, and freight transportation (within permitted areas) processes. The achievement reaffirms the Group's commitment to ensuring the consistency of products and services quality.

As a pioneer for product quality within the industry, an in-house physical and chemical laboratory was established to support the supply chain. The Group's laboratory is a China National Accreditation Service for Conformity Assessment certified laboratory for IEC CL01 "Accreditation Criteria for the Competency of Testing and Calibration Laboratories", and complies with ISO 17025 standards.

The Group has also set up a customer service centre to manage customer complaints and merchandise returns. The practice of prioritizing complaints allows the Group to manage key customer issues with quicker responses. For general customer complaints, the service centre also has procedures in place to handle them. In 2021, the percentage of total products sold or shipped subject to complaints about quality and other reasons is maintained at a level lower than 0.002%, which is lower than the average industry level.

With significant effort spent on product quality for the past years, in 2021, the Group was selected the "Top 50 most influential Chain Brands", "the Top 30 high-quality Chain Brands", and "the Top 20 most growth potential Chain Brands" in China by the Development of China Brand Conference. In addition, at this year's Forum of the Consuming Responsibility Alliance, the Company was also awarded the "2021 Most Popular Brand" among Young Consumers Award.

Award: "Top 50 most influential Chain Brands in China"

Award: "Top 30 high quality Chain Brands in China"

Award: "Top 20 most growth potential Chain Brands in China"

Award: "2021 Most Popular Brand among Young Consumers Award"

The Group is committed to complying with the national policies, laws, and regulations related to intellectual property rights. Procedures are in place to deal with patent infringement and other violations of intellectual property rights. For the online procedure, the Group has formed a team to monitor several e-Commerce platforms, such as Taobao and Xiaohongshu, on a weekly basis to identify any product with counterfeit trademark launched in the market. Reporting to the local authority or taking legal action will be done by the Group against any identified counterfeit.

Anti-Corruption

The Group regards honesty, integrity, and fairness as valuable intangible assets of an organization. To promote ethical behaviors within the business operations, the Group has established anti-corruption policies and regulations that conform to the Criminal Law and the Anti-unfair Competition Law of the PRC and the Prevention of Bribery Ordinance in Hong Kong. Anti-corruption policies and training are regularly reviewed, adopted, delivered, and communicated within the Group. The Group has developed the following guidelines and management systems:

- Employee handbook
- Employee award management system
- Anti-fraud management system
- Tendering and bidding management system
- Reward and punishment management system
- Anti-corruption training for the employees and board members

The Group has a zero-tolerance policy for any form of unethical behavior, including fraud, bribery, forgery, extortion, conspiracy, embezzlement and collusion. Employees shall not abuse their position to obtain illegal benefits in the form of money or non-pecuniary. Employees are required to report potential conflicts of interest, receipt of gifts of any kind and related party transactions within one month of receiving the benefit. In order to better communicate the expectations of employees' conduct and to implement relevant anti-corruption measures, the Group has established a "Reward and Punishment Management System" and regularly disseminated anti-corruption knowledge to employees, and also provided anti-corruption training in the form of "Integrity Culture Knowledge Presentation" to employees to enhance their anti-corruption awareness. During the year, a reporting hotline was set up. Once an incident of unethical behavior is reported, investigated and verified by the internal testing center, the Group will impose penalties accordingly. Employees involved in unethical behavior may be subject to the following penalties:

- Termination of labor contract
- Recovery of the proceeds of discipline and the losses caused to the Group
- Legal proceedings to recover possible financial damage caused to the Group

As an effective anti-corruption program requires the full cooperation of all stakeholders, the Group requires suppliers and third-party companies to agree to revised anti-bribery agreements to ensure the integrity of all transactions. The Group's risk management center also works with local legal and law enforcement authorities to follow up on confirmed corruption cases and other wrongdoings, and the Group will continue to assist the judiciary in preventing and combating economic crimes. To minimize the risk of wrongdoing that could seriously damage the Group's reputation, the Group encourages employees to report any suspected bribery through our reporting hotline and email.

ENVIRONMENTAL PROTECTION

The Group is committed to reducing its environmental impact through continuous improvements in the sustainability of its daily activities. The Group complies with all applicable environmental protection laws and regulations across all operations, which include the revised Environmental Protection Law of the PRC and regulations set by the Environmental Protection Bureau of Local Government. The Group has also attained ISO 14001:2015 Environment Management Systems to reinforce the Group's dedication to environmental protection.

The Group has implemented policies, procedures, and initiatives to govern the environmental protection objectives to address the following aspects:

- Emission
- Use of resources
- The environment and natural resources
- Climate change

Emissions

To achieve continuous improvements in environmental performance, the Group has established various initiatives to achieve significant reductions in various aspects, namely, air and greenhouse gas emissions, discharges into water and land, and hazardous and non-hazardous waste generation. These include the provision of shuttle buses for employees to the workplace for minimizing emissions from private vehicles. In order to reduce emissions from a business perspective, the Group would only employ and purchase green label certified products to satisfy the Group's transportation and logistics requirements.

The Group encourages responsible management of emissions, natural resources, and the environment in accordance with the Group's "Environment Management Systems". Adhering to the principle of "Reduce, Reuse and Recycle", the Group advocates and facilitates the following segregation, storage, and handling practices:

- Encourage the use of reusable stainless-steel tableware and restrict the use of disposable items in the staff canteen;
- Apply unrestricted fertilizers, pesticides and detergents for daily operations;
- Inspect grease trap to identify any further maintenance required;
- Ensure large-scale publicity and promotional activities would keenly endorse the proper use and handling of recyclable materials;
- Reuse existing office equipment and furniture after the relocation of office; and
- Reallocate redundant equipment and furniture from existing retail stores or reusable equipment and furniture from closed retail stores to new retail stores opened during the year.

In fiscal year 2021, the Group set a target to maintain or reduce the intensity of greenhouse gas emissions over the next three years when compared with 2021, and expects to achieve this target through continuous review of the above carbon reduction measures.

Use of Resources

The Group has adopted various initiatives to promote the efficient use of resources, which include implementing energy conservation programs across its properties to increase energy efficiency and reduce energy usage; and mitigate its contribution to water pollution through freshwater resources preservation. Some specific examples of these policies and initiatives include:

Energy-saving initiatives

- Control air conditioning temperature and reduce air conditioning execution time through the air conditioning light intelligent management platform
- Promote the culture of environmental friendliness to staff
- Maintain an average indoor temperature of 26°C
- Install LEDs or energy-efficient lights in offices and shops
- Utilize natural light when possible in the interior design of department stores to reduce the energy used for lighting

Figure 7: Energy-saving initiatives

Freshwater resources preservation initiatives

- Install efficient water dispensers that minimize water wastage
- Provide water conservation training to staff
- Adopt stricter water utilization supervision to reduce water usage within operational processes
- Install flow regulators for faucets

Figure 8: Freshwater resources presentation initiatives

In fiscal year 2021, the Group set targets to maintain or reduce total energy consumption and water consumption intensity over the next three years when compared with 2021, and expects to achieve these targets through continuous review of the above energy and water conservation measures.

The Group acknowledges the impact of excess packaging on the environment. Therefore, to encourage efficient utilization of packaging materials for products, the Group has the following measures and practices in place:

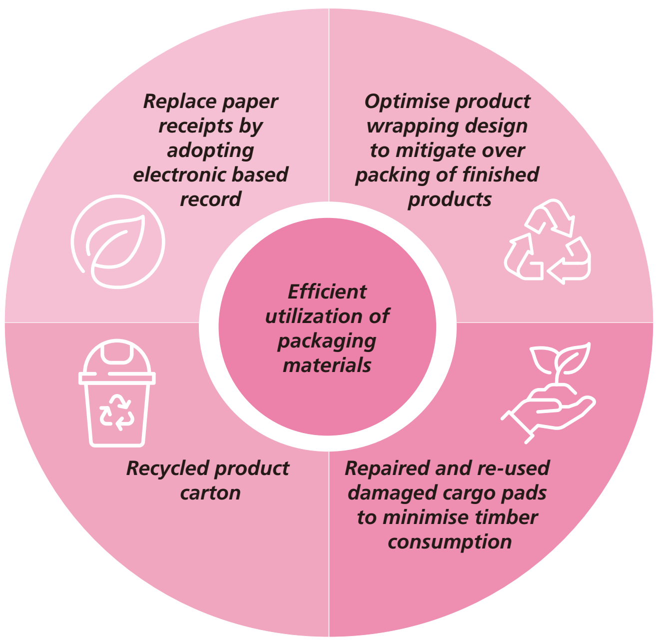


Figure 9: Efficient utilization of packaging materials initiatives

In fiscal year 2021, the Group set a target to maintain or reduce the intensity of hazardous and non-hazardous waste emissions for the next three years compared to 2021 and expects to achieve this target through continuous review of the above waste reduction measures.

The Environment and Natural Resources

The Group is committed to managing its impacts on the environment and natural resources. To show the Group's dedication, strict environmental management policies are in place to strive for continuous improvements in the environmental management system with various targets and responsibility assessments. These strategies aim to minimize the negative impacts on the environment and natural resources when the Group conducts business. The Group's commitment to environmental protection is evident throughout its factory, office space and other facilities. For instance, an air quality-processing device that measures and assesses the quality of air emitted from exhaust pipes was installed in the staff cafeteria. The Group also oversees noise pollution from facilities, by prohibiting the use of car horns in the factory. The plant equipment is calibrated in a timely manner to prevent environmental impact. By 2021, no material hazardous waste is produced by the Group.

Climate Change

Climate change is a foreseeable and irreversible threat that largely affects our daily life in the future. Under this challenging atmosphere, investors intend to allocate their capital towards carbon reduction projects or sustainable projects according to the principle of responsible investment. The Group anticipates its key stakeholders (customers, suppliers, communities) to raise their expectations on how the Group responds to the climate-related issues. The Group has the capability to deal with the transition and physical risks that might occur on the financial performance and explore the opportunities in its business.

Mitigation of transition & physical risks	Adaption of climate change
• Taking climate change into consideration in the procurement process • Increasing the use of low carbon materials in production and packaging • Encouraging the employees, supplier, and other stakeholders to reduce carbon footprint in the daily business operation • Increasing the use of renewable energy in offices	• Regularly monitoring the climate-related trends, policies and, regulations • Regularly review the Group's response plan, including the scenarios of potential extreme weather that may cause the suspension of business operation and the reaction of the Group's professional team to minimize the adverse impacts • Keeping abreast of global regulatory developments to reporting framework (such as TCFD, GRI) to enhance clear evaluation of the Group's climate strategies

Table 3: Climate change risks and adaption

Environmental Performance

Environmental performance data for the year ended 31 December 2021 are as follows:

Environmental KPIs	Unit	2021	2020
NOx emissions	tonne	**0.464**	0.300
SOx emissions	tonne	**0.000427**	0.000913
Particulate matter emissions	tonne	**0.0451**	0.0293
Total GHG emissions	tonne (CO_2)	**4,547**	5,651
Greenhouse gas emissions (Scope 1)	tonne (CO_2)	**170.77**	158.4
Greenhouse gas emissions (Scope 2)	tonne (CO_2)	**4,373**	5,493
Total energy consumption	GJ	**26,790**	25,810
Total energy consumption intensity	GJ/Revenue (in million)	**7.95**	8.44
Total direct energy consumption	GJ	**987**	2,176
Petrol	GJ	**509**	1,014
Diesel Oil	GJ	**479**	1,162
Total indirect energy consumption	GJ	**25,802**	23,634
Purchased electricity	GJ	**25,802**	23,634
Water consumption	m^3	**204,156**	157,897
Water consumption intensity	m^3/Revenue (in million)	**60.58**	51.65
Packaging material	tonne	**191**	164
Packaging material intensity	tonne/Revenue (in million)	**0.06**	0.05

Table 4: Environmental performance table

Note: The scope of data covered in this report includes Fenggang Office, Yuquan, Fumin and Tianan Industrial Park, but excludes the retail stores. The scope of the report has been adjusted due to the relocation of the Yuquan office in the second half of 2021.

COMMUNITY INVESTMENT

The Group is committed to actively exploring community investment opportunities in order to fulfill its social responsibility and give back to the community. The Group's corporate philanthropic activities have led it to take appropriate measures to support young people, care for those in need, alleviate poverty, promote the protection of women and foster culture. To achieve its vision, the Group is committed to sponsoring local sports tournaments and providing assistance after natural disasters.

Photo: The moment the Group donated materials to be loaded on the truck

Photo: The moment the rescue team moved the trapped old man

The relevant departments of the Group will maintain close contact with local non-government organizations and regularly participate in charity events organized by community organizations. The Group monitors the donations and implementation progress of these activities to ensure accountability and consistency of the Group's community investment efforts. During the coronavirus outbreak, the Group worked with the government and the community to make donations. A series of material collection activities were arranged, such as collecting clothing and cleaning and disinfection supplies for donation. The Group also actively participated in pandemic prevention activities in line with the national pandemic prevention policy, including the organizing service of the COVID-19 vaccination and the universal screening in Fenggang Tiananmen.

During the year ended 31 December 2021, the Group donated over RMB1.1 million for the construction of the Xiamen University Industrial Space Research Center in the Greater Bay Area and the donation events for poverty alleviation in Xiadang Township, Shouning County, Fujian Province and the flooding in Henan Province, sparing no effort in the areas of academic development, poverty alleviation and disaster relief to build a better community. In addition, the Group participated in activities organized by the government and certain non-profit societies and donated RMB20,000 in cash to support the needy. During the reporting period, the Group organized 13 volunteer projects with over 250 hours of volunteer work. The scope is as follows:

Scope	Number of projects in 2021
Health and protection	5
COVID-19-related prevention	4
Education and poverty alleviation	4

Table 5: Number of social investment projects by the scope

REGULATORY COMPLIANCE

As a socially and environmentally responsible business, the Group recognizes the importance of regulatory compliance and has established preventive and monitoring measures to ensure compliance with relevant laws and regulations. The Group continuously stays abreast of the latest regulatory developments and will provide relevant training for relevant personnel. The Group did not observe any forms of non-compliance with laws and regulations within the reporting period that may cause a potential impact on the Group's operating areas, such as environmental protection and conservation, employment, labor practices, operational and organizational activities.

