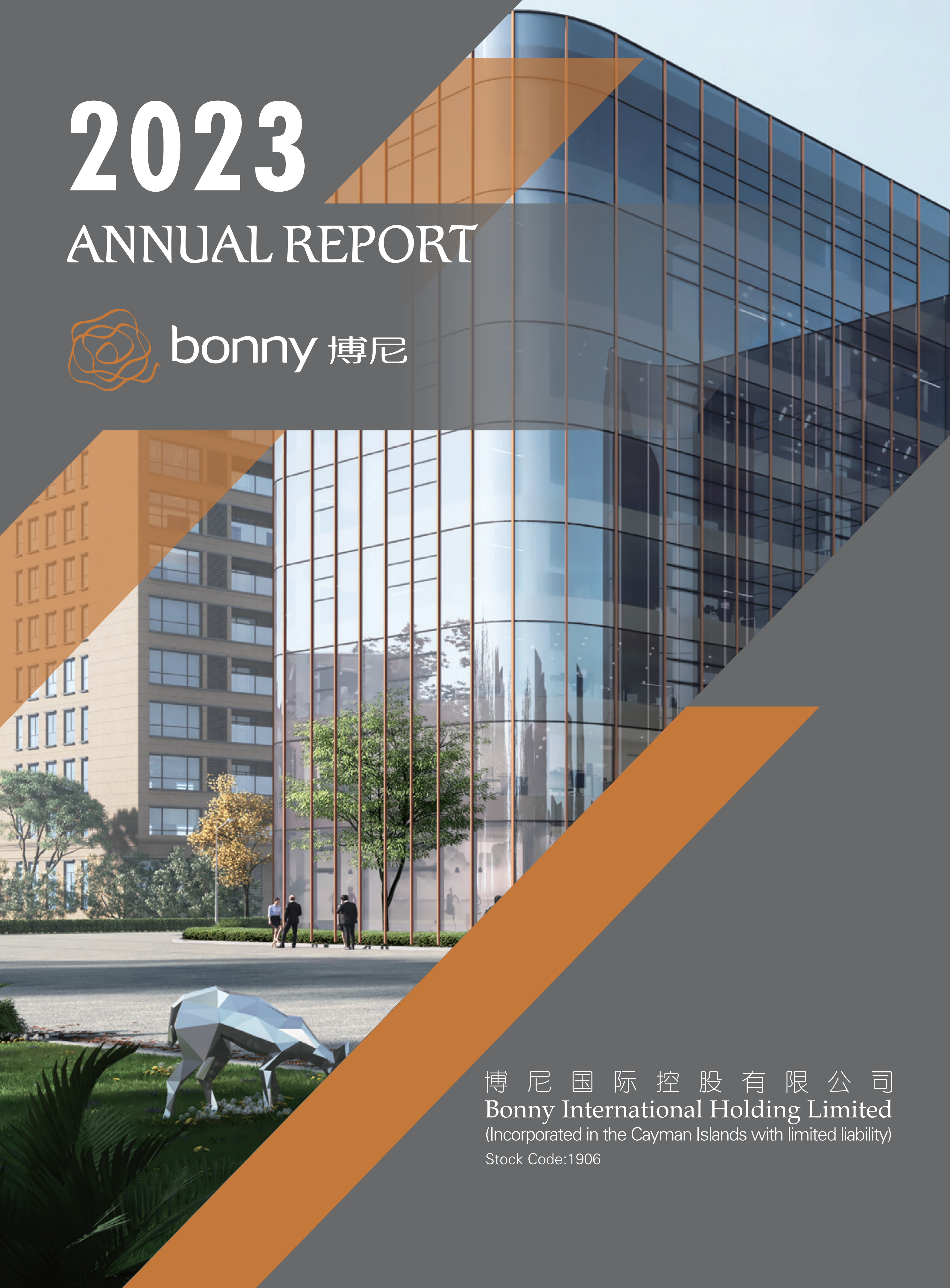
2023
ANNUAL REPORT

bonny 博尼



博 尼 国 际 控 股 有 限 公 司
Bonny International Holding Limited
(Incorporated in the Cayman Islands with limited liability)
Stock Code:1906

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Ms. Gong Lijin
Ms. Huang Jingyi