Laws and Regulations of the PRC	Laws and Regulations of Hong Kong
Labor-related	
Law of the PRC on the Prevention and Treatment of Occupational Diseases	Occupational Safety and Health Ordinance
Law of the PRC on Work Safety	Employment Ordinance
The Labor Law of the PRC	Employment of Children Regulations
The Labor Contract Law of the PRC	
The Employment Promotion Law of the PRC	
Provisions on the Prohibition of Using Child Labor	
Fire Protection Law of the PRC	
Governance-related	
Criminal Law of the PRC	Prevention of Bribery Ordinance
Anti-unfair Competition Law of the PRC	Trade Description Ordinance
Law of the PRC on the Protection of Consumer Rights and Interests	
The Advertising Law of the PRC	
Interim Measures for the Administration of Internet Advertisements	
Product Quality Law of the PRC	
Company Law of the PRC	
The Bidding Law of the PRC	
Interim Provisions on Prohibition of Commercial Bribery	
Environmental-related	
Environmental Protection Law of the PRC	Waste Disposal Ordinance
The Water Pollution Prevention and Control Law of the PRC	Water Pollution Control Ordinance
Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes	Product Eco-responsibility Ordinance

Table 6: Regulatory compliance

CONTENT INDEX
HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

General Disclosures and KPIs	Description	Reference paragraph, table and figure and remarks
A. Environmental		
Aspect A1: Emissions		
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 air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions Table 6: Regulatory compliance
KPI A1.1	The types of emissions and respective emissions data.	Table 4: Environmental performance table
KPI A1.2	Direct (scope 1) and energy indirect (scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.	Table 4: Environmental performance table
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Not applicable. There is no significant hazardous waste generated by the Group during the reporting period.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Table 4: Environmental performance table
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Emissions
KPI 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
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of resources
KPI A2.1	Direct and/or indirect energy consumption by type in total (kWh in ’000s) and intensity.	Table 4: Environmental performance table
KPI A2.2	Water consumption in total and intensity.	Table 4: Environmental performance table
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of resources
KPI 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.	Use of resources
KPI A2.5	The total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Table 4: Environmental performance table

General Disclosures and KPIs	Description	Reference paragraph, table and figure and remarks
Aspect A3: The Environmental and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	The environment and natural resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The environment and natural resources
Aspect 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.	Climate change Table 3: Climate change risks and adaption
KPI 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.	Climate change Table 3: Climate change risks and adaption
B. Social		
Employment and Labor Practices		
Aspect 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 and labor practices Table 6: Regulatory compliance
KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group, and geographical region.	Figure 2: Total workforce by employment category Figure 3: Total workforce by gender Figure 4: Total workforce by age group
KPI B1.2	Employee turnover rate by gender, age group, and geographical region.	Employment
Aspect 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.	Health and safety Table 6: Regulatory compliance
KPI B2.1	The number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and safety
KPI B2.2	Lost days due to work injury.	Health and safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and safety

General Disclosures and KPIs	Description	Reference paragraph, table and figure and remarks
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).	Table 2: Average training hours per employee by category
KPI B3.2	The average training hours completed per employee by gender and employee category.	Table 2: Average training hours per employee by category
Aspect B4: Labor 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 labor.	Labor standards Table 6: Regulatory compliance
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	Labor standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labor standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply chain management
KPI B5.1	Number of suppliers by geographical region.	Figure 5: Distribution of suppliers by geographical region
KPI 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.	Supply chain management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply chain management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply chain management

General Disclosures and KPIs	Description	Reference paragraph, table and figure and remarks
Aspect 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.	Product responsibility Table 6: Regulatory compliance
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable. There is no product recall for safety and health reasons during the reporting period.
KPI B6.2	Number of products and services related complaints received and how they are dealt with.	Product responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Product responsibility
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product responsibility
Aspect 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.	Anti-corruption Table 6: Regulatory compliance
KPI 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.	There are no cases of significant corruption recorded during the reporting period.
KPI B7.2	Description of preventive measures and whistleblowing procedures, and how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
Community		
Aspect 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
KPI B8.1	Focus areas of contribution (e.g., education, environmental concerns, labor needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g., money or time) to the focus area.	Community Investment Table 5: Number of social investment projects by the scope

REPORT OF THE DIRECTORS

The board of directors of the Company (the "Board") is pleased to present its report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the design, research, development and sale of its own branded intimate wear products (namely, bras, underpants, sleepwear and loungewear, thermal clothes and others, which include leggings and tights, vests, hosiery and accessories) in the People's Republic of China (the "PRC").

The detail principal activities of the subsidiaries of the Company were set out in Note 39 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group, a discussion and analysis of the Group's operating performance and a discussion of the Group's future development are provided in the Statement from Chairman and Chief Executive Officer and the Management Discussion and Analysis sections, on pages 5 to 7 and on pages 10 to 15 of this report respectively.

A description of the principal risks and uncertainties that the Company may be facing can be found in the Management Discussion and Analysis section on pages 10 to 15 of this report. Additionally, the financial risk management objectives and policies of the Company can be found in Note 3 to the consolidated financial statements. Discussions on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are provided on pages 31 to 51 of this report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated financial statements on pages 72 to 73.

No interim dividend was declared for 2021 (2020: Nil). The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining shareholders' entitlement to attend and vote at the annual general meeting to be held on 2 June 2022 (the "2022 AGM"), the register of members of the Company will be closed from Monday, 30 May 2022 to Thursday, 2 June 2022, both days inclusive, during which period no transfer of shares of the Company will be effected.

In order to be eligible to attend and vote at the 2022 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong Special Administrative Region ("Hong Kong") of the PRC, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Friday, 27 May 2022 for registration.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"). The recommendation of payment of any dividend is subject to the sole discretion of the Board and any declaration of final dividend will be subject to the approval of the shareholders of the Company. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account:

- the Group's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the members of the Group;
- shareholders' interests;
- the Group's expected working capital requirements and future expansion plans;
- taxation considerations;
- the level of the Group's debts to equity ratio, return on equity and financial covenants;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- general business conditions and strategies;
- general economic conditions, business cycles of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- any other factors the Board deem appropriate.

The declaration, recommendation and payment of any dividends are also subject to all requirements of the Companies Law of the Cayman Islands and the Memorandum and Articles of Association of the Company. The Dividend Policy will be reviewed when necessary, and can be revised and/or modified by the Board from time to time.

BORROWINGS

Details of borrowings of the Group as at 31 December 2021 are set out in Note 33 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 28 to the consolidated financial statements.

DONATIONS

During the year ended 31 December 2021, charitable and other donations made by the Group amounted to approximately RMB1,120,000 (2020: RMB828,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 17 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

RESERVES

The distributable reserves of the Company as at 31 December 2021 amounted to approximately RMB1,500,348,000 (2020: RMB1,558,426,000).

Movements in reserves of the Group and of the Company during the year are shown in the Consolidated Statement of Changes in Equity on pages 76 to 77, and Note 28, Note 29 and Note 36 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and financial position of the Group for the preceding five financial years is set out on page 146.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2021, the percentage of the Group's turnover attributable to the Group's largest customer and the five largest customers in aggregate were approximately 1.2% and 1.9% (2020: 0.9% and 2.7%) respectively.

During the year ended 31 December 2021, the percentage of the Group's purchases attributable to the Group's largest suppliers and the five largest suppliers in aggregate were approximately 3.6% and 16.1% (2020: 4.9% and 18.7%) respectively.

During the year ended 31 December 2021, none of the Directors or any of their associates or any shareholders (which to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital) had any interest in any of five largest customers or suppliers of the Group.

DIRECTORS

The Directors who held office during the year and up to date of this report are as follows:

Executive Directors

Mr. Zheng Yaonan
Mr. Zhang Shengfeng
Ms. Wu Xiaoli
Mr. Siu Ka Lok (resigned on 31 November 2021)

Non-executive Directors

Mr. Lin Zonghong
Mr. Wen Baoma
Mr. Jiang Bo (resigned on 28 February 2022)
Mr. Chen Xin (appointed on 28 February 2022)
Ms. Fung Yat Carol (appointed on 9 September 2021)

Independent Non-executive Directors

Mr. Yau Chi Ming
Dr. Dai Yiyi
Mr. Chen Zhigang
Dr. Lu Hong Te

A profile of the existing Directors is shown on pages 16 to 20.

Information relating to emoluments paid to the Company's Directors during the year is set out in Note 11 to the consolidated financial statements.

The emoluments of the executive Directors were determined by the remuneration committee of the Board (the "Remuneration Committee") and the fees of the non-executive Directors (whether independent or not) were fixed by the Board under the authorization of the shareholders of the Company and on the recommendation of the Remuneration Committee.

All Directors are subject to retirement by rotation at annual general meeting of the Company in accordance with the Company's Memorandum of Article of Association. Article 108 provides that at every 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. The Directors to retire in every year shall be those who have been longest in office since their last 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. A retiring Director shall be eligible for re-election. In this connection, Ms. Wu Xiaoli, Mr. Yau Chi Ming, Dr. Dai Yiyi and Dr. Lu Hong Te will retire by rotation at the 2022 AGM and, being eligible, offer themselves for re-election.

Ms. Fung Yat Carol and Mr. Chen Xin were appointed as non-executive Directors on 9 September 2021 and 28 February 2022 respectively. In accordance with article 112 of the Company's Memorandum and Articles of Association, they will retire at 2022 AGM and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at 2022 AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

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 year ended 31 December 2021.

PERMITTED INDEMNITY PROVISION

Pursuant to the Memorandum and Articles of Association of the Company and subject to the provisions of the Companies Ordinance, every Director and officer of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain in or about the execution of their duty in their respective offices, except such as (if any) they incur or sustain through their own fraud or dishonesty. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year under review.

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

As at 31 December 2021, the interests and short positions of the Directors and the chief executive of the Company or any of their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(i) Interest and short positions in the Company

Name of directors	Nature of interest	Number of shares held[(1)]	Approximate percentage of shareholding interest[(1)]
Mr. Zheng Yaonan[(2)]	Interest of controlled corporation; founder of a discretionary trust who can influence how the trustee exercises his discretion	793,650,944 (L)	35.28% (L)
Ms. Wu Xiaoli[(2)]	Interest of spouse; other (beneficiary of a discretionary trust)	793,650,944 (L)	35.28% (L)
Mr. Zhang Shengfeng	Founder of a discretionary trust who can influence how the trustee exercises his discretion	222,625,173 (L)	9.90% (L)
Mr. Lin Zonghong	Founder of a discretionary trust who can influence how the trustee exercises his discretion	156,290,277 (L)	6.95% (L)
Mr. Wen Baoma	Beneficial owner	5,000,000 (L)	0.22% (L)
Dr. Lu Hong Te	Beneficial owner	210,000 (L)	0.01% (L)

Notes:

(1) The letter "L" denotes the person's long position in the shares. The calculation is based on the number of ordinary shares that each person is interested in (whether directly/indirectly interested or deemed to be interested) as a percentage of the total number of issued ordinary shares (that is, 2,249,457,213 shares) of the Company as at 31 December 2021.

(2) Ms. Wu Xiaoli is the spouse of Mr. Zheng Yaonan. Under Part XV of the SFO, she was deemed to be interested in the same number of shares in which Mr. Zheng Yaonan is interested. Ms. Wu Xiaoli is also one of the beneficiaries of a discretionary trust, founded by Mr. Zheng Yaonan, which holds the entire issued share capital of Yao Li Investment Holdings Limited.

(ii) Interest in associated corporations of the Company

As at 31 December 2021, none of the Directors or the chief executive of the Company or any of their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2021, the following shareholders (other than the Directors and chief executive) were interested, directly or indirectly, in 5% or more of the number of issued shares and the underlying shares of the Company and those interests were required to be recorded in the register required to be kept under Section 336 of the SFO:

Name	Nature of interest	Number of shares held(1)	Approximate percentage of shareholding interest(1)
TMF (Cayman) Limited(2)	Trustee	1,129,778,852 (L)	50.22% (L)
Great Brilliant Investment Holdings Limited(3)	Interest of controlled corporation, beneficial owner	750,863,402 (L)	33.38% (L)
Yao Li Investment Holdings Limited(2), (3)	Interest of controlled corporation	750,863,402 (L)	33.38% (L)
Harmonious Composition Investment Holdings Limited(3), (4)	Beneficial owner	735,018,732 (L)	32.68% (L)
Fosun International Holdings Limited(5)	Interest of controlled corporation	240,000,000 (L)	10.67% (L)
Fosun International Limited(5)	Beneficial owner	240,000,000 (L)	10.67% (L)
Mr. Guo Guangchang(5)	Interest of controlled corporation	240,000,000 (L)	10.67% (L)
Ms. Cai Shaoru(6)	Interest of spouse	222,625,173 (L)	9.90% (L)
Forever Flourish International Holdings Limited(7)	Beneficial owner	222,625,173 (L)	9.90% (L)
Xin Feng Asset Holdings Limited(2),(7)	Interest of controlled corporation	222,625,173 (L)	9.90% (L)
Ms. Cai Jingqin(8)	Interest of spouse	156,290,277 (L)	6.95% (L)
Forever Shine Holdings Limited(9)	Beneficial owner	156,290,277 (L)	6.95% (L)
Hong Ye Asset Holdings Limited(2),(9)	Interest of controlled corporation	156,290,277 (L)	6.95% (L)
Prime Capital Management Company Limited	Investment manager	134,645,634 (L)	5.99% (L)
Capital Today Investment XVIII (HK) Limited(10)	Beneficial owner	133,156,000 (L)	5.92% (L)
Capital Today Investment XVIII Limited(10)	Interest of controlled corporation	133,156,000 (L)	5.92% (L)
Capital Today China Growth Fund, L.P.(10)	Interest of controlled corporation	133,156,000 (L)	5.92% (L)
Capital Today China Growth GenPar, LTD(10)	Interest of controlled corporation	133,156,000 (L)	5.92% (L)
Capital Today Partners Limited(10)	Interest of controlled corporation	133,156,000 (L)	5.92% (L)
Ms. Xu Xin(10)	Interest of controlled corporation	133,156,000 (L)	5.92% (L)

Report of the Directors

Notes:

(1) The letter "L" denotes the person's long position in the shares. The calculation is based on the number of ordinary shares that each person is interested in (whether directly/indirectly interested or deemed to be interested) as a percentage of the total number of issued ordinary shares (that is, 2,249,457,213 shares) of the Company as at 31 December 2021.

(2) TMF (Cayman) Limited in its capacity as the trustee holds, among others, the entire issued share capital of Yao Li Investment Holdings Limited, Xin Feng Asset Holdings Limited and Hong Ye Asset Holdings Limited. The three discretionary trusts are founded by Mr. Zheng Yaonan, Mr. Zhang Shengfeng and Mr. Lin Zonghong respectively for themselves and their close relatives.

(3) Great Brilliant Investment Holdings Limited, a company incorporated in the British Virgin Islands, is a wholly-owned subsidiary of Yao Li Investment Holdings Limited. Yao Li Investment Holdings Limited is a company incorporated in the British Virgin Islands and wholly owned by TMF (Cayman) Limited as the trustee.

(4) Harmonious Composition Investment Holdings Limited is a wholly-owned subsidiary of Great Brilliant Investment Holdings Limited, and held approximately 735,018,732 shares of the Company, representing approximately 32.68% of the entire issued share capital of the Company.

(5) Fosun International Limited is indirectly owned as to 71.77% by Fosun International Holdings Limited, which is in turn owned as to 64.45% by Mr. Guo Guangchang. As such, each of Mr. Guo Guangchang and Fosun International Holdings Limited was deemed to be interested in the 240,000,000 shares of the Company held by Fosun International Limited.

(6) Ms. Cai Shaoru is the spouse of Mr. Zhang Shengfeng. Under Part XV of the SFO, she was deemed to be interested in the same number of shares in which Mr. Zhang Shengfeng was interested.

(7) Forever Flourish International Holdings Limited, a company incorporated in the British Virgin Islands, is a wholly-owned subsidiary of Xin Feng Asset Holdings Limited. Xin Feng Asset Holdings Limited is a company incorporated in the British Virgin Islands and is wholly owned by TMF (Cayman) Limited as the trustee.

(8) Ms. Cai Jingqin is the spouse of Mr. Lin Zonghong. Under Part XV of the SFO, she was deemed to be interested in the same number of shares in which Mr. Lin Zonghong was interested.

(9) Forever Shine International Holdings Limited, a company incorporated in the British Virgin Islands, is a wholly-owned subsidiary of Hong Ye Asset Holdings Limited. Hong Ye Asset Holdings Limited is a company incorporated in the British Virgin Islands and is wholly owned by TMF (Cayman) Limited as the trustee.

(10) Capital Today Investment XVIII (HK) Limited, a Hong Kong registered company, held 133,156,000 shares, representing approximately 5.92% of the total issued share capital of the Company. Capital Today Investment XVIII (HK) Limited is wholly owned by Capital Today Investment XVIII Limited, which is an exempted company incorporated in the British Virgin Islands. Capital Today China Growth Fund, L.P., an exempted limited partnership registered in the Cayman Islands, holds approximately 99.58% shareholding interest in Capital Today Investment XVIII Limited. The sole general partner of Capital Today China Growth Fund, L.P. is Capital Today China Growth GenPar, LTD, an exempted company registered in the Cayman Islands, approximately 91.19% shareholding interest of which is owned by Capital Today Partners Limited. Capital Today Partners Limited is solely owned by Ms. Xu Xin. Therefore, under Part XV of the SFO, each of Capital Today Investment XVIII Limited, Capital Today China Growth Fund, L.P., Capital Today China Growth GenPar, LTD, Capital Today Partners Limited and Ms. Xu Xin was deemed to be interested in 133,156,000 shares held by Capital Today Investment XVIII (HK) Limited, representing approximately 5.92% of the total issued share capital of the Company.

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any persons (other than the Directors and chief executive) who had, directly or indirectly, interest or short positions in shares and underlying shares of the Company and those interests or short positions were required to be recorded in the register kept under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 9 June 2014 (the "Share Option Scheme"). Under the Share Option Scheme, there were no options granted, exercised, cancelled or lapsed during the year ended 31 December 2021, nor was there any option outstanding at the beginning or at the end of the year.

The principal terms of the Share Option Scheme are as follows:

(a) Purpose

The purpose of the Share Option Scheme is to provide incentives and/or rewards to any director or employee of the Group who in the sole discretion of the Board has contributed or will contribute to the Group for their contribution to, and continuing efforts to promote the interests of the Group.

(b) Participants

The Board shall be entitled at any time within the period of 10 years after the adoption date to grant options to any Directors or employees of the Group, who in the sole discretion of the Board has contributed or will contribute to the Group, to subscribe for such number of shares as the Board may determine at the subscription price.

(c) Maximum number of shares available for issue

The maximum number of shares available for issuance under the Share Option Scheme is 190,645,700 shares, which are not more than 10% of the total number of issued shares of the Company as at the date of the approval of the Share Option Scheme, and represents approximately 8.48% of the total number of issued shares of the Company as at the date of this report.

(d) Maximum entitlement of each participants

The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted to any participant under the Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in any 12 month period shall not at the time of grant exceed 1% of the shares in issue. If any further grant of options to a participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders in general meeting with such participant and his associates abstaining from voting.

(e) Acceptance of an offer of options

An offer of the grant of an option under the Share Option Scheme shall remain open for a period of 28 days from the date on which such offer is made to a participant, provided that no such offer shall be open for acceptance after the tenth anniversary of the adoption date of the Share Option Scheme or after the termination of the Share Option Scheme. Participants are required to pay HK$1.00 as consideration for the acceptance of an option granted to them.

(f) Performance target and minimum holding period

Subject to such terms and conditions as the Board may determine, there is no minimum period for which an option must be held before it can be exercised and certain performance targets need to be achieved by the grantees before vesting and exercise of the options.

(g) Basis of determining the exercise price

The exercise price shall be a price determined by the Board at the time of grant of the relevant options and shall be at least the higher of:

(i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of the options, which must be a business day;

(ii) the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share.

(h) The remaining life of the Share Option Scheme

Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective till 8 June 2024.

SHARE AWARD SCHEMES

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

The Cosmo Lady Employee Benefit Trust was established to manage the trust property of the Share Award Schemes. As at 31 December 2021, a total of 56,035,800 shares of the Company were held by the trustee.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this report, no equity-linked agreements were entered into by the Company during the year under review or subsisted at the end of this year.

DEED OF NON-COMPETITION

Pursuant to a deed of non-competition dated 9 June 2014 (the "Deed of Non-competition") entered into among Mr. Zheng Yaonan and Harmonious Composition Investment Holdings Limited (collectively the "Controlling Shareholders") and the Company, the Controlling Shareholders have given certain non-competition undertakings in favor of the Company. Please refer to the Prospectus of the Company for details of the terms of the Deed of Non-competition.

The independent non-executive Directors have reviewed matters relating to the compliance with the Deed of Non-competition in 2021.

The Controlling Shareholders have provided the Company with an annual confirmation of compliance with the provisions of the Deed of Non-competition.

During 2021, the Controlling Shareholders provided the Company with all information necessary for the enforcement of the Company's rights under the Deed of Non-competition, all information reasonably requested by the Company from time to time relating to the Excluded Businesses (as defined in the Deed of Non-competition) and such other business opportunities or activities related to any business of the Group as the Company reasonably believed was available to them or that they may be planning to participate in, as well as access to appropriate staff members of theirs to discuss and obtain such information, in order to enable the Company to consider whether to exercise any of its rights under the Deed of Non-competition.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2021, none of the Directors is interested in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in this report, there had been no transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with the Director (within the meaning of Section 486 of the Companies Ordinance) had a material interest, whether directly or indirectly, were entered into during the year ended 31 December 2021 or subsisted at the end of the year or at any time during the year.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2021, the Group has entered into the following agreement(s) which constitutes continuing connected transaction(s) subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules:

Framework purchase agreement with Shantou Shengqiang ("Shantou Shengqiang Agreement")

Date : 25 May 2020

Parties : The Company (as the purchaser); and

Shantou City Shengqiang Knitting Industrial Co., Ltd. ("Shantou Shengqiang") (as the supplier)

Transaction nature and purpose : Pursuant to the Shantou Shengqiang Agreement, the Company will purchase intimate wear products from Shantou Shengqiang, as an OEM supplier, and sell such products under the Group's brand.

Term : 25 May 2020 and up to 31 December 2022 (inclusive)

Annual caps : The maximum aggregate annual procurement amount from Shantou Shengqiang for the years ending 31 December 2020, 2021 and 2022 respectively shall not exceed the caps set out below:

	FY2020	FY2021	FY2022
		(RMB'000)	
Total procurement amount	33,000	35,000	38,000

Pricing policy : Under the Shantou Shengqiang Agreement, the purchase prices shall be determined on a cost-plus basis, with a mark-up rate of no more than 9%. The purchase prices shall not be higher than the prices at which the Company purchases similar products from independent third-party OEM suppliers.

Actual transaction amount for the year ended 31 December 2021 : RMB24,000,000

Mr. Cai Shaoqiang (a brother of the spouse of Mr. Zhang Shengfeng, an executive Director), together with his wife, in aggregate, own the entire equity interest in Shantou Shengqiang and hence Shantou Shengqiang is an associate (as defined under Chapter 14A of the Listing Rules) of Mr. Zhang Shengfeng and a connected person of the Group. Further details of the transactions contemplated under the Shantou Shengqiang Agreement are disclosed in the Company's announcements dated 25 May 2020 and 8 July 2020.

REVIEW OF THE CONTINUING CONNECTED TRANSACTIONS

The independent non-executive Directors have reviewed the continuing connected transactions of the Company and confirmed that the transactions have been entered into:

a. in the ordinary and usual course of business of the Group;

b. on normal commercial terms or better; and

c. in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to perform certain procedures in respect of the continuing connected transactions of the Company in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transaction.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken during the year ended 31 December 2021 are set out in Note 38 to the consolidated financial statements, which included the abovementioned continuing connected transactions of the Company. In particular, the related party transactions with Shantou City Maosheng Knitting Underwear Co., Ltd. constituted continuing connected transactions under Chapter 14A of the Listing Rules but were fully exempted from relevant disclosures and other requirements, including, announcement, circular and independent shareholders' approval and annual review in accordance with the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules. Save for the transactions disclosed in the above section headed "Continuing Connected Transaction" and this section, none of the related party transactions as disclosed under Note 38 to the consolidated financial statements constitutes connected transaction or continuing connected transaction that is subject to, among other things, reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules. To the extent that the Group's related party transactions constituted connected transactions or continuing connected transactions as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the year ended 31 December 2021.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group commits to comply with the relevant laws and regulations including, inter alia, the Companies Ordinance, the Listing Rules, and other applicable local laws and regulations in various jurisdictions in which it operates. During the year ended 31 December 2021 and up to the date of this report, the Group was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on its business and operation.

RETIREMENT SCHEMES

The Group participated in various retirement benefit schemes in accordance with relevant rules and regulations in the PRC and Hong Kong. Particulars of the retirement benefit schemes are set out in Note 30 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, during the year ended 31 December 2021 and up to the date of this report, there has been sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

AUDITOR

The consolidated financial statements for the year ended 31 December 2021 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the 2022 AGM of the Company.

On behalf of the Board
Zheng Yaonan
Chairman

Hong Kong, 31 March 2022

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Cosmo Lady (China) Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Cosmo Lady (China) Holdings Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 72 to 145, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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 International Standards on Auditing ("ISAs"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matters identified in our audit are summarised as follows:

- Provision for impairment of inventories
- Expected credit losses of trade receivables
- Impairment of retail store assets

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for impairment of inventories Refer to note 4(a) (Critical accounting estimates and judgements) and note 24 (Inventories) to the consolidated financial statements. As at 31 December 2021, the Group's gross inventories and provision for impairment of inventories amounted to RMB1,308 million and RMB343 million, respectively. As described in the Accounting Policies in note 2.11 to the consolidated financial statements, inventories are carried at lower of cost and net realisable value. We focused on auditing the impairment of inventories because the estimation of net realisable value is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of inventories is considered significant due to significant judgements involved in estimating selling price less costs to sell, including consideration of distribution channel, condition and classification of products, latest selling price, use of discount rate as sales promotion, expected changes in economic conditions and customer needs.	We obtained an understanding of the management's internal control and assessment process of provision for impairment of inventories and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud. • We evaluated the outcome of prior period assessment of provision for impairment of inventories to assess the effectiveness of management's estimation process; • We evaluated and tested the key controls over the impairment of inventories, including its procedures on estimating the net realisable value of the inventories, conducting periodic reviews on product condition, classification and use of discount rate at sales promotion; • We tested on a sample basis, the net realisable value of selected inventory items, by comparing the carrying amount of the inventory items against the historical selling price and promotion discount rate;

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for impairment of inventories (Continued)	• We tested on a sample basis, the accuracy of the condition and classification profile of individual inventory items by checking to the underlying estimation standard criteria set by the management; • We challenged management's expectation in economic conditions and performed sensitivity analysis by using different sales discount rate to address the estimation uncertainty of selling pricing; • We reperformed the calculation for the provision; and • We considered whether the judgements made in determining significant assumptions would give rise to indicators of possible management bias and the implications for the audit when indicators of possible management bias are identified. Based on the procedures above, we considered that management's judgements and assumptions applied in the impairment assessment of provision for impairment of inventories were supportable by the evidences obtained and procedures performed.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit losses of trade receivables Refer to note 4(b) (Critical accounting estimates and judgements) and note 25 (Trade receivables and notes receivables) to the consolidated financial statements. As at 31 December 2021, the Group had gross trade receivables of RMB365 million and provision for impairment of trade receivables of RMB89 million. We focused on auditing the expected credit losses of trade receivables because the estimation of recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of trade receivables is considered significant due to significant judgements involved in estimating the expected credit loss rates, including grouping the receivables based on shared credit risk characteristics and collectively, assessing for likelihood of recoverable with taking into account the nature of the customer and its ageing category, the use of roll rate method to calculate historical loss rate, consideration of forward looking information used in management's provision matrix assessment.	We obtained an understanding of the management's internal control and assessment process of expected credit losses of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud. • We evaluated the outcome of prior period assessment of expected credit losses of trade receivables to assess the effectiveness of management's estimation process. • We evaluated and tested the key controls over the impairment of trade receivables, including its procedures on estimating the recoverable amount of the trade receivables and conducting periodic reviews on ageing profile of trade receivables. • We obtained management's assessment on the expected credit losses of trade receivables by using roll rate method and reperformed the calculation of the provision. • We tested on a sample basis, the accuracy of ageing profile of trade receivables by checking to the underlying sales invoices. • We challenged management's determination of the time horizon using in the roll rate model and the losses buckets over 360 days ageing profile. • We reperformed the calculation of historical loss rate by using roll rate model based on aging by monthly rolling forward. • We performed market research regarding the relevant forward-looking information used in management's provision matrix assessment. • We tested on a sample basis, the subsequent settlement of trade receivables against bank receipts. Based on the procedures above, we considered that management's judgements and assumptions applied in the impairment assessment of expected credit losses of trade receivables were supportable by the evidences obtained and procedures performed.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of retail store assets Refer to note 4(c) (Critical accounting estimates and judgements) and note 17 (Property, plant and equipment) and note 18 (Leases) to the consolidated financial statements. As at 31 December 2021, net book value of the Group's property, plant and equipment and right-of-use assets amounted to RMB676 million and RMB343 million, of which approximately RMB81 million and RMB225 million were attributable to its retail stores respectively. The carrying amount of the retail store assets is written down to its recoverable amount if the asset's carrying amount is in excess of its estimated recoverable amount. Management considers each individual retail store as a separately identifiable cash-generating unit and monitors their financial performance for impairment indicators. Management has identified loss making stores for impairment assessment. Provision for impairment of right-of-use assets and property, plant and equipment were RMB50 million and RMB3 million respectively as at 31 December 2021. The recoverable amount of the assets of the retail stores is determined by value-in-use calculations using discounted cash flow projections based on the management's forecast covering the remaining tenure of the lease, with major assumptions such as growth in revenue and discount rate. The growth in revenue is dependent on management's assumption in respect of the recovery of retail market and operating strategy of the Group.	We obtained an understanding of the management's internal control and assessment process of impairment of retail store assets and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud. • We evaluated the outcome of prior period assessment of impairment of retail store assets to assess the effectiveness of management's estimation process; • We evaluated and tested the key controls over the impairment of retail store assets, including its procedures on estimating the recoverable amount of the retail store assets; • We obtained management's assessment on the impairment of retail stores assets by value-in-use calculations using discounted cash flow projections based on the management's forecast covering the remaining tenure of the lease; • We compared the forecasted sales performance, gross profits and estimated operating expense applied in the value-in-use calculations to the historical data and evaluated the key assumptions applied by comparing them to historical trends and our understanding of latest market information and conditions; • We evaluated management's basis on projected growth in revenue, particularly the basis of the estimated recovery of retail market and operating strategy of the Group;

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of retail store assets (Continued) We focused on auditing the impairment of retail store assets because the estimation of recoverable amount is subject to high degree of estimation uncertainty.	• We recalculated the impairment losses calculation and checked the tenure of the leases of the retail stores to the lease agreements; and • We evaluated the sensitivity analysis to ascertain the extent of changes in the key assumptions either individually or collectively that would result in the retail store assets being impaired and considered the likelihood of such a change in the key assumptions arising. Based on the procedures above, we considered that management's judgements and assumptions applied in the impairment assessment of retail stores assets were supportable by the evidences obtained and procedures performed.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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 and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee 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 IFRSs 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible 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. We report our opinion 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 ISAs 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 ISAs, we exercise professional judgment 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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 Yuen Kwok Kin Andrew.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	**2021** *RMB'000*	2020 *RMB'000*
Revenue	6	**3,355,403**	3,057,491
Cost of sales	9	**(1,942,780)**	(1,566,711)
Gross profit		**1,412,623**	1,490,780
Selling and marketing expenses	9	**(1,539,113)**	(1,354,586)
General and administrative expenses	9	**(259,930)**	(287,521)
Net impairment losses on financial assets	12	**(42,981)**	(15,889)
Other income	7	**43,893**	75,187
Other gains – net	8	**5,480**	6,857
Operating loss		**(380,028)**	(85,172)
Finance income	13	**5,227**	4,743
Finance expenses	13	**(53,183)**	(55,434)
Finance expenses – net	13	**(47,956)**	(50,691)
Share of net profit of joint ventures	20	**2,349**	8,934
Loss before income tax		**(425,635)**	(126,929)
Income tax (expense)/credit	14	**(70,422)**	10,603
Loss for the year		**(496,057)**	(116,326)
Other comprehensive loss for the year			
Item that may be reclassified subsequently to profit or loss			
Exchange differences		**(20,449)**	(18,277)
Item that will not be reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income		**670**	(2,122)
Total comprehensive loss for the year		**(515,836)**	(136,725)
(Loss)/profit attributable to:			
Owners of the Company		**(493,988)**	(118,095)
Non-controlling interests		**(2,069)**	1,769
		(496,057)	(116,326)

		Year ended 31 December	
		2021	2020
	Note	***RMB'000***	*RMB'000*
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(513,767)**	(138,494)
Non-controlling interests		**(2,069)**	1,769
		(515,836)	(136,725)
		RMB cents	*RMB cents*
Loss per share			
Basic loss per share	*15*	**(22.49)**	(5.32)
Diluted loss per share	*15*	**(22.49)**	(5.32)

The notes on page 79 to 145 are integral parts of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	17	676,484	695,368
Right-of-use assets	18	342,800	522,894
Intangible assets	19	31,419	33,975
Investment in joint ventures	20	154,884	295,107
Investment in an associate	20	–	–
Financial assets at fair value through other comprehensive income	21	70,083	67,893
Deposits, prepayments and other receivables	22	8,050	13,396
Deferred income tax assets	23	148,858	211,226
		1,432,578	1,839,859
Current assets			
Inventories	24	964,129	793,730
Trade and notes receivables	25	280,555	302,157
Deposits, prepayments and other receivables	22	608,889	574,129
Financial assets at fair value through profit or loss	26	3,533	4,623
Term deposits and restricted bank deposits	27	240,292	266,344
Cash and cash equivalents	27	515,547	714,569
		2,612,945	2,655,552
Total assets		4,045,523	4,495,411
Equity			
Capital and reserves attributable to owners of the Company			
Share capital	28	140,312	140,312
Share premium	28	1,656,669	1,656,669
Other reserves	29	381,598	401,310
(Accumulated losses)/retained earnings		(306,699)	187,289
		1,871,880	2,385,580
Non-controlling interests		22,026	22,067
Total equity		1,893,906	2,407,647

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
Liabilities			
Current liabilities			
Trade and notes payables	*31*	**1,007,450**	719,562
Accruals and other payables	*32*	**334,156**	321,107
Contract liabilities	*6*	**110,526**	61,261
Current income tax liabilities		**17,818**	15,805
Borrowings	*33*	**307,136**	198,674
Lease liabilities	*18*	**174,243**	214,434
Deferred income	*34*	**242**	267
		1,951,571	1,531,110
Non-current liabilities			
Borrowings	*33*	**61,941**	339,077
Lease liabilities	*18*	**136,803**	215,855
Deferred income tax liabilities	*23*	**716**	893
Deferred income	*34*	**586**	829
		200,046	556,654
Total liabilities		**2,151,617**	2,087,764
Total equity and liabilities		**4,045,523**	4,495,411

The notes on pages 79 to 145 are integral parts of these consolidated financial statements.