Independent Non-executive Directors

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

JOINT COMPANY SECRETARIES

Mr. Zhao Hui
Mr. Yip Ngai Hang

AUTHORISED REPRESENTATIVES

Mr. Zhao Hui
Mr. Yip Ngai Hang

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Yiwu City, Zhejiang Province
PRC

WEBSITE OF THE COMPANY

www.bonnychina.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 02-03, 31st Floor
118 Connaught Road West
Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

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

LEGAL ADVISER AS TO HONG KONG LAWS

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

PRINCIPAL BANKERS

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

STOCK CODE

1906

Financial Highlights

Selected Financial Data	2019 *RMB'000*	2020 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*	**2023** ***RMB'000***
Revenue	284,449	287,809	248,784	160,910	**177,671**
Cost of sales	(182,310)	(170,093)	(183,125)	(129,266)	**(136,003)**
Gross profit	102,139	117,716	65,659	31,644	**41,668**
Profit/(loss) for the year	(12,362)	48,274	(6,557)	(70,942)	**(45,210)**
Total assets	620,194	658,543	593,731	571,498	**588,082**
Net asset value	297,830	345,727	345,733	289,941	**312,677**
Return on Equity (ROE)	(4.2%)	14.0%	(1.9%)	(24.5%)	**(14.5%)**
Return on Assets (ROA)	(2.0%)	7.3%	(1.1%)	(12.4%)	**(7.7%)**

BUSINESS AND OPERATIONS REVIEW

During the year ended 31 December 2023 (the "**Reporting Period**"), design, research and development, production and sales of seamless and traditional intimate wear products remained to be the principal activities of Bonny International Holding Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"). It focuses on providing manufacturing solutions of one-stop intimate wear for the original design manufacturers (the "**ODM**") in the PRC and overseas, and selling traditional intimate wear products under the "Bonny" and "U+Bonny" brands through the retail network in the PRC. The Group offers a wide variety of products, such as bras and shorts, underwear sets, casual apparels, sportswear and loungewear products.

During the Reporting Period, the Group's total revenue reached approximately RMB177.7 million, representing an increase of approximately 10.4% as compared to 2022 (2022: approximately RMB160.9 million). The Group recorded a loss attributable to owners of the Company for the Reporting Period of approximately RMB45.3 million (2022: approximately RMB70.9 million).

Brand management and sales

The Group operates under the "Bonny" and "U+ Bonny" brands for its sales of traditional intimate wear products through its retail network in the PRC.

During the Reporting Period, the Group continued the restructuring and adjustment for our retail structure by closing down 32 stores that are under performing and loss-making and opening 23 new stores. As at 31 December 2023, the Group had 111 self-operated retail outlets (comprising 104 self-operated concession counters and 7 self-operated standalone stores) and 12 franchised retail outlets, covering 12 provinces, municipalities and autonomous regions in the PRC, which did not involve any distributors or multiple layers of franchisees.

The Group has been continuously investing in its brands to further raise brand recognition and acceptance. The Group has also renewed and upgraded the brand images for key stores and set up SVIP policies to increase the loyalty of our customers.

Meanwhile, the Group's products are also available for sale through its e-commerce network and different well-recognised e-commerce platforms. The online shops and live broadcast accounts established by the Group have already become a powerful back-up for offline sales and effectively mitigated the inventory level.

Product design, research and development

The research and development department of the Company is mainly responsible for product development and development of prototype and technology and preparation and guidance for manufacturing process. The Company has also collaborated with domestic research institutes to enhance the research and development of new processes and products. During the Reporting Period, expenses for product design, research and development was approximately RMB17.1 million (2022: approximately RMB21.2 million).

As at 31 December 2023, the Group had a total of 78 registered trademarks in Chinese Mainland, 1 registered trademark in Hong Kong, 5 registered domain names, 14 registered software copyrights and 17 registered patents in Chinese Mainland, including 5 invention patents and 12 utility model patents.

Production capacity

During the Reporting Period, the production site of the Company at Beiyuan Street, Yiwu City, Zhejiang Province and the production site at Yushan County, Shangrao City, Jiangxi Province were under normal operations. The production of the products of the Company was organized autonomously using its own equipment, workers and techniques and applying the production strategy of "basing production on sales prospects" to ensure that production is scheduled at the right time to meet customer demands. The production capacity can meet the current order delivery demand at this stage and there is no need to make adjustments.