Zheng Yaonan
Director

Zhang Shengfeng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity owners of the Company						
	Share capital RMB'000 (Note 28)	Share premium RMB'000 (Note 28)	Other reserves RMB'000 (Note 29)	(Accumulated losses)/ retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2021	140,312	1,656,669	401,310	187,289	2,385,580	22,067	2,407,647
Comprehensive income							
Loss for the year	–	–	–	(493,988)	(493,988)	(2,069)	(496,057)
Other comprehensive loss							
Exchange differences	–	–	(20,449)	–	(20,449)	–	(20,449)
Changes in the fair value of equity investments at fair value through other comprehensive income	–	–	670	–	670	–	670
Total comprehensive loss for the year	–	–	(19,779)	(493,988)	(513,767)	(2,069)	(515,836)
Transactions with owners							
Transactions with non-controlling interest	–	–	821	–	821	(821)	–
Equity-settled share-based compensation *(Note 30)*	–	–	5,823	–	5,823	–	5,823
Shares purchased for share award scheme *(Note 29(d))*	–	–	(6,577)	–	(6,577)	–	(6,577)
Contribution from non-controlling interests	–	–	–	–	–	3,842	3,842
Disposal of a subsidiary	–	–	–	–	–	(714)	(714)
Dividends	–	–	–	–	–	(279)	(279)
Total transactions with owners	–	–	67	–	67	2,028	2,095
As at 31 December 2021	140,312	1,656,669	381,598	(306,699)	1,871,880	22,026	1,893,906

	Attributable to equity owners of the Company						
	Share capital *RMB'000* *(Note 28)*	Share premium *RMB'000* *(Note 28)*	Other reserves *RMB'000* *(Note 29)*	(Accumulated losses)/ retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
As at 1 January 2020	140,312	1,656,669	418,807	320,835	2,536,623	15,989	2,552,612
Comprehensive income							
Loss for the year	–	–	–	(118,095)	(118,095)	1,769	(116,326)
Other comprehensive loss							
Exchange differences	–	–	(18,277)	–	(18,277)	–	(18,277)
Changes in the fair value of equity investments at fair value through other comprehensive income	–	–	(2,122)	–	(2,122)	–	(2,122)
Total comprehensive loss for the year	–	–	(20,399)	(118,095)	(138,494)	1,769	(136,725)
Transactions with owners							
Transaction with non-controlling interests	–	–	(3,308)	–	(3,308)	3,308	–
Equity-settled share-based compensation *(Note 30)*	–	–	8,823	–	8,823	–	8,823
Shares purchased for share award scheme *(Note 29(d))*	–	–	(18,064)	–	(18,064)	–	(18,064)
Contribution from non-controlling interests	–	–	–	–	–	1,001	1,001
Total transactions with owners	–	–	(12,549)	–	(12,549)	4,309	(8,240)
Appropriation to statutory reserves	–	–	15,451	(15,451)	–	–	–
As at 31 December 2020	140,312	1,656,669	401,310	187,289	2,385,580	22,067	2,407,647

The notes on pages 79 to 145 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
		2021	2020
	Note	**RMB'000**	RMB'000
Cash flows from operating activities			
Cash generated from operations	35(a)	**177,470**	593,593
Income tax paid		**(10,244)**	(38,161)
Net cash generated from operating activities		**167,226**	555,432
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment	35(b)	**4,279**	3,686
Interest received		**5,227**	4,743
Investment income from financial assets at fair value through profit or loss		**2,959**	1,297
Dividends from financial assets at fair value through other comprehensive income		**12,216**	11,402
Proceeds from divestment of financial assets at fair value through other comprehensive income		**142,572**	–
Investment income from a joint venture		**5,658**	–
Purchases of property, plant and equipment		**(103,336)**	(139,072)
Purchases of intangible assets		**(5,793)**	(1,996)
Repayment of advance from a joint venture		**265**	2,306
Capital contribution to joint ventures		**–**	(999)
Investment in financial assets at fair value through other comprehensive income		**(1,520)**	–
Received from term deposits with initial term of over three months		**–**	630
Net cash received from disposal of subsidiaries		**(714)**	–
Net cash generated from/(used in) investing activities		**61,813**	(118,003)
Cash flows from financing activities			
Purchase of the Company's shares for share award scheme		**(6,577)**	(18,064)
Capital injections from non-controlling interests		**–**	1,001
Restricted bank deposit		**26,052**	(266,344)
Proceeds from borrowings		**200,000**	269,284
Repayments of borrowings		**(368,674)**	(186,723)
Interest paid for borrowings		**(35,939)**	(32,942)
Principal elements of lease payments		**(232,717)**	(338,487)
Net cash used in from financing activities		**(417,855)**	(572,275)
Net decrease in cash and cash equivalents		**(188,816)**	(134,846)
Cash and cash equivalents at beginning of the year	27	**714,569**	854,164
Effect of foreign exchange rate changes		**(10,206)**	(4,749)
Cash and cash equivalents at end of the year	27	**515,547**	714,569

The notes on pages 79 to 145 are integral parts of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

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

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

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and have been approved for issue by the Company's board of directors (the "Board") on 31 March 2022.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7, HKFRS 4 and HKFRS 16

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

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Standards, Amendments or Interpretations	Subject	Effective for annual accounting periods beginning on or after
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Accounting Guideline 5 (revised)	Merger Accounting for Common Control Combinations	1 January 2022
Annual Improvements to 2018–2020 Cycle	Improvements to IFRS	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1	Classification of liabilities as Current or Non-current	1 January 2023
IFRS Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to ISA 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2.2.2 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to "share of profit of investments accounted for using equity method" in the statement of profit or loss.

2.2.3 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investment in a joint venture include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.4 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.5 Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors of the Company that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The function currency of the Company is Hong Kong dollar ("HK$"). The Company's subsidiaries incorporated and operated in the PRC consider their functional currency to be RMB. As the major operations of the Group are within the PRC, the Group determined to present its financial statements in RMB, unless otherwise stated.

2 Summary of significant accounting policies (Continued)

2.5 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in other gains – net.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.6 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less depreciation and provision for impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

Buildings	20 years
Leasehold improvements	Shorter of remaining lease terms of 2–3 years or useful life
Machinery and equipment	5–10 years
Furniture, fittings and equipment	3–5 years
Vehicles	5–10 years

2 Summary of significant accounting policies (Continued)

2.6 Property, plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and is stated at cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains – net" in the profit or loss.

2.7 Intangible assets

(a) Acquired trademark

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Amortization of trademark that has a finite useful life is calculated using the straight-line method to allocate the costs of acquired trademark over its estimated useful life of 10 years. It is subsequently carried at cost less accumulated amortisation and impairment losses.

(b) Computer software

Acquired computer software license is capitalized on the basis of the costs incurred to acquire the specific software. These costs are amortized over a period ranging from 3 to 10 years.

(c) Goodwill

Goodwill is measured as the excess of the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

2 Summary of significant accounting policies (Continued)

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.10 Investments and other financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 Summary of significant accounting policies (Continued)

2.10 Investments and other financial assets (Continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains – net in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 25 for further details.

2.11 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises costs of merchandise, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2 Summary of significant accounting policies (Continued)

2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Restricted bank deposits

Restricted bank deposits represent guaranteed deposits placed at designated bank accounts as cash collateral for construction of certain property, plant and equipment. Such restricted bank deposits were released after full settlement of the construction contract.

2.15 Share capital and shares held for employee share scheme

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Group as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Group.

Shares held by the Group are disclosed as treasury shares and deducted from contributed equity.

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2 Summary of significant accounting policies (Continued)

2.17 Borrowings (Continued)

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense.

2.19 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 Summary of significant accounting policies (Continued)

2.19 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

2.20 Employee benefits

(a) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all eligible employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK$1,500, as appropriate. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

2 Summary of significant accounting policies (Continued)

2.20 Employee benefits (Continued)

(c) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year.

(d) Bonus entitlements

The expected cost of bonus payments is recognized as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2.21 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plan, (including a share award for equity instruments of the Company contributed by certain equity holders of the Company ("Pre-IPO Share Award Scheme") and a share award scheme established by the Company in 2019 ("2019 Share Award Scheme") under which the Group receives services from employees as consideration for equity instruments of the Company. The fair value of the employee services received in exchange for the grant of the equity instruments is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the awards, and:

- Including any market performance conditions (for example, an entity's share price);
- Excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a special period of time).

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognized over the different length vesting periods of each grant which is the period over which all of the specified vesting conditions are to be satisfied, with a credit recognized in equity as "equity-settled share-based compensation" reserve.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-market performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

When the equity instruments transferred to employees of the Group upon vested, the related amount in "equity-settled share-based compensation" reserve is transferred to "capital contribution reserve" within equity.

2 Summary of significant accounting policies (Continued)

2.21 Share-based payments (Continued)

(b) Employee options

The fair value of options granted under the Company Employee Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Social security contributions payable in connection with an option grant are considered an integral part of the grant itself and the charges are treated as cash-settled transactions. When the options are exercised, the trust transfers the appropriate amount of shares to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

The Employee Option Plan has been replaced by the 2019 Share Award Scheme mentioned in Note 2.21(c).

(c) 2019 Share Award Scheme

The Board approved the adoption of the 2019 Share Award Scheme on 28 June 2019. The purpose of the 2019 Share Award Scheme is to motivate certain members of management of the Group and to help the Group in retaining its existing members of management and attracting new talents to join the Group. The vesting period of the awarded shares is determined by the Board. The 2019 Share Award Scheme serves to replace the employee option plan as mentioned in Note 2.21(b).

The fair value of shares granted under the 2019 Share Award Scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the shares granted:

- including any market performance conditions (for example, the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specific period of time).

2 Summary of significant accounting policies (Continued)

2.21 Share-based payments (Continued)

(c) 2019 Share Award Scheme (Continued)

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of shares that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Social security contributions payable in connection with an option grant are considered an integral part of the grant itself and the charges are treated as cash-settled transactions.

The 2019 Share Award Scheme is administered by the Company Employee Share Trust. When the vesting conditions are fulfilled, the trust transfers the appropriate amount of shares to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

(d) Share-based payment transactions among group entities

The grant by the Company over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2.22 Provisions

Provisions for restructuring costs and legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognized as a provision.

2 Summary of significant accounting policies (Continued)

2.23 Revenue recognition

(a) Sales of goods – sales to franchisees

The Group sells intimate wear products in the wholesale market. Sales are recognised when control of the products has transferred, being when the products are delivered to the franchisees, the franchisees have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the franchisees' acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the franchisees, and either the franchisees have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The goods are sold and the customers have a right to return faulty products in the wholesale market. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated returns at the time of sale. Accumulated experience is used to estimate and provide for the returns, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 60 to 90 days, which is consistent with market practice. The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

As receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Sales of goods – retail sales and e-commerce transaction

The Group operates a chain of retail stores and uses third party e-commerce platforms selling intimate wear products. Revenue from the sale of goods is recognised when a Group entity sells a product to the customer.

Payment of the transaction price is due immediately when the customer purchases the products and takes delivery in store. It is the Group's policy to sell its products to the end customer which is usually at the time a Group entity has delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Accumulated experience is used to estimate and provide for such returns at the time of sale.

(c) Franchise fee and software usage fee income

Revenue from franchise fee and software usage fee income is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided (percentage of completion method).

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

2 Summary of significant accounting policies (Continued)

2.23 Revenue recognition (Continued)

(d) Logistics warehousing and delivery income

Revenue from logistics warehousing and delivery services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided (percentage of completion method).

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(e) Other services income

Revenue from other services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided (percentage of completion method).

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

2.24 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.25 Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2 Summary of significant accounting policies (Continued)

2.26 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss and at fair value through other comprehensive income. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment.

2.27 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

2 Summary of significant accounting policies (Continued)

2.27 Leases (Continued)

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.28 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.29 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

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

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets. Note 7 provides further information on how the Group accounts for government grants.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group currently does not use any derivative financial instruments to hedge certain risk exposures during the year.

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities of a Group entity are denominated in a currency that is not the entity's functional currency. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible.

The Group operates in the PRC with most of the Group's transactions denominated and settled in RMB. The Group's assets and liabilities, and transactions arising from its operations do not expose the Group to material foreign exchange risk as the Group's recognized assets and liabilities in the consolidated balance sheet as at 31 December 2021 are denominated in the respective Group companies' functional currencies.

(b) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets (bank balances and cash, details of which have been disclosed in Note 27), the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's exposure to changes in interest rates is also attributable to its borrowings, details of which have been disclosed in Note 33. Borrowings carried at floating rates expose the Group to cash flow interest-rate risk whereas those carried at fixed rates expose the Group to fair value interest-rate risk. The Group's borrowings were carried at fixed rates and does not expose the Group to cash flow interest-rate risk. The Group has not used any interest rate swaps to hedge its exposure against interest-rate risks.

(c) Price risk

Except for the investments held by the Group and classified on the consolidated balance sheet as FVOCI of RMB70,083,000 (2020: RMB67,893,000), FVPL of RMB3,533,000 (2020: RMB4,623,000) and joint ventures of RMB154,884,000 (2020: RMB295,107,000), the Group is not exposed to any equity securities price risk.