Human resources

The number of full-time employees of the Group decreased to 607 as at 31 December 2023 (2022: 642). The employee benefit expense (excluding directors' and chief executive's remunerations) for the Reporting Period was approximately RMB59.4 million (2022: approximately RMB63.8 million).

In addition to direct employment and labour dispatch, the Group engages production subcontractors to provide on-site sub-contracting staff. The Group's human resources policy does not apply to workers of the relevant production subcontractor and the Group neither determines nor directly pays wages to the subcontracting staff. Subcontracting fees, calculated based on the quantity of goods or services delivered to the Group for the Reporting Period was approximately RMB3.8 million (2022: approximately RMB2.9 million).

Financial Review

Revenue

Revenue for the Reporting Period reached approximately RMB177.7 million, representing an increase of approximately RMB16.8 million, or approximately 10.4%, from approximately RMB160.9 million for the year ended 31 December 2022 (the "**Corresponding Period**").

The revenue of ODM products segment for the Reporting Period was approximately RMB135.0 million, representing an increase of approximately RMB15.3 million, or approximately 12.8%, from segment revenue of approximately RMB119.7 million for the Corresponding Period, primarily because the impact of the Covid-19 pandemic on import and export trade has been largely undone in 2023, and the international trade situation has eased, resulting in the increased overall export orders, among which the order income of exports to the United States has increased by approximately 142.4% when comparing to 2022.

The brand products segment revenue for the Reporting Period was approximately RMB42.7 million. In 2023, the Group took shop restructuring and inventory clearance as its strategic focus. 32 retail stores were closed during the Reporting Period. As the business performance was no longer affected by the Covid-19 pandemic as in previous years, sales in retail stores increased, and those stock products were depleted through multiple channels, such as promotion and discount, wholesale sales in factories and low price sales in online stores, thus the overall revenue was slightly higher than that of the Corresponding Period (2022: approximately RMB41.2 million).

Gross Profit

Gross profit for the Reporting Period was approximately RMB41.7 million, representing an increase of approximately RMB10.1 million, or approximately 32.0%, from approximately RMB31.6 million for the Corresponding Period.

Segment gross profit for ODM products for the Reporting Period was approximately RMB35.4 million which increased from approximately RMB26.4 million for the Corresponding Period, because the overall order volume increased in 2023, and the Group searched for and received orders mainly based on product gross margin.

Segment gross profit for brand products for the Reporting Period was approximately RMB6.3 million, which increased from approximately RMB5.2 million for the Corresponding Period, primarily because of the increase in sales and corresponding decrease in inventory, resulting in a decrease of approximately RMB2.7 million in the provision for impairment on inventories in 2023 compared with the Corresponding Period.

Other Income and Gains

Other income and gains for the Reporting Period was approximately RMB18.7 million, representing an increase of approximately RMB11.8 million, or approximately 171.0%, from approximately RMB6.9 million for the Corresponding Period, primarily because i) the lease income increased by approximately RMB8.4 million compared with the Corresponding Period; and ii) Zhejiang Bonny Fashion Holding Group Co., Ltd. ("**Zhejiang Bonny**"), a subsidiary of the Company, and A Barcs & Co. Nominees Pty. Ltd. reached a settlement agreement after court mediation, resulting in the litigation compensation exemption income of approximately RMB3.5 million.

Selling and Distribution Expenses

Selling and distribution costs for the Reporting Period slightly decreased to RMB40.2 million compared with the amount of approximately RMB41.9 million for the Corresponding Period.

Administrative and Other Expenses

Administrative and other expenses for the Reporting Period were approximately RMB53.2 million, representing a decrease of approximately RMB9.2 million, or approximately 14.7%, from approximately RMB62.4 million for the Corresponding Period, primarily because among other expenses, research and development expenses, litigation compensation and default payments, and impairment of long-term assets decreased by approximately RMB4.0 million, RMB4.6 million and RMB4.1 million, respectively, compared with the Corresponding Period.

Finance Costs

Finance costs for the Reporting Period were approximately RMB6.0 million, representing an increase of approximately RMB1.4 million, or approximately 30.4%, from approximately RMB4.6 million for the Corresponding Period, primarily because the interest on a special loan for construction in progress ceased to be capitalized in March 2023.