(d) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, deposits and other receivables, bank balances and cash included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets. For wholesale customers, the Group has policies in place to ensure credit terms are only granted to franchise customers with good credit histories and credit evaluations were conducted on them periodically, taking into account their financial position, past experience and other factors. For other customers without credit terms granted, deposits and advances are received in most cases before delivery is made. The Group in general does not require collaterals from trade debtors. Sales to retail customers are settled in cash, credit cards issued by major banks or on-line payments such as WeChat Pay and AliPay.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) ***Credit risk*** (Continued)

(i) *Trade receivable*

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The management assesses expected credit loss on a half yearly basis. The management determines the expected credit loss on the trade receivables using a provision matrix group by common risk characteristic.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The expected loss rates are based on the payment profiles of sales before 31 December 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified one-year corporate default of retail to be the forward-looking rate, and accordingly adjusts the historical loss rates based on expected changes in this forward-looking information. Different expected loss rates were applied to different groups of customers and each age band to calculate the provisions required.

For the calculation of above expected credit loss rates, accounts receivable are divided into several groups according to risk characteristic. The expected credit loss rates are determined on different channels of customers, such as franchisees, E-commerce and trading of raw materials. The receivables from franchisees as at 31 December 2021 accounts for approximately 48% of total receivables (2020: 55%).

On that basis, the loss allowance as at 31 December 2021 was determined as follows for trade receivables:

31 December 2021	Within 30 days	30 days to 60 days	60 days to 90 days	90 days to 180 days	180 days to 360 days	More than 360 days	Total
Franchisees:							
Expected loss rate	3%	5%	7%	10%	28%	67%	
Gross carrying amount – trade receivables	49,798	17,082	11,981	49,553	18,654	27,003	174,071
Loss allowance	1,316	887	811	4,842	5,267	18,035	31,158
Others:							
Expected loss rate	2%	16%	39%	38%	54%	83%	
Gross carrying amount – trade receivables	89,456	6,602	6,182	17,051	48,924	22,997	191,212
Loss allowance	2,060	1,044	2,439	6,530	26,331	18,996	57,400

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) *Credit risk* (Continued)

(i) *Trade receivable* (Continued)

The loss allowance as at 31 December 2020 was determined as follows for trade receivables:

31 December 2020	Within 30 days	30 days to 60 days	60 days to 90 days	90 days to 180 days	180 days to 360 days	More than 360 days	Total
Franchisees:							
Expected loss rate	5%	8%	10%	15%	40%	68%	
Gross carrying amount – trade receivables	58,099	22,495	24,350	46,888	29,354	29,189	210,375
Loss allowance	2,849	1,689	2,453	7,042	11,673	19,829	45,535
Others:							
Expected loss rate	6%	12%	18%	39%	41%	68%	
Gross carrying amount – trade receivables	85,116	19,215	18,258	14,047	9,144	27,590	173,370
Loss allowance	5,365	2,365	3,281	5,459	3,760	18,695	38,925

(ii) *Deposits and other receivables*

Deposits and other receivables at amortised cost mainly include deposits, staff advances and other payments for employees, advances to agent. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering available, reasonable and supportive forward-looking information.

(iii) *Bank balances, term deposits and restricted bank deposits*

The Group has policies in place to ensure that bank balances, term deposits and restricted bank deposits with banks are mainly placed with either state-owned or reputable financial institutions in the PRC and Hong Kong with good credit rating. There has been no recent history of default in relation to these financial institutions. As at 31 December 2021, the bank balances, term deposits and restricted bank deposits with banks as detailed in Note 27 are held in the following banks in the PRC and Hong Kong:

	As at 31 December	
	2021	**2020**
	RMB'000	*RMB'000*
Top-four major state-owned banks in the PRC/Hong Kong	**618,629**	567,917
Listed state-owned banks in the PRC/Hong Kong	**83,821**	352,632
Other regional banks in the PRC	**51,723**	59,432
	754,173	979,981
Cash on hand	**1,666**	932
	755,839	980,913

Management does not expect any loss arising from non-performance by these counterparties.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(e) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been for payment for capital expenditures, purchases and operating expenses. The Group finances its working capital requirements through a combination of internal generated funds and bank borrowings, as necessary.

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Total contractual cash flows *RMB'000*	Carrying amount *RMB'000*
At 31 December 2021					
Borrowings *(Note 33)*	319,199	10,817	64,976	394,992	369,077
Lease liabilities *(Note 18)*	161,925	81,891	65,207	309,023	311,046
Trade and notes payable *(Note 31)*	1,007,450	–	–	1,007,450	1,007,450
Accruals and other payables*	269,908	–	–	269,908	269,908
Total	1,758,482	92,708	130,183	1,981,373	1,957,481

Contractual maturities of financial liabilities	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Total contractual cash flows *RMB'000*	Carrying amount *RMB'000*
At 31 December 2020					
Borrowings *(Note 33)*	208,272	287,500	76,269	572,041	537,751
Lease liabilities *(Note 18)*	229,474	129,033	102,875	461,382	430,289
Trade and notes payable *(Note 31)*	719,562	–	–	719,562	719,562
Accruals and other payables*	270,697	–	–	270,697	270,697
Total	1,428,005	416,533	179,144	2,023,682	1,958,299

* Excluding salaries and welfare payables, accrued taxes other than income tax, provision for sales return.

3 Financial risk management (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as bank borrowings divided by total equity. As at 31 December 2021, the amount of total bank borrowings of RMB369,077,000 (2020: RMB537,751,000) is disclosed in Note 33 while the amount of total equity of approximately RMB1,893,906,000 (2020: RMB2,407,647,000) is shown in the consolidated balance sheet.

3.3 Fair value estimation

Financial instruments carried at fair value are disclosed by levels of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

As at 31 December 2021, except for the financial assets at FVOCI of RMB70,083,000 (2020: RMB67,893,000) and financial assets at fair value through profit or loss of RMB3,533,000 (2020: RMB4,623,000), which were measured at either level 3 or level 1 fair value respectively, the Group's financial instruments recognized in the consolidated balance sheet are mainly receivables and financial liabilities carried at amortized cost. Analysis of level 3 and level 1 financial instruments for the year ended 31 December 2021 are as follows:

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000* *(Note)*	Total *RMB'000*
Financial assets at fair value through profit or loss	3,533	–	–	3,533
Financial asset at fair value through other comprehensive income	–	–	70,083	70,083
At 31 December 2021	3,533	–	70,083	73,616
Financial assets at fair value through profit or loss	4,623	–	–	4,623
Financial asset at fair value through other comprehensive income	–	–	67,893	67,893
At 31 December 2020	4,623	–	67,893	72,516

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

	Unlisted equity securities *RMB'000*
As at 1 January 2020	177,143
Additions	–
Disposal	(107,128)
Losses recognised in other comprehensive income	(2,122)
As at 31 December 2020	67,893
Additions	1,520
Disposal	–
Gains recognised in other comprehensive income	670
As at 31 December 2021	70,083

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transaction on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair value of the Group's financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss was developed through the application of the income approach technique, the discounted cash flow method and market approach method by looking at comparable companies with similar size, features, operations, industry and economic conditions. The income approach is the conversion of expected periodic benefits of ownership into an indication of value. The discounted cash flow considered the future business plan, specific business and financial risks.

The discounted cash flow method under the income approach has been applied in the determination of the fair value of the Group's FVOCI. The discounted cash flow considered the future business plan, specific business and financial risks.

The following significant unobservable inputs have been applied in the discounted cash flow calculations in determining the fair value of the Group's financial assets at FVOCI:

Twelve entities engaging in the manufacturing of intimate wear in the PRC	2021	2020
Discount rate	15%	15%
Long term revenue growth rates	3%	3%
Long term profit margins	5%-12%	5%-12%
Discount for lack of marketability	30%	30%

4 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each statement of financial position date.

(b) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The loss allowances for trade receivables and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(c) Impairment of non-financial assets

Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. For the purpose of assessing provision for impairment, non-financial assets are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverability of the carrying amounts of non-financial assets was assessed according to their recoverable amount. The assessment requires the use of judgement and estimates.

(d) Current and deferred income taxes

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

5 Segment information

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

The Group is principally engaged in designing, marketing and selling of intimate wear products. Substantially all of its revenue are derived in the PRC.

For the year ended 31 December 2021, none of the revenue derived from any single external customer amounted to more than 10% of the Group's revenue (2020: None).

6 Revenue

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Retail sales	**1,780,769**	1,150,951
Sales to franchisees	**628,076**	1,127,029
E-commerce	**831,532**	763,684
Others *(Note)*	**115,026**	15,827
	3,355,403	3,057,491

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Contract liabilities related to sales to franchisees	**105,373**	52,730
Contract liabilities related to trading of raw materials	**5,153**	8,531
	110,526	61,261

The revenue recognised in the current reporting year relating to carried-forward contract liabilities as at 1 January 2021 is approximately RMB61,261,000.

Note: These mainly represent revenue from logistics and warehousing services and sales of raw materials.

7 Other income

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Dividends from FVOCI	**7,756**	18,057
Investment income from joint ventures	**5,658**	–
Government grants *(Note (a))*	**3,550**	10,621
Investment income from FVPL	**2,959**	1,297
Software usage fee income	**1,218**	1,005
Others *(Note (b))*	**22,752**	44,207
	43,893	75,187

Notes:

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

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

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets. See Note 2.29 for further details.

(b) These mainly represented the net income from logistics warehousing and delivery services.

8 Other gains – net

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Net foreign exchange gains	**6,671**	13,838
Fair value losses on financial assets at fair value through profit or loss *(Note 26)*	**(1,090)**	(6,927)
(Loss)/gain on disposal of property, plant and equipment – net	**(101)**	346
Loss on disposal of intangible assets	**–**	(400)
	5,480	6,857

9 Expenses by nature

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Costs of inventories recognized in cost of sales	**1,663,819**	1,472,766
Employee benefit expenses (including directors' emoluments) *(Note 10)*	**362,545**	326,863
Commission expenses in respect of consignment sales in franchised stores	**291,971**	56,908
Operating expenses in respect of stores under cooperative arrangements	**225,294**	162,141
Other operating rental expenses	**14,025**	13,063
Marketing and promotion expenses	**240,895**	233,903
Depreciation and amortization *(Notes 17, 18 and 19)*		
– Depreciation of right-of-use assets	**268,062**	357,717
– Property, plant and equipment	**108,453**	93,986
– Intangible assets	**8,022**	7,581
E-commerce platforms commission expenses	**86,185**	95,024
Logistics warehousing and delivery expenses	**98,990**	28,291
Provision for inventories *(Note 24)*	**146,134**	65,362
Impairment of property, plant and equipment and right-of-use assets (net of reversal) *(Note 17 and 18)*	**1,884**	28,031
Government charges and levies	**17,936**	21,409
Utilities expenses	**22,434**	26,966
Travelling expenses	**22,097**	33,794
Consumables recognized in expenses	**18,073**	18,269
Consulting service expenses	**27,976**	28,782
Auditor's remuneration		
– Audit services	**3,900**	3,900
– Non-audit services	**53**	527
Miscellaneous	**113,075**	133,535
Total cost of sales, selling and marketing expenses and general and administrative expenses	**3,741,823**	3,208,818

10 Employee benefit expenses

The employee benefit expenses, including directors' and senior management's emoluments, are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**315,519**	289,148
Pension costs – defined contribution plans	**32,693**	19,219
Welfare and allowance	**8,510**	9,673
Equity-settled share-based compensation *(Note 30)*	**5,823**	8,823
	362,545	326,863

11 Directors and chief executive's emoluments and five highest paid individuals

(a) Benefits and interests of directors

Directors' and chief executive's emoluments for the year ended 31 December 2021 are set out below:

	Fees RMB'000	Wages, salaries and bonuses RMB'000	Employer's contributions to retirement schemes RMB'000	Equity-settled share-based compensation RMB'000	Total RMB'000
Executive Directors					
Mr. Zheng Yaonan (Note 1)	–	704	45	–	749
Mr. Zhang Shengfeng	–	572	45	–	617
Ms. Wu Xiaoli	–	779	69	–	848
Mr. Siu Ka Lok (Note 1)	–	5,645	851	–	6,496
Non-executive Directors					
Mr. Lin Zonghong	–	176	–	–	176
Mr. Wen Baoma	–	50	–	–	50
Mr. Jiang Bo	–	–	–	–	–
Mr. Zhao Yingming (Note 2)	–	–	–	–	–
Ms. Fung Yat Carol (Note 2)	–	–	–	–	–
Independent Non-executive Directors					
Dr. Dai Yiyi	150	–	–	–	150
Mr. Chen Zhigang	120	–	–	–	120
Mr. Yau Chi Ming	164	–	–	–	164
Dr. Lu Hong Te	150	–	–	–	150
	584	7,926	1,010	–	9,520

11 Directors and chief executive's emoluments and five highest paid individuals (Continued)

(a) Benefits and interests of directors (Continued)

Directors' and chief executive's emoluments for the year ended 31 December 2020 are set out below:

	Fees *RMB'000*	Wages, salaries and bonuses *RMB'000*	Employer's contributions to retirement schemes *RMB'000*	Equity-settled share-based compensation *RMB'000*	Total *RMB'000*
Executive Directors					
Mr. Zheng Yaonan *(Note 1)*	–	492	20	–	512
Mr. Zhang Shengfeng	–	418	20	–	438
Ms. Wu Xiaoli	–	565	35	–	600
Mr. Siu Ka Lok *(Note 1)*	–	7,619	867	1,330	9,816
Non-executive Directors					
Mr. Lin Zonghong	–	–	20	–	20
Mr. Wen Baoma	–	50	–	–	50
Mr. Jiang Bo	–	–	–	–	–
Mr. Zhao Yingming *(Note 2)*	–	–	–	–	–
Independent Non-executive Directors					
Dr. Dai Yiyi	150	–	–	–	150
Mr. Chen Zhigang	120	–	–	–	120
Dr. Yau Chi Ming	168	–	–	–	168
Dr. Lu Hong Te	150	–	–	–	150
	588	9,144	962	1,330	12,024

Note 1: Mr. Siu Ka Lok ("Mr. Siu") resigned as an executive Director and the chief executive officer with effect from 30 November 2021. Mr. Zheng Yaonan has been appointed as the chief executive officer of the Company with effect from 30 November 2021. The emoluments of Mr. Siu was RMB6,496,000 for the year ended 31 December 2021.

Note 2: Mr. Zhao Yingming resigned with effect from 9 September 2021. Ms. Fung Yat Carol was appointed as a non-executive Director with effect from 9 September 2021.

11 Directors and chief executive's emoluments and five highest paid individuals (Continued)

(a) Benefits and interests of directors (Continued)

No directors or chief executive of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as a compensation for loss of office as director.

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2020: Nil).

No payment was made to directors as compensation for the early termination of the appointment during the year (2020: Nil).

No payment was made to the former employer of directors for making available the services of them as a director of the Company (2020: Nil).

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year (2020: Nil).

Except for those disclosed in Note 38, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2020: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 1 director (2020: 1), whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 4 (2020: 4) during the year are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**5,116**	4,885
Contribution to pension scheme	**750**	764
	5,866	5,649

The emoluments fell within the following bands:

	Year ended 31 December	
	2021	2020
	Number of individual	
Emolument bands:		
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**2**	2
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**1**	–

During the year, none of the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office (2020: Nil).

11 Directors and chief executive's emoluments and five highest paid individuals (Continued)

(c) Senior management remuneration by band

The remuneration of the senior management of the Group fell within the following bands:

	Year ended 31 December	
	2021	2020
	Number of individual	
Emolument bands:		
HK$0 to HK$500,000	**3**	1
HK$500,001 to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**2**	3
HK$1,500,001 to HK$2,000,000	**1**	2
HK$2,500,001 to HK$3,000,000	**1**	–

12 Net impairment losses on financial assets

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Provision for impairment of trade receivables *(Note 25)*	**9,285**	12,983
Provision for impairment of other receivables *(Note 22)*	**33,696**	2,906
	42,981	15,889

13 Finance income and expense

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Finance income		
Interest income on short-term bank deposits	**5,227**	4,469
Interest income on advance to suppliers	**–**	274
	5,227	4,743
Finance expenses		
Interest expense on bank borrowings	**(35,939)**	(32,942)
Interest expense on lease liabilities	**(17,244)**	(22,492)
	(53,183)	(55,434)
	(47,956)	(50,691)

14 Income tax (expense)/credit

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current income tax		
– Hong Kong profits tax *(Note (a))*	–	–
– PRC corporate income tax *(Note (b))*	8,231	22,356
	8,231	22,356
Deferred income tax *(Note 23)*		
– Deferred income tax current period	62,191	(32,959)
Income tax expense/(credit)	70,422	(10,603)

Notes:

(a) **Hong Kong profits tax**

The applicable Hong Kong profits tax rate is 16.5% (2020: 16.5%) for the year ended 31 December 2021.