Income Tax Expense/Credit

Income tax expense for the Reporting Period were approximately RMB5.0 million as compared to the income tax credit of RMB0.4 million for the Corresponding Period. The income tax expense incurred during the Reporting Period was due to the deferred tax assets recognised in previous years were all reversed based on reassessment of the realisation of these deferred tax assets.

Loss Attributable to Equity Holders of the Parent

Loss attributable to ordinary equity holders of the parent for the Reporting Period was approximately RMB45.3 million, and a loss of approximately RMB70.9 million was recorded for the Corresponding Period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group had cash and cash equivalents, which are mostly denominated in Renminbi, U.S. dollars and Hong Kong dollars currency unit, of approximately RMB3.6 million (2022: approximately RMB6.5 million). The interest-bearing liabilities as at 31 December 2023 was approximately RMB133.6 million (2022: approximately RMB144.2 million) with interest rates ranging from approximately 4.35% to 4.85% per annum.

In terms of gearing, the Group's gearing ratio as at 31 December 2023, calculated based on net debts divided by total capital plus net debts, was approximately 44.8% (2022: approximately 47.1%). The Group recorded net current liabilities of approximately RMB58.7 million as of 31 December 2023. As at 31 December 2023, the Group had no material contingent liabilities, other than those disclosed in its consolidated financial statements and the notes thereto. The management believes that the Group has maintained adequate financial resources to fulfil its working capital requirements.

FOREIGN EXCHANGE RISK

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

CAPITAL COMMITMENTS

As at 31 December 2023, the Group had total capital commitments of RMB22.6 million (2022: RMB36.0 million), primarily related to the settlement of the construction of phase III of the Beiyuan Production Site.

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

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

As at 31 December 2023, save for i) the Group's buildings and machinery and equipment situated in Chinese Mainland, which had a net carrying value of RMB176,855,000 as at 31 December 2023 (2022: RMB111,907,000); ii) the Group's investment properties situated in Chinese Mainland, which had a carrying amount of RMB228,070,000 as at 31 December 2023 (2022: RMB48,400,000); and iii) the Group's leasehold land situated in Chinese Mainland, which had a net carrying value of RMB21,408,000 as at 31 December 2023 (2022: RMB20,735,000) which were pledged to secure general banking facilities, the Group did not pledge any other assets. Details of the Group's assets pledged for Group's bank loans are included in Note 24 to the consolidated financial statements.

USE OF PROCEEDS

The shares of the Company were listed ("**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 26 April 2019 by way of global offering. The net proceeds (the "**Net Proceeds**") of the Group raised from the initial public offering were approximately HK$131.3 million, after deducting the underwriting fees, commissions and other listing expenses. The Group does not have any unutilised Net Proceeds (the "**Unutilised Net Proceeds**") at the date of this report.

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

The table below sets out the use of net proceeds from the initial public offering and the Unutilised Net Proceeds as at 31 December 2023:

	Planned allocation of Net Proceeds as stated in the Prospectus *HK$ million*	Amount unutilised as at 1 January 2021 (before revised allocation on 30 November 2021) *HK$ million*	Unutilised Net Proceeds (after revised allocation on 30 November 2021) *HK$ million*	Amount utilised as at 31 December 2023 *HK$ million*	Unutilised Net Proceeds as at 31 December 2023 *HK$ million*	Expected timeline for full utilisation
Beiyuan Production Site for expansion of our seamless production capacity						
– construction of phase II of the Beiyuan Production Site	26.3	–	–	–	–	N/A
– acquisition and implementation of additional production equipment at the Beiyuan Production Site	78.8	24.5	–	–	–	N/A
Enhancing product design, research and development capability	13.1	–	–	–	–	N/A
Working capital and general corporate purposes	13.1	–	–	–	–	N/A
Acquisition mask production line and ancillary equipment and constructing medical mask production workshop	–	–	–	–	–	N/A
Preparation for the construction of the Jiangxi Shangrao Production Site	–	–	5.5	5.5	0.0	N/A
General working capital	–	–	19.0	19.0	0.0	N/A
Total	131.3	24.5	24.5	24.5	0.0	

SUBSEQUENT EVENT

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

EMPLOYEE AND REMUNERATION POLICY

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

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

SIGNIFICANT INVESTMENTS HELD

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as otherwise disclosed this report, there were no material investments or additions of capital assets authorised by the Board at the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

EXECUTIVE DIRECTORS

Mr. Jin Guojun (金國軍), aged 47,is our Chairman and was appointed as a Director on 19 July 2017 and was re-designated as an executive Director and appointed as the chief executive officer on 19 September 2018. He co-founded our Group with Ms. Gong Lijin on 21 August 2001 and is primarily responsible for overseeing the daily operational management and the business performance of our Group, as well as for the overall strategy planning and management of our Company. Mr. Jin is currently the director of certain subsidiaries of the Company, including Hong Kong Bonny Ltd., Shanghai Bonny Apparel Co., Ltd. ("**Shanghai Bonny**"), Yiwu Fayue Apparel Co., Ltd.* (義烏法悦服飾有限公司) ("**Yiwu Fayue**"), Zhejiang Bonny Protective Equipment Co., Ltd.* (浙江博尼防護用品有限公司) (formerly known as Yiwu Bonny Sportswear Co., Ltd.* (義烏博尼運動服裝有限公司)) ("**Bonny Protective**") and Yiwu Leyishang Apparel Co., Ltd.* (義烏樂衣尚服飾有限公司) ("**Yiwu Leyishang**"). He is also the manager of Shanghai Bonny, Yiwu Fayue, Bonny Protective and Yiwu Leyishang. Mr. Jin is the chairman of the nomination committee of the Company (the "**Nomination Committee**") and a member of the remuneration committee of the Company (the "**Remuneration Committee**").

Mr. Jin has over 20 years of experience in the intimate wear manufacturing industry. Mr. Jin founded our Group through establishing Zhejiang Bonny on 21 August 2001 and has since been serving as the chairman of the board of Zhejiang Bonny. Prior to founding our Group, Mr. Jin worked at Yiwu Office of State Administration of Taxation (義烏市國家税務局) of Zhejiang Province from October 1997 to September 2001. He co-founded Bode Holding Co., Ltd.* (博德控股集團有限公司) ("**Bode Holding**") in September 2007 with Ms. Gong Lijin, our non-executive Director and spouse of Mr. Jin, in which he served as the chairman of the board until December 2019. Mr. Jin acted as the chairman of the board of the subsidiaries of Bode Holding, including Zhejiang Deshipu Polyamide Technology Co., Ltd.* (浙江德施普錦綸科技有限公司) ("**Deshipu Polyamide**") and Zhejiang Deshipu New Materials Technology Co., Ltd.* (浙江德施普新材料科技有限公司) ("**Deshipu New Materials**") from December 2006 to January 2020 and from December 2010 to January 2020, respectively. Since November 2016, Mr. Jin has been acting as executive director and manager of Zhejiang Baicheng Trading Co., Ltd.* (浙江柏成貿易有限公司) (formerly known as Yiwu Junhe Cross-Border Electronic Commerce Industrial Park Management Co., Ltd.* (義烏俊和跨境電商產業園管理有限公司)), a company jointly controlled by Mr. Jin and Ms. Gong Lijin, our non-executive Director and spouse of Mr. Jin. Mr. Jin was worked as the supervisor of Yiwu Junhe Intelligent Technology Co., Ltd.* (義烏俊和智能科技有限公司) from April 2011 to October 2022. Mr. Jin graduated from Correspondence College of the Party School of the Central Committee of C.P.C* (中共中央黨校函授學院) in the PRC majoring in economic management through distance learning in June 2001 and Chongqing University (重慶大學) in the PRC majoring in engineering management through distance learning in January 2014.

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

Mr. Zhao Hui (趙輝), aged 54, was appointed as a Director on 19 July 2017 and was re-designated as an executive Director on 19 September 2018. He was appointed as a joint company secretary of the Company on 30 June 2022. He joined our Group on 26 December 2007. He is the chief financial officer of Zhejiang Bonny and has acted as the secretary to the board and deputy general manager of Zhejiang Bonny since November 2013. He is primarily responsible for overseeing our Group's financial strategies and management and internal compliance.