(b) **PRC corporate income tax**

The Company's subsidiary, Cosmo Lady Guangdong Holdings Limited ("Cosmo Lady Guangdong") was given the preferential corporate income tax at 15% under the High and New Technology Enterprises ("HNTE") in December 2021, which is effective for 3 years from 2021 to 2024. The Group's other subsidiaries in the PRC are subject to PRC corporate income tax at the rate of 25% for year ended 31 December 2021 (2020: 25%) on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

(c) **Overseas income tax**

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

14 Income tax (expense)/credit (Continued)

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the results of the consolidated companies as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Loss before income tax	**(425,635)**	(126,929)
Tax calculated at statutory tax rates applicable to each group entity	**(80,779)**	(25,703)
Tax losses for which no deferred income tax asset was recognised	**55,629**	15,881
Write-off tax losses for which deferred tax assets were recognised previously	**93,598**	–
Income not subject to taxation	**(13,723)**	(10,897)
Expenses not deductible for tax purposes	**10,264**	4,751
Withholding tax	**5,433**	5,365
Income tax expense/(credit)	**70,422**	(10,603)

15 Loss per share

Basic

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

	Year ended 31 December	
	2021	2020
Loss for the year attributable to owners of the Company *(RMB'000)*	**(493,988)**	(118,095)
Weighted average number of ordinary shares for the purposes of basic loss per share *(thousands of shares)*	**2,196,196**	2,221,102
Basic loss per share *(RMB cents per share)*	**(22.49)**	(5.32)

Note: The weighted average number of ordinary shares for the purpose of basic loss per share for the year ended 31 December 2021 has been adjusted for the effects of purchase and withholding of ordinary shares of the Company for the share award scheme during the year ended 31 December 2021.

Diluted

For the years ended 31 December 2021 and 31 December 2020, diluted loss per share is the same as the basic loss per share as there is no diluted impact from the 2019 share award scheme.

16 Dividends

At a meeting held on 31 March 2022, the Board does not recommend a final dividend to the shareholders of the Company for the year ended 31 December 2021 (2020: Nil).

The Board did not recommend the payment of interim dividend to shareholders of the Company for the six months ended 30 June 2021 (2020: Nil).

Notes to the Consolidated Financial Statements

17 Property, plant and equipment

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Furniture, fittings and equipment RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2020							
Cost	489,364	266,263	80,974	157,943	8,457	–	1,003,001
Accumulated depreciation	(105,840)	(200,724)	(39,957)	(111,691)	(6,316)	–	(464,528)
Accumulated impairment loss	–	(23,071)	–	–	–	–	(23,071)
Net book amount	383,524	42,468	41,017	46,252	2,141	–	515,402
Year ended 31 December 2020							
Opening net book amount	383,524	42,468	41,017	46,252	2,141	–	515,402
Additions	149,610	63,635	5,094	12,355	742	26,114	257,550
Transfer	21,119	–	–	1,168	–	(22,287)	–
Disposals	–	(962)	(46)	(1,570)	(1)	(761)	(3,340)
Depreciation *(Note 9)*	(29,170)	(39,770)	(6,161)	(17,749)	(1,136)	–	(93,986)
Impairment loss *(Note (a))*	–	19,742	–	–	–	–	19,742
Closing net book amount	525,083	85,113	39,904	40,456	1,746	3,066	695,368
At 31 December 2020							
Cost	660,093	328,936	86,022	169,896	9,198	3,066	1,257,211
Accumulated depreciation	(135,010)	(240,494)	(46,118)	(129,440)	(7,452)	–	(558,514)
Accumulated impairment loss	–	(3,329)	–	–	–	–	(3,329)
Net book amount	525,083	85,113	39,904	40,456	1,746	3,066	695,368
Year ended 31 December 2021							
Opening net book amount	525,083	85,113	39,904	40,456	1,746	3,066	695,368
Additions	861	72,527	2,302	9,199	479	8,050	93,418
Transfer	5,067	949	–	1,500	–	(7,516)	–
Disposals	(667)	(2,081)	(511)	(973)	(148)	–	(4,380)
Depreciation *(Note 9)*	(31,580)	(52,864)	(6,155)	(16,984)	(870)	–	(108,453)
Impairment loss *(Note (a))*	–	531	–	–	–	–	531
Closing net book amount	498,764	104,175	35,540	33,198	1,207	3,600	676,484
At 31 December 2021							
Cost	665,354	400,016	86,183	169,633	9,461	3,600	1,334,247
Accumulated depreciation	(166,590)	(293,043)	(50,643)	(136,435)	(8,254)	–	(654,965)
Accumulated impairment loss	–	(2,798)	–	–	–	–	(2,798)
Net book amount	498,764	104,175	35,540	33,198	1,207	3,600	676,484

17 Property, plant and equipment (Continued)

Notes:

(a) As at 31 December 2021, net book amount of retail store assets including leasehold improvement and right-of-use assets amounted to RMB305,759,000. The Group regards each individual retail store as a separately identifiable cash-generating unit ("CGU") and monitors their financial performance for the existence of impairment indicators, such as stores making a loss and early closure of stores before the expiry of lease term. Management carried out an impairment assessment for the retail store assets which have an impairment indicator. The carrying amount of the retail store assets is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The estimates of the recoverable amounts were based on value-in-use calculations using discounted cash flow projections based on the financial forecasts approved by management covering the remaining tenure of the lease, with major assumptions such as revenue growth rates, gross margins and discount rate. The key assumptions used in the value-in-use calculations are dependent on management significant judgement by comparing with the historical performance of the stores, future business plans and market situation.

The following table sets out the key assumptions for the CGUs used in the value-in-use calculations:

	Individual retail store 2021	Individual retail store 2020
Revenue *(% annual growth rate)*	**5%**	5% – 7%
Budgeted gross margin *(% of revenue)*	**52%**	61%
Pre-tax discount rate *(%)*	**13%**	13%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	**Approach used to determine the value**
Revenue *(% annual growth rate)*	Annual growth rate over the period before the expiry of lease term. It is determined based on past performance, management's expectations of market development.
Budgeted gross margin *(% of revenue)*	Average margin as a percentage of revenue over forecast period before the expiry of lease term. It is determined based on the CGU's past performance and management's expectations for the future.
Pre-tax discount rates *(%)*	Reflect specific risks relating to the CGU and the countries in which it operates.

17 Property, plant and equipment (Continued)

Notes: (Continued)

(b) As at 31 December 2021, buildings with a net book value of RMB439,107,000 (2020: RMB459,919,000) were pledged as collateral for the Group's borrowings (Note 33).

Depreciation of property, plant and equipment has been charged to the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cost of sales	**925**	925
Selling and marketing expenses	**23,664**	21,585
General and administrative expenses	**83,864**	71,476
	108,453	93,986

18 Leases

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Right-of-use assets		
Properties	**271,194**	449,382
Land use rights	**71,606**	73,512
	342,800	522,894
Lease liabilities		
Current	**174,243**	214,434
Non-current	**136,803**	215,855
	311,046	430,289

Additions to the right-of-use assets during the 2021 financial year were RMB142,241,000 (2020: RMB500,816,000).

As at 31 December 2021, land use rights of RMB22,472,000(2020: RMB23,153,000) were pledged as collateral for the Group's borrowings (Note 33).

18 Leases (Continued)

(b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets			
Properties		(266,156)	(355,808)
Land use rights		(1,906)	(1,909)
		(268,062)	(357,717)
Impairment of right-of-use assets	17(a)	2,415	47,773
Interest expense (included in finance expenses)	13	17,244	22,492
Expense relating to short-term leases and leases of low-value assets that are not shown above as short-term leases (included in selling and marketing expense and general and administrative expenses)	9	14,025	13,063
Expense relating to variable lease payments not included in lease liabilities (included in selling and marketing expense)	9	225,294	162,141
Expense relating to early termination of lease agreement (included in general and administrative expenses)	9	5,870	12,306

The total cash outflow for leases in 2021 was RMB472,036,000 (2020: RMB513,691,000).

(c) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses and retail stores. Rental contracts are typically made for fixed periods of one to five years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes except for those with land use right certification.

(d) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For retail stores, up to 29% of lease payments are on the basis of variable payment terms with percentages ranging from 35% to 40% of sales. Variable payment terms are used for a variety of reasons. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

(e) For the year ended 31 December 2021,no COVID-19-related rent concessions (2020: RMB24,822,000) has been included in selling and marketing expenses.

19 Intangible assets

	Goodwill RMB'000	Acquired trademark RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2020				
Cost	2,887	10,366	74,427	87,680
Accumulated amortization	–	(5,628)	(42,181)	(47,809)
Net book amount	2,887	4,738	32,246	39,871
Year ended 31 December 2020				
Opening net book amount	2,887	4,738	32,246	39,871
Additions	–	–	2,085	2,085
Disposal	–	–	(400)	(400)
Amortization charge *(Note 9)*	–	(351)	(7,230)	(7,581)
Closing net book amount	2,887	4,387	26,701	33,975
At 31 December 2020				
Cost	2,887	10,366	72,457	85,710
Accumulated amortization	–	(5,979)	(45,756)	(51,735)
Net book amount	2,887	4,387	26,701	33,975
Year ended 31 December 2021				
Opening net book amount	2,887	4,387	26,701	33,975
Additions	–	178	5,288	5,466
Amortization charge *(Note 9)*	–	(357)	(7,665)	(8,022)
Closing net book amount	2,887	4,208	24,324	31,419
At 31 December 2021				
Cost	2,887	10,544	77,745	91,176
Accumulated amortization	–	(6,336)	(53,421)	(59,757)
Net book amount	2,887	4,208	24,324	31,419

19 Intangible assets (Continued)

Amortization of intangible assets has been charged to the consolidated statement of profit or loss and other comprehensive income within selling and marketing expenses and general and administrative expenses of RMB2,668,000 (2020: RMB2,369,000) and RMB5,354,000 (2020: RMB5,212,000) respectively.

Impairment review on goodwill of the Group has been conducted by management as at 31 December 2021 and 31 December 2020 according to IAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on financial budgets approved by management for the purposes of impairment reviews covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated annual growth of not more than 3% (2020: not more than 5%). The growth rates used do not exceed the industry growth forecast for the market in which the Group operates. The discount rate used of 19% (2020: 19%) is pre-tax and reflects market assessments of the time value and the specific risks relating to the industry. The budgeted gross profit margin was determined by management based on past performance and its expectation for market development. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

20 Investment in joint ventures and an associate

The carrying amount of equity-accounted investments has changed as follows in the year ended 31 December 2021.

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Beginning of the year	**295,107**	285,174
Additions	**–**	999
Divestment	**(142,572)**	–
Share of profit for the year	**2,349**	8,934
End of the year	**154,884**	295,107

20 Investment in joint ventures and an associate (Continued)

Name of entity	Place of business/ country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Carrying amount	
		2021	2020			2021	2020
		%	%			RMB'000	RMB'000
Guangdong Dongdu Holdings Limited	PRC	19.9	19.9	Joint venture *(Note (a))*	Equity method	19,147	18,658
Zhong Rui Run He (Ningbo) Investment Management Company Limited	PRC	40	40	Associate *(Note (b))*	Equity method	–	–
Jinghedu (Dongguan) Equity Investment Management Company Limited	PRC	60	60	Joint venture *(Note (c))*	Equity method	31,619	29,478
Jinghedu (Dongguan) Equity Investment Fund Partnership (Limited Partnership)	PRC	38.72	38.72	Joint venture *(Note (c))*	Equity method	99,428	242,000
Jinghedu (Dongguan) Equity Investment Management Partnership (Limited Partnership)	PRC	30	30	Joint venture *(Note (c))*	Equity method	3,000	3,000
Shantou Lianda Technology Company Limited	PRC	19.99	19.99	Joint venture *(Note (d))*	Equity method	773	972
Shantou Lianxin Inspection Company Limited	PRC	19.99	19.99	Joint venture *(Note(e))*	Equity method	917	999

Notes:

(a) Guangdong Dongdu Holdings Limited is primarily engaged in developing an industrial centre in Shaoguan, Guangdong Province.

(b) Zhong Rui Run He (Ningbo) Investment Management Company Limited is primarily engaged in investments and assets management.

(c) Jinghedu (Dongguan) Equity Investment Management Company Limited, Jinghedu (Dongguan) Equity Investment Fund Partnership (Limited Partnership) and Jinghedu (Dongguan) Equity Investment Management Partnership (Limited Partnership) are primarily engaged in assets management and equity investment fund.

(d) Shantou Lianda Technology Company Limited is primarily engaged in producing and selling intimate wear products.

(e) Shantou Lianxin Inspection Company Limited is primarily engaged in inspection of the production intimate wear products.

21 Financial assets at fair value through other comprehensive income

Equity investments at fair value through other comprehensive income include the following:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Unlisted equity investments	**70,083**	67,893

22 Deposits, prepayments and other receivables

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Prepayments for acquisition of property, plant and equipment and intangible assets	**3,993**	8,736
Value added tax recoverable	**340,523**	258,563
Prepayments and deposits	**9,190**	9,139
Prepaid expenses in respect of stores under cooperative arrangements	**88,690**	89,746
Prepayments for purchase of goods	**21,084**	37,014
Prepayments for purchase of raw materials	**83,858**	65,498
Other receivables from agents	**41,429**	46,224
Other receivables from staffs	**6,579**	9,682
Dividend receivables	**1,958**	6,655
Others	**53,056**	58,263
Less: provision for impairment of other receivables	**(33,421)**	(1,995)
	616,939	587,525
Less: non-current portion	**(8,050)**	(13,396)
Current portion	**608,889**	574,129

As at 31 December 2021, the carrying amounts of the Group's deposits and other receivables are denominated in RMB and approximate their fair values.

As at 31 December 2021, the Group's deposits and other receivables are fully performing under normal business terms except that certain other receivables of RMB33,696,000 (2020: RMB2,906,000) (Note 12) have been partially impaired. Note 3.1 sets out information about the impairment of financial assets and the Group's exposure to credit risk and foreign currency risk.

23 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	**41,200**	15,832
Deferred tax assets to be recovered within 12 months	**107,658**	195,394
	148,858	211,226

Movements in the deferred income tax assets of the Group are as follows:

	Provision for inventories	Impairment of trade receivables	Provision for sales return	Deferred income	Amortization of right-of-use assets	Tax losses	Accrued interest	Impairment of property, plant and equipment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	138,837	14,806	453	339	446	–	18,532	5,031	–	178,444
Credited to the profit or loss *(Note 14)*	(83,467)	(1,476)	(242)	(175)	6,484	93,598	8,834	7,736	1,490	32,782
At 31 December 2020	55,370	13,330	211	164	6,930	93,598	27,366	12,767	1,490	211,226
Credited to the profit or loss *(Note 14)*	5,266	12,123	4,586	(40)	1,146	(93,598)	8,148	478	(477)	(62,368)
At 31 December 2021	**60,636**	**25,453**	**4,797**	**124**	**8,076**	**–**	**35,514**	**13,245**	**1,013**	**148,858**

23 Deferred income tax (Continued)

Movements in the deferred income tax liabilities of the Group are as follows:

	Intangible assets	
	2021	2020
	RMB'000	*RMB'000*
At 1 January	**893**	1,070
Credited to the statement of profit or loss *(Note 14)*	**(177)**	(177)
At 31 December	**716**	893

As at 31 December 2021, there were no temporary differences relating to the undistributed profits of certain subsidiaries of the Group in the PRC (2020: 189,318,000). No deferred tax liabilities have been recognized in respect of the withholding tax of RMB18,932,000 that would be payable on the distribution of the retained profits for the year ended 31 December 2020, as the Company controls the dividend policy of these subsidiaries in the PRC and the directors have determined that these profits are not likely to be distributed in the foreseeable future.