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

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

NON-EXECUTIVE DIRECTORS

Ms. Gong Lijin (龔麗瑾), aged 45, was appointed as a Director on 19 July 2017 and re-designated as a non-executive Director on 19 September 2018. She co-founded our Group with Mr. Jin and is primarily responsible for providing strategic advice on the operations and management of our Group. She joined our Group as the general manager of the International Business Department of Zhejiang Bonny on 21 August 2001, and had served as the supervisor of Shanghai Bonny from December 2007, and the executive director and manager of Yiwu Leyishang from March 2016 until she resigned from the positions in Zhejiang Bonny and Yiwu Leyishang on 31 December 2013 and 6 February 2019, respectively. Ms. Gong has been serving as the supervisor of Jiangxi Bonny since 12 July 2021.

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

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

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

Ms. Huang Jingyi (黃靜怡), aged 27, was appointed as a non-executive Director on 1 November 2020. She joined the Group from March to November 2018 as an export sales at Zhejiang Bonny. Ms. Huang joined Bode Holding since January 2020 as a business manager. Ms. Huang is currently a director and manager of each of Zhejiang Bonny and Jiangxi Bonny. Ms. Huang graduated from Chongqing University (重慶大學) in the PRC majoring in business management through distance learning in January 2017.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yin Tsung (陳彥璁), aged 44, was appointed as an independent non-executive Director on 1 July 2020. He is the chairman of the audit committee of the Company (the "**Audit Committee**") and member of each of the Remuneration Committee and the Nomination Committee. Mr. Chan has over 20 years of experience in initial public offering, corporate merger and acquisitions, restructuring, due diligence, audit, financial modeling and business valuation.

From November 2003 to July 2010, he held various positions in Ernst & Young, KPMG Transaction Advisory Services and PricewaterhouseCoopers Corporate Finance. Mr. Chan joined the investment banking division of Essence International Financial Holdings Limited from October 2010 to April 2011. From June 2011 to July 2012, Mr. Chan joined the private equity department of the same company as a senior manager. From September 2014 to September 2019, Mr. Chan was appointed as the independent non-executive director, the chairman of each of the audit committee and nomination committee, and a member of remuneration committee of Zhidao International (Holdings) Limited (a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1220)). Since November 2016, Mr. Chan has severed as an independent non-executive director, chairman of the audit committee and remuneration committee and a member of nomination committee of China Ludao Technology Company Limited (a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 2023)). Since December 2016, Mr. Chan has served as an independent non-executive director and the chairman of the audit committee of Beijing Jingneng Clean Energy Co., Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 579). He has also been a member of the legal and compliance management committee of this company since January 2021. On 29 August 2023, Mr. Chan resigned from his positions within the company, stepping down from his roles in both the audit committee and the legal and compliance management committee.

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

Mr. Chow Chi Hang Tony (周志恒), aged 32, was appointed as an independent non-executive Director on 5 February 2021. He is a member of the Audit Committee.

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

Dr. Wei Zhongzhe (魏中哲), aged 36, was appointed as an independent non-executive Director on 17 December 2021. He is a member of the Audit Committee and Nomination Committee, and chairman of the Remuneration Committee.

Dr. Wei is currently employed by the College of Chemical Engineering, Zhejiang University of Technology (浙江工業大學化學工程學院) engaging in teaching and research work. Mr. Wei specializes in conducting research of high-efficiency multi-component composite catalysts, and has over ten years of experience in the field. Since September 2020, Dr. Wei has been appointed as an assistant to the school master of the College of Chemical Engineering, Zhejiang University of Technology, at which he is primarily responsible for the development of academic curriculum and infrastructure of the college.

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

SENIOR MANAGEMENT

Mr. Li Zhanhai (李占海), aged 44, joined our Group as the administration and human resource manager in August 2008 and has been the vice general manager of the corporate management centre of our Group since July 2012. He is primarily responsible for the administrative and human resource management of our Group.

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

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

Mr. Gao Jiangpeng (高江鵬), aged 39, joined our Group as the manager of the Shanxi Office of Zhejiang Bonny on 21 March 2011. He subsequently worked as the director overseeing the northwest area of the PRC for Zhejiang Bonny from January 2014 to October 2016, and the director of the brand project department of Shanghai Bonny from November 2016 to July 2017. Since July 2017, he has been promoted as the deputy general manager of Shanghai Bonny. He is primarily responsible for the retail operation of our Group.

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

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

Mr. Zhou Donggen (周冬根), aged 48, joined our Group on 23 January 2011 and has acted as the general manager of our intimate wear production centre of Zhejiang Bonny. Since June 2016, he has been promoted as the production manager of Zhejiang Bonny. He is primarily responsible for research and development, production and quality control of the company.

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

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

JOINT COMPANY SECRETARIES AND AUTHORISED REPRESENTATIVES

Mr. Yip Ngai Hang was appointed as the joint Company Secretaries and Authorised Representatives on 5 August 2023.

Mr. Yip, aged 46, is a fellow member of the Hong Kong Institute of Certified Public Accountants. He is also the chief executive officer of a local professional firm providing regulatory compliance, corporate governance and corporate secretarial services to listed and unlisted corporations. Mr. Yip Ngai Hang has over 20 years of experience in the field of accounting, auditing and regulatory compliance, corporate governance and corporate secretarial services with more than 10 years' experience in handling listed company secretarial and compliance related matters.

CORPORATE GOVERNANCE MEASURES

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board has adopted the principles and the code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") to ensure that the Company's business activities and decision-making processes are regulated in a proper and prudent manner.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors'securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules.

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

THE BOARD

Board Composition

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

Executive Directors

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

Non-executive Directors

Ms. Gong Lijin
Ms. Huang Jingyi

Independent non-executive Directors

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

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

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

Chairman and chief executive officer

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

Independent non-executive Directors

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

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

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

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

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

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

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

Duties performed by the Board and management

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

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

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

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

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

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

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

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

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

Training, Induction and Continuing Development of Directors

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

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

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

Directors' Attendance at Meetings

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

	Meetings Attended/Meetings Held				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	General Meeting
Executive Directors					
Mr. Jin Guojun *(Chairman)*	4/4		1/1	1/1	1/1
Mr. Zhao Hui	4/4				1/1
Non-executive Directors					
Ms. Gong Lijin	3/4				1/1
Ms. Huang Jingyi	3/4				1/1
Independent Non-executive Directors					
Mr. Chan Yin Tsung	4/4	2/2	1/1	1/1	1/1
Mr. Chow Chi Hang Tony	4/4	2/2			1/1
Dr. Wei Zhongzhe	4/4	2/2	1/1	1/1	1/1

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

Board committees

Nomination Committee

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

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

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

During the Reporting Period, the Nomination Committee held 1 meeting and had reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors, and made recommendation to the Board on the re-election of the Directors at the Company's annual general meeting held in 2023.

Board Diversity Policy

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

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

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

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

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

In respect of the appointment of substantial business management personnels and other personnels, the Company also takes into account relevant factors and makes efforts to maintain gender diversity. As at 31 December 2023, the male to female ratio in the workforce (including senior management) of the Company was 43:57. The Company will continue to work on the goal of maintaining the gender diversity of all employees and review policies relating to the recruitment and management of employees in due course in accordance with the business development and requirement of the Company.

Nomination Policy

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

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

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

- Character and integrity;

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

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

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

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

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

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

Nomination process

Appointment of new directors

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

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

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

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

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

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

Re-election of directors at general meeting

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

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

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

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

Audit Committee

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

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

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

During the Reporting Period, the Audit Committee held 2 meetings and had reviewed the annual results and annual report of the Group for the year ended 31 December 2022, the interim results announcement and interim report of the Group for the six months ended 30 June 2023, the effectiveness of the Company's financial controls, internal control and risk management systems. The Audit Committee has reviewed the audited consolidated financial statements and results of the Group for the Reporting Period, and discussed and recommended to the Board on the re-appointment of external auditor.

Remuneration Committee

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

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

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

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

COMPANY SECRETARIES

On 5 August 2023, Mr. Ip Tak Wai resigned as the company secretary of the Company and Mr. Yip Ngai Hang was appointed as the company secretary. Mr. Ip Tak Wai confirmed that he had no disagreement with the Board and there were no other matters in respect of their resignations that need to be brought to the attention of the shareholders of the Company and the Stock Exchange.

Biographical details of Mr. Yip Ngai Hang are set out under "Directors and Senior Management" section in this annual report.