24 Inventories

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Raw materials	**1,519**	3,924
Work in progress	**104**	4,014
Finished goods	**1,305,931**	1,076,155
	1,307,554	1,084,093
Less: provision for impairment	**(343,425)**	(290,363)
	964,129	793,730

Inventories are valued at the lower of cost and estimated net realizable value. Provision is made for obsolete and slow-moving items. The inventory write-down and write-back recognized in the consolidated statement of profit or loss and other comprehensive income amounted to approximately RMB146,134,000 and RMB93,072,000 respectively for the year ended 31 December 2021 (2020: RMB65,362,000 and RMB561,905,000 respectively).

25 Trade and notes receivables

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade receivables		
– Due from third parties	**365,283**	383,745
Notes receivable	**3,830**	2,872
Less: loss allowance	**(88,558)**	(84,460)
Trade and notes receivables – net	**280,555**	302,157

(a) As at 31 December 2021, the carrying amounts of the trade receivables of the Group approximate their fair values and are all denominated in RMB.

(b) The Group's trade receivables are primarily derived from sales to certain franchise customers with an appropriate credit history. The Group generally grants franchise customers with a credit period of 60 to 90 days from the invoice date for seasonal products. The Group also gives franchise customers a credit period of 180 to 360 days for their first order of products for new outlets. The Group would also extend the credit period for certain franchise customers under certain circumstances. The ageing analysis of trade receivables based on invoice date, as at 31 December 2021 is as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade receivables, gross		
– Within 30 days	**139,254**	143,215
– Over 30 days and within 60 days	**23,684**	41,710
– Over 60 days and within 90 days	**18,163**	42,608
– Over 90 days and within 180 days	**66,604**	60,935
– Over 180 days and within 360 days	**67,578**	38,498
– Over 360 days	**50,000**	56,779
	365,283	383,745

25 Trade and notes receivables (Continued)

(b) (Continued)

Movements of loss allowance of trade receivables are as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
At beginning of year	**84,460**	73,236
Loss allowance	**9,285**	12,983
Written-off during the year as uncollectible	**(5,187)**	(1,759)
Unused amounts reversed	**–**	–
At end of year	**88,558**	84,460

26 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include the following:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Japan listed equity security	**3,533**	4,623

Notes:

(a) Changes in fair value of financial assets at fair value through profit or loss of RMB1,090,000 are recorded in other gains – net (2020: loss of RMB6,927,000).

(b) Information about the Group's exposure to price risk is provided in Note 3.1(c). For information about the methods and assumptions used in determining fair value, please refer to Note 3.3.

27 Bank balances and cash

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cash and cash equivalents	**515,547**	714,569
Restricted bank deposits *(Note (a))*	**240,292**	266,344
Total bank balances and cash	**755,839**	980,913
Denominated in:		
RMB	**693,491**	839,622
HK$	**9,822**	48,077
Other currencies	**52,526**	93,214
	755,839	980,913

Notes:

(a) The amount mainly represents restricted bank deposits that were pledged to banks as collateral for bank's acceptance bill.

(b) The conversion of the RMB denominated balances maintained in the PRC into foreign currencies and remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

28 Share capital and share premium

	Number of ordinary shares	Share capital	Share premium	Total
		RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2020	2,249,457,213	140,312	1,656,669	1,796,981
As at 31 December 2021	**2,249,457,213**	**140,312**	**1,656,669**	**1,796,981**

29 Other reserves

	Merger reserve RMB'000 Note (a)	Shares held for share award scheme RMB'000 Note (d)	Statutory reserve RMB'000 Note (b)	Capital reserve RMB'000 Note (c)	Capital contribution reserve RMB'000	Equity-settled share-based compensation RMB'000	Financial assets at FVOCI RMB'000	Exchange reserve RMB'000	Total other reserves RMB'000
At 1 January 2020	(8,938)	(39,498)	201,646	196,764	23,377	18,192	(9,446)	36,710	418,807
Equity-settled share-based compensation – Value of employee services	–	–	–	–	–	8,823	–	–	8,823
Transaction with non-controlling interest	–	–	–	(3,308)	–	–	–	–	(3,308)
Shares purchased for share award scheme	–	(18,064)	–	–	–	–	–	–	(18,064)
Revaluation	–	–	–	–	–	–	(2,122)	–	(2,122)
Exchange differences	–	–	–	–	–	–	–	(18,277)	(18,277)
Appropriation to statutory reserves	–	–	15,451	–	–	–	–	–	15,451
At 31 December 2020	(8,938)	(57,562)	217,097	193,456	23,377	27,015	(11,568)	18,433	401,310
Equity-settled share-based compensation – Value of employee services	–	–	–	–	–	5,823	–	–	5,823
Transaction with non-controlling interest	–	–	–	821	–	–	–	–	821
Shares purchased for share award scheme	–	(6,577)	–	–	–	–	–	–	(6,577)
Revaluation	–	–	–	–	–	–	670	–	670
Exchange differences	–	–	–	–	–	–	–	(20,449)	(20,449)
At 31 December 2021	(8,938)	(64,139)	217,097	194,277	23,377	32,838	(10,898)	(2,016)	381,598

29 Other reserves (Continued)

Notes:

(a) Merger reserve

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

(b) Statutory reserve

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

(c) Capital reserve

Capital reserve as at 1 January 2013 represented the excess of the cash consideration over the paid-in capital arising from capital contributions to Cosmo Lady Guangdong Holdings Limited by investors.

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

On 6 June 2018, a senior officer of the Company, contributed RMB4,500,000 to Cosmo Lady (TianJin) E-commerce Company Limited, a subsidiary of the Company, obtained 5% of share of this subsidiary. The excess of total equity of Cosmo Lady (TianJin) E-commerce Company over the share capital with the amount of RMB3,974,000 has been recognized as capital reserve in the consolidated balance sheet.

On 31 December 2020, the senior officer mentioned above exchanged his 5% share of Cosmo Lady (TianJin) E-commerce Company Limited with 10% share of Ordinfen (Tianjin) Fashion Company Limited and Ordinfen (Shanghai) Corporate Management Consulting Co., Ltd., another two subsidiaries of the Company, an amount of RMB3,308,000 has been recognized as capital reserve in the consolidated balance sheet.

(d) Shares held for share award scheme

The Share Award Scheme is managed by the Share Scheme Trustee. According to the Share Award Scheme approved by the Board on 28 June 2019, the Board may from time to time determine the maximum number of ordinary shares of the Company which may be purchased by the Share Scheme Trustee in the open market on the Stock Exchange.

As at 31 December 2021, the Share Scheme Trustee acquired and withheld 56,035,800 ordinary shares of the Company (2020: 48,485,800) from the open market with funds provided by the Company by way of contributions, for an aggregate consideration of approximately RMB64,139,000 (2020: RMB57,562,000), which had been deducted from shareholders' equity.

30 Equity-settled share-based compensation

(a) Employee Option Plan

The establishment of the Company Employee Option Plan was approved by the board on 31 October 2017. The Employee Option Plan is designed to provide long-term incentives for senior managers and above (including executive directors) to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Vesting of the options is conditional upon the achievement of certain performance targets during the periods prior to each vesting date and the exercise period of the options. Subject to the Listing Rules, the Board reserves its rights to specify appropriate performance targets and conditions that must be achieved before the exercise of the options for each of the individual grantees at its absolute discretion.

Each option shall entitle the holder of the option to subscribe for one share upon exercise of such option at an exercise price of HK$3.288 per share, being the higher of (i) the closing price of the shares on the date of grant; (ii) the average closing price of the shares as quoted on the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

The benefits of the share options granted under the Employee Option Plan has been replaced by the benefits of the shares to be granted under the 2019 Share Award Scheme as mentioned in Note 30(b). As such, the remaining share option balance of RMB1,635,000 as at 31 December 2021 continues to be amortised over its remaining period when the conditions as defined in the plan are fulfilled.

(b) 2019 Share Award Scheme

The Board of Directors has approved the adoption of the 2019 Share Award Scheme on 28 June 2019. The purpose of the Share Award Scheme is to recognize and motivate the contribution of the employees of the Group and help the Group in retaining its existing members of management and attracting new talents to join the Group. The benefits under the Share Award Scheme serves to replace the benefits under the Company's share option plan established and approved by the Board on 31 October 2017. The vesting period of the awarded shares is determined by the Board.

The shares are recognised at the closing share price on the grant date (grant date fair value) as an issue of shares under employee share scheme and as part of employee benefit costs in the period the shares are granted.

30 Equity-settled share-based compensation (Continued)

(b) 2019 Share Award Scheme (Continued)

Movements in the number of shares awarded:

	Number of shares as at 31 December 2021	2020
At 1 January	**34,684,600**	30,542,000
Granted	**1,350,000**	12,116,000
Vested	**–**	(6,858,200)
Forfeited	**(11,860,000)**	(1,115,200)
At 31 December	**24,174,600**	34,684,600

Details of the awarded shares outstanding as at 31 December 2021 were set out as follows:

			Number of awarded shares			
Date of award	Average fair value per share *(HK$) (Note)*	Vesting period	Outstanding as at 1 January 2021	Forfeited during the Year	Granted during the year	Outstanding as at 31 December 2021
28 June 2019	1.33	28 June 2019 to 28 June 2022	22,568,600	(5,387,000)	–	17,181,600
10 July 2020	0.60	10 July 2020 to 10 July 2023	12,116,000	(6,473,000)	–	5,643,000
1 November 2021	0.55	1 November 2021 to 1 November 2024	–	–	1,350,000	1,350,000
			34,684,600	(11,860,000)	1,350,000	24,174,600

Note: The average fair value per share represent the share price of the Company at the grant date.

30 Equity-settled share-based compensation (Continued)

(c) Expenses arising from share-based payment transactions

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
General and administrative expenses		
2019 Share Award Scheme	**1,714**	4,361
Selling and marketing expenses		
2019 Share Award Scheme	**4,109**	4,462
	5,823	8,823

31 Trade and notes payables

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade payables		
– Due to third parties	**703,450**	469,754
– Due to related parties *(Note 38(c))*	**11,373**	143
	714,823	469,897
Notes payable	**292,627**	249,665
	1,007,450	719,562

As at 31 December 2021, trade payables of the Group are non-interest bearing, and their fair values approximate their carrying amounts due to their short maturities.

31 Trade and notes payables (Continued)

As at 31 December 2021, trade payables are denominated in RMB. The ageing analysis of trade payables based on invoice date, as at 31 December 2021 is as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade payables		
– Within 30 days	**56,368**	187,983
– Over 30 days and within 60 days	**83,149**	69,689
– Over 60 days and within 90 days	**177,993**	97,634
– Over 90 days and within 180 days	**372,832**	111,152
– Over 180 days and within 360 days	**19,303**	3,191
– Over 360 days	**5,178**	248
	714,823	469,897

32 Accruals and other payables

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Payables for purchases of property, plant and equipment and intangible assets	**22,622**	35,031
Salaries and welfare payables	**42,767**	41,018
Accrued taxes other than income tax	**2,204**	8,462
Deposits from franchisees	**111,047**	79,665
Payable for logistics	**31,545**	40,885
Payable for advertisements	**8,497**	9,321
Provision for sales return	**19,277**	930
Other accrued expenses and payables	**96,197**	105,795
	334,156	321,107

As at 31 December 2021, accruals and other payables of the Group are non-interest bearing, and their fair values, except for the provision for sales return and receipts in advance from customers which are not financial liabilities, approximate their carrying amounts due to their short maturities.

As at 31 December 2021, accruals and other payables of the Group are denominated in RMB.

33 Borrowings

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Non-current		
Secured bank borrowing *(Note)*	**61,941**	339,077
Current		
Secured bank borrowing *(Note)*	**307,136**	190,300
Unsecured bank borrowing	**–**	8,374
	307,136	198,674
	369,077	537,751

Movements in borrowings are analysed as follows:

	RMB'000
Opening amount as at 1 January 2021	537,751
Repayments of bank borrowings	(368,674)
Proceeds from bank borrowings	200,000
Closing amount as at 31 December 2021	**369,077**

Note:

The amount represents the bank borrowings that are secured by the Group's certain buildings and land use rights of RMB461,579,000 (2020: RMB483,072,000).

The fair values of the non-current borrowings approximate their carrying amounts, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 5.14% (2020: 5.11%) and are within level 2 of the fair value hierarchy.

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

34 Deferred income

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Non-current	**586**	829
Current	**242**	267
	828	1,096

Deferred income represented government grants relating to property, plant and equipment. See Note 7 for further details.

35 Notes to consolidated statement of cash flows

(a) Reconciliation of loss before income tax to net cash generated from operations

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Loss before income tax	**(425,635)**	(126,929)
Adjustments for:		
Depreciation of property, plant and equipment *(Note 17)*	**108,453**	93,986
Amortization of right-of-use assets *(Note 18)*	**268,062**	357,717
Amortization of intangible assets *(Note 19)*	**8,022**	7,581
Provision for impairment of other receivables *(Note 12)*	**33,696**	2,906
Provision for impairment of trade receivables *(Note 12)*	**9,285**	12,983
Provision for inventories *(Note 24)*	**146,134**	65,362
Impairment of property, plant and equipment and right-of-use assets (net of reversal) *(Notes 17 and 18)*	**1,884**	28,031
Fair value losses on FVPL *(Note 8)*	**1,090**	6,927
Finance income *(Note 13)*	**(5,227)**	(4,743)
Finance expense *(Note 13)*	**53,183**	55,434
Foreign exchange gains *(Note 8)*	**(6,671)**	(13,838)
Equity-settled share-based compensation *(Note 30)*	**5,823**	8,823
Share of profit of equity investments *(Note 20)*	**(2,349)**	(8,934)
Net investment income from joint ventures and associate	**(5,420)**	–
Investment income from FVPL *(Note 7)*	**(2,959)**	(1,297)
Dividends from FVOCI *(Note 7)*	**(7,756)**	(18,057)
Loss/(gain) on disposal of property, plant and equipment net *(Note 8)*	**101**	(346)
Loss on disposal of intangible assets net *(Note 8)*	**–**	400
	179,716	466,006
Changes in working capital:		
Trade and notes receivables	**12,317**	(39,029)
Deposits, prepayments and other receivables	**(66,982)**	98,523
Inventories	**(316,533)**	(179,247)
Trade and notes payables	**287,888**	258,920
Accruals and other payables	**32,067**	61,269
Contract liabilities	**49,265**	(72,414)
Deferred income	**(268)**	(435)
Cash generated from operations	**177,470**	593,593

35 Notes to consolidated statement of cash flows (Continued)

(b) Proceeds from disposal of property, plant and equipment

In the consolidated cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Net book amount of property, plant and equipment *(Note 17)*	**4,380**	3,340
Loss on disposal of property, plant and equipment – net *(Note 8)*	**(101)**	346
Proceeds from disposal of property, plant and equipment	**4,279**	3,686

(c) Reconciliation for net debt after lease liabilities

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cash and cash equivalents	**515,547**	714,569
Liquid investment *(Note)*	**3,533**	4,623
Bank borrowings	**(369,077)**	(537,751)
Cash and liquid investment less bank borrowings	**150,003**	181,441
Lease liabilities	**(311,046)**	(430,289)
Net debt after lease liabilities	**(161,043)**	(248,848)
Cash and liquid investments	**519,080**	719,192
Gross debt (including lease liabilities)		
– fixed interest rates	**(311,046)**	(438,663)
– variable interest rates	**(369,077)**	(529,377)
Net debt after lease liabilities	**(161,043)**	(248,848)

35 Notes to consolidated statement of cash flows (Continued)

(c) Reconciliation for net debt after lease liabilities (Continued)

	Other assets			Liabilities from financing activities		
	Cash and cash equivalents *RMB'000*	Term deposits *RMB'000*	Liquid investment *(Note)* *RMB'000*	Leases *RMB'000*	Borrowings *RMB'000*	Total *RMB'000*
Net cash as at 1 January 2020	854,164	630	8,822	(365,027)	(455,190)	43,399
Cash flows	(134,846)	(630)	–	338,487	(82,561)	120,450
Foreign exchange adjustments	(4,749)	–	–	–	–	(4,749)
Other non-cash movements	–	–	(4,199)	(403,749)	–	(407,948)
Net cash as at 31 December 2020	714,569	–	4,623	(430,289)	(537,751)	(248,848)
Net cash as at 1 January 2021	**714,569**	**–**	**4,623**	**(430,289)**	**(537,751)**	**(248,848)**
Cash flows	**(188,816)**	**–**	**–**	**232,717**	**168,674**	**212,575**
Foreign exchange adjustments	**(10,206)**	**–**	**–**	**–**	**–**	**(10,206)**
Other non-cash movements	**–**	**–**	**(1,090)**	**(113,474)**	**–**	**(114,564)**
Net cash as at 31 December 2021	**515,547**	**–**	**3,533**	**(311,046)**	**(369,077)**	**(161,043)**

Note: Liquid investment comprises current investment that is traded in an active market, being the Group's financial assets held at fair value through profit or loss under current assets.

36 Balance sheet and reserves of the Company

Balance sheet of the Company

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Assets		
Non-current assets		
Interests in subsidiaries *(Note (a))*	**1,143,351**	1,157,133
Current assets		
Other receivables	**358**	368
Amounts due from a subsidiary *(Note (b))*	**436,071**	420,731
Financial asset at fair value through profit or loss	**3,533**	4,623
Bank balances and cash	**47,899**	109,097
	487,861	534,819
Total assets	**1,631,212**	1,691,952
Equity		
Capital and reserves		
Share capital *(Note 28)*	**140,312**	140,312
Share premium *(Note 28)*	**1,656,669**	1,656,669
Other reserves	**34,701**	82,359
Accumulated losses	**(204,553)**	(193,379)
Total equity	**1,627,129**	1,685,961
Liabilities		
Current liabilities		
Accruals and other payables	**4,083**	5,991
Total liabilities	**4,083**	5,991
Total equity and liabilities	**1,631,212**	1,691,952

Zheng Yaonan
Director

Zhang Shengfeng
Director

36 Balance sheet and reserves of the Company (Continued)

Accumulated losses of the Company

	RMB'000
At 1 January 2020	(175,051)
Loss for the year	(18,328)
At 31 December 2020	(193,379)
Loss for the year	**(11,174)**
At 31 December 2021	**(204,553)**

Other reserves of the Company

	Shares held for share award scheme RMB'000	Capital contribution reserve RMB'000	Equity-settled share-based compensation RMB'000	Exchange reserve RMB'000	Total other Reserves RMB'000
At 1 January 2020	(39,498)	18,429	17,533	202,722	199,186
Value of employee services	–	–	8,823	–	8,823
Shares purchased for share award scheme	(18,064)	–	–	–	(18,064)
Currency translation differences	–	–	–	(107,586)	(107,586)
At 31 December 2020	(57,562)	18,429	26,356	95,136	82,359
Value of employee services	**–**	**–**	**5,823**	**–**	**5,823**
Shares purchased for share award scheme	**(6,577)**	**–**	**–**	**–**	**(6,577)**
Currency translation differences	**–**	**–**	**–**	**(46,904)**	**(46,904)**
At 31 December 2021	**(64,139)**	**18,429**	**32,179**	**48,232**	**34,701**

36 Balance sheet and reserves of the Company (Continued)

Other reserves of the Company (Continued)

Notes:

(a) Interests in subsidiaries

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Capital contribution relating to share-based payment	**48,724**	42,964
Loans to subsidiaries	**1,094,627**	1,114,169
	1,143,351	1,157,133

The capital contribution relates to shares granted to employees of subsidiaries under Share Award Scheme. Refer to Note 30(c) for further details on the Group's share award scheme.

Loans to subsidiaries are unsecured and non-interest bearing. These loans have no fixed terms of repayment and are regarded as equity contributions to subsidiaries.

(b) Amounts due from a subsidiary are unsecured, non-interest bearing and repayable on demand. The carrying amounts of these balances are mainly denominated in HK$ and approximate their fair values.

37 Commitments

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Contracted but not provided for:		
Property, plant and equipment	**10,567**	14,795
Intangible assets	**886**	1,632
Investment in joint ventures	**33,983**	33,983
	45,436	50,410

38 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the year, and balances arising from related party transactions as at 31 December 2021.

(a) Name and relationship with related parties

	Relationship with the Group
Mr. Zhang Shengfeng	Director
Mr. Lin Zonghong	Director
Shantou City Shengqiang Knitting Industrial Co., Ltd ("Shantou Shengqiang")	Controlled by a brother of Mr. Zhang Shengfeng's spouse
Shantou City Maosheng Knitting Underwear Co., Ltd ("Shantou Maosheng")	Controlled by a brother of Mr. Lin Zonghong
Cosmo Lady Guangdong Intelligent Industry Investment Co., Ltd ("CLGIII")	Controlled by Mr. Zheng Yaonan
Shantou Lianxin Detection Company Limited	Joint venture

(b) Transactions with related parties – purchases of goods:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Continuing transactions:		
Shantou Shengqiang	**30,998**	15,681
Shantou Maosheng	**5,140**	1,470
	36,138	17,151

Purchases of goods from these related parties are on mutually agreed terms and conditions, and the purchase prices are determined on cost-plus basis, with a mark-up rate of no more than 9%.

38 Related party transactions (Continued)

(c) Balance with related party

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade payables balance *(Note 31)*:		
Shantou Shengqiang	**11,373**	–
Shantou Maosheng	**–**	143
Prepayment:		
Shantou Shengqiang	**–**	191
Shantou Maosheng	**1**	–

The trade payables to related party were unsecured, non-interest bearing, repayable on demand and denominated in RMB.

(d) Key management compensation

The remuneration of directors of the Company and other members of key management of the Group is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**11,890**	15,930
Pension costs – defined contribution plans	**1,213**	1,112
Equity-settled share-based compensation	**657**	2,149
	13,760	19,191

39 Particulars of the subsidiaries, associate and joint ventures of the Group

(a) Particulars of the subsidiaries of the Group as at 31 December 2021 are set out below:

Company name	Place of incorporation	Paid-in capital/ registered capital	Interests held by the Group 2021	2020	Principal activities/ place of operation
Directly held:					
Cosmo Lady (International) Holdings Co., Ltd.	BVI	1 share of US$1	100%	100%	Investment holding/ Hong Kong
Indirectly held:					
Cosmo Lady Guangdong Holdings Limited	PRC	RMB420,000,000	100%	100%	Sale of intimate wear/ PRC
Beijing Ziseyangguang Sale Co., Ltd.	PRC	RMB1,000,000	100%	100%	Sale of intimate wear/ PRC
Shenzhen Sisters Fashion Co., Ltd.	PRC	RMB2,000,000	100%	100%	Sale of intimate wear/ PRC
Cosmo Lady Fashion (Guangzhou) Co., Ltd.	PRC	RMB2,000,000	100%	100%	Sale of intimate wear/ PRC
Tianjin Dushifengshang Fashion Co., Ltd.	PRC	RMB30,000,000	100%	100%	Sale of intimate wear/ PRC
Fanxue Fashion (Chongqing) Co., Ltd.	PRC	RMB20,000,000	100%	100%	Sale of intimate wear/ PRC
Fanxue Fashion (Shanghai) Co., Ltd.	PRC	RMB3,000,000	100%	100%	Sale of intimate wear/ PRC
Cosmo Lady (TianJin) E-commerce Company Limited	PRC	RMB10,000,000	100%	100%	Sale of intimate wear/ PRC
Freeday (Tianjin) Fashion Company Limited	PRC	RMB15,000,000	100%	100%	Sale of intimate wear/ PRC
Ordinfen (Tianjin) Fashion Company Limited	PRC	RMB100,000,000	90%	90%	Sale of intimate wear/ PRC
Cosmo Lady (Guang Dong) Technology Company Limited	PRC	RMB15,000,000	100%	100%	Sale of raw material/ PRC

39 Particulars of the subsidiaries, associate and joint ventures of the Group (Continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2021 are set out below (Continued):

Company name	Place of incorporation	Paid-in capital/ registered capital	Interests held by the Group 2021	2020	Principal activities/ place of operation
Guangdong Cosmo Logistics Technology Company Limited	PRC	RMB45,000,000	80%	80%	Logistics warehousing and distribution services/PRC
Cosmo Lady (International) Company Limited	Hong Kong	10,000 shares of HK$1	100%	100%	Investment holding/ Hong Kong
Cosmo Lady (Hong Kong) Holdings Co., Ltd.	Hong Kong	10,000 shares of HK$1	100%	100%	Investment holding/ Hong Kong
Freeday (Hong Kong) Holdings Company Limited	Hong Kong	1 share of HK$1	100%	100%	Investment holding/ Hong Kong
Ordifen (Hong Kong) Holdings Company Limited	Hong Kong	1 share of HK$1	100%	100%	Investment holding/ Hong Kong
Cosmo Lady (Hong Kong) Industrial Company Limited	Hong Kong	1 share of HK$1	100%	100%	Investment holding/ Hong Kong
Ordinfen (Shanghai) Corporate Management Consulting Co., Ltd.	PRC	HK$11,111,100	90%	90%	Corporate consulting/ PRC
Dongguan Liruiyao Textile Company Limited	PRC	RMB10,000,000	51%	51%	Sale of intimate wear/ PRC
Dongguan Cosmo Lady Sales Company Limited	PRC	RMB10,000,000	100%	100%	Sale of intimate wear/ PRC
Shenzhen Yueshang IT Company Limited	PRC	RMB5,000,000	100%	100%	Sale of intimate wear/ PRC
Cosmo Lady (Dongguan) E-commerce Company Limited	PRC	RMB5,000,000	100%	100%	Sale of intimate wear/ PRC

39 Particulars of the subsidiaries, associate and joint ventures of the Group (Continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2021 are set out below (Continued):

Company name	Place of incorporation	Paid-in capital/ registered capital	Interests held by the Group 2021	2020	Principal activities/ place of operation
Shenzhen Dushi Fashion Company Limited	PRC	RMB10,000,000	51%	51%	Sale of intimate wear/ PRC
Shangyue (Tianjin) Fashion Company Limited	PRC	RMB20,000,000	75%	75%	Sale of intimate wear/ PRC
Dongguan Kejiayi Textile Company Limited	PRC	RMB10,000,000	51%	51%	Sale of raw material/ PRC
Dongguan Dushi Hengfeng Sales Company Limited	PRC	RMB10,000,000	100%	100%	Sale of intimate wear/ PRC
Dongguan Dushi Hengyao Sales Company Limited	PRC	RMB10,000,000	100%	100%	Sale of intimate wear/ PRC
Dongguan Dushi Hongfeng Sales Company Limited	PRC	RMB10,000,000	100%	100%	Sale of intimate wear/ PRC
Dongguan Dushi Yaoli Sales Company Limited	PRC	RMB10,000,000	100%	100%	Sale of intimate wear/ PRC
Shaoguan Dongdu Property Management Company Limited	PRC	RMB5,000,000	100%	100%	Property management services/PRC
Shaoguan Dushi Feiteng Logistics Company Limited	PRC	RMB2,000,000	100%	100%	Logistics warehousing and distribution services/PRC
Dongguan Lishe Brand Management Company Limited	PRC	RMB1,000,000	60%	60%	Brand management services/PRC
Lice Technology (Shanghai) Company Limited	PRC	RMB5,000,000	51%	51%	Computer technology services/PRC

39 Particulars of the subsidiaries, associate and joint ventures of the Group (Continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2021 are set out below (Continued):

Company name	Place of incorporation	Paid-in capital/ registered capital	Interests held by the Group 2021	2020	Principal activities/ place of operation
Tianjin Yuemu E-commerce Company Limited	PRC	RMB1,000,000	100%	100%	Sale of intimate wear/ PRC
Shenzhen Ordifen Information Technology Service Company Limited	PRC	RMB10,000,000	100%	100%	Computer technology services/PRC

(b) Particulars of the associate of the Group as at 31 December 2021 is set out below:

Company name	Place of incorporation	Paid-in capital/ registered capital	Interests held by the Group 2021	2020	Principal activities/ place of operation
Zhong Rui Run He (Ningbo) Investment Management Company Limited	PRC	RMB10,000,000	40%	40%	Investment management/PRC

(c) Particulars of the joint ventures of the Group as at 31 December 2021 is set out below:

Company name	Place of incorporation	Paid-in capital/ registered capital	Interests held by the Group 2021	2020	Principal activities/ place of operation
Guangdong Dongdu Holdings Limited	PRC	RMB110,000,000	19.9%	19.9%	Real estate development/PRC
Jinghedu (Dongguan) Equity Investment Management Company Limited	PRC	RMB10,000,000	60%	60%	Investment management/PRC
Jinghedu (Dongguan) Equity Investment Fund Partnership (Limited Partnership)	PRC	RMB625,000,000	38.72%	38.72%	Investment management/PRC
Jinghedu (Dongguan) Equity Investment Management Partnership (Limited Partnership)	PRC	RMB10,000,000	30%	30%	Investment management/PRC
Shantou Lianda Technology Company Limited	PRC	RMB10,000,000	19.99%	19.99%	Manufacturing and sales of intimate wear/PRC
Shantou Lianxin Inspection Company Limited	PRC	RMB5,000,000	19.99%	19.99%	Textile inspection of intimate wear/PRC

The English names of the PRC companies referred to the above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out as follows:

	Year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**3,355,403**	3,057,491	4,081,885	5,096,453	4,542,483
Gross profit	**1,412,623**	1,490,780	922,586	2,123,564	1,964,523
Gross profit margin	**42.1%**	48.8%	22.6%	41.7%	43.2%
Operating (loss)/profit	**(380,028)**	(85,172)	(1,389,193)	483,978	419,565
Operating (loss)/profit margin	**–11.3%**	–2.8%	–34.0%	9.5%	9.2%
(Loss)/profit attributable to owners of the Company	**(493,988)**	(118,095)	(1,297,812)	378,229	317,002
Net (loss)/profit margin	**–14.7%**	–3.8%	–31.8%	7.4%	7.0%

	As of 31 December				
	2021	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank balances and cash*	**755,839**	980,913	854,794	1,506,018	1,515,140
Borrowings	**369,077**	537,751	455,190	183,960	223,080
Non-current assets	**1,432,578**	1,839,859	1,826,313	1,121,244	807,084
Current assets	**2,612,945**	2,655,552	2,513,726	4,294,956	3,729,410
Non-current liabilities	**200,046**	556,654	473,235	13,734	228,129
Current liabilities	**1,951,571**	1,531,110	1,314,192	1,339,861	952,252
Net current assets	**661,374**	1,124,442	1,199,534	2,955,095	2,777,158
Total assets	**4,045,523**	4,495,411	4,340,039	5,416,200	4,536,494
Total liabilities	**2,151,617**	2,087,764	1,787,427	1,353,595	1,180,381
Total equity	**1,893,906**	2,407,647	2,552,612	4,062,605	3,356,113

	2021	2020	2019	2018	2017
Current ratio (times)	**1**	2	2	3	4
Average inventory turnover period (days)	**165**	172	107	140	160
Average trade receivables turnover period (days)	**32**	35	49	49	40
Average trade payables turnover period (days)	**162**	137	68	80	81

* Including cash and cash equivalent and term deposits and restricted bank deposits of the Group