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

During the Reporting Period, Mr. Yip Ngai Hang and Mr. Zhao Hui have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SENIOR MANAGEMENT'S REMUNERATION

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

Band of remuneration (HK$)	No. of person
Nil to 500,000	3

EXTERNAL AUDITOR AND REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities for the Company's financial statements for the Reporting Period is set out in the Independent Auditor's Report on pages 86 to 88 of this annual report.

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

Types of services provided by the external auditor	Fees paid/ payable *RMB'000*
Audit services — audit fee for the Reporting Period	1,659

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Period. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the Directors about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 86 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of Securities & Futures Ordinance ("**SFO**") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements is not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

Pursuant to Article 64 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for shareholders to put forward proposals at shareholders' meeting

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

Procedures for directing shareholder's enquiries to the Board

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

Address:	Room 02-03, 31st Floor, 118 Connaught Road West, Hong Kong *(For the attention of the Board of Bonny International Holding Limited)*
Email address:	ppd@bonnychina.com

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

INVESTOR RELATIONS

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

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

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

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

CONSTITUTIONAL DOCUMENTS

There was no change in the memorandum and articles of association of the Company during the Reporting Period.

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

ABOUT BONNY

Bonny International Holding Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**we**") is a manufacturer of seamless and traditional intimate wear products in the PRC. The Group operates business through two segments, namely original design manufacturer("**ODM**") products and branded products. In terms of ODM products, we focus on providing one-stop in-house intimate wear manufacturing solutions to the Group's ODM customers in the PRC and overseas. In respect of the Group's products, we mainly focus on selling traditional intimate wear products under our"Bonny" and "U+Bonny" brands through our nationwide retail network in the PRC.

We have a huge retail network in the PRC. As of 31 December 2023, the Group had a total of 111 retail outlets, covering 12 provinces, municipalities and autonomous regions in the PRC. Meanwhile, our products are also sold through our current e-commerce network and different well-recognised e-commerce platforms.

In our business operations, we do not only focus on the design, production and sale of high-quality seamless and traditional intimate wears, but also commit to integrating sustainable development strategies into business operations.

ABOUT THIS REPORT

The Group is pleased to publish the sixth Environmental, Social and Governance ("**ESG**") Report (the "**Report**"), with an aim to disclose the Group's environmental, social and governance approaches, measures, targets and performance, so as to enable our stakeholders to have more confidence in our operational performance by understanding our commitment to and resources invested in the fulfillment of our corporate social responsibilities, as well as the Group's progress and development direction on sustainability issues.

Reporting Period and Boundary

Unless otherwise specified, the Report presents the Group's sustainable development policy and performance covering from 1 January 2023 to 31 December 2023 (the "**Reporting Period**"). The Report discloses the Group's relevant environmental, social and governance policies and measures. The scope of disclosure of social and environmental key performance indicators is the same as last year, focusing on the Group's China office and Beiyuan Production Facility in Zhejiang Province.

Report Preparation Basis

The Report has been prepared according to the mandatory disclosure requirements and the "comply or explain" provisions in the Environmental, Social and Governance Reporting Guide (the "**Guide**") set out in Appendix C2 to the Rules Governing the Listing of Securities (the "**Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Reporting Principles

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

Principle	Materiality	Quantitative	Consistency	Balance
Definition	The issuer shall report on environmental, social and governance issues that have important impacts on investors and other stakeholders.	Key performance indicators in respect of historical data need to be measurable. Quantitative information should be accompanied by a narrative, explaining its purpose and impacts, and giving comparative data where appropriate. Issuers should set targets to reduce particular impacts so that the benefits of their environmental, social and governance policies and management systems can be evaluated and verified.	The environmental and social performance indicators should use consistent disclosure and collection methodologies to enable meaningful comparisons of environmental, social and governance data over time.	The Report should provide an unbiased picture of its performance, avoiding selections, omissions, or presentation formats that may inappropriately influence a decision or judgement by the report reader.

Principle	Materiality	Quantitative	Consistency	Balance
The Group's Response	The Group collects the views of stakeholders through different channels and conducts internal materiality assessments to identify current major sustainability issues. More important issues will be given priority in the Report.	Where appropriate, the Group's environmental and social key performance indicators ("**KPIs**") are disclosed quantitatively with reference to Appendix II "Reporting Guidance on Environmental KPIs" and Appendix III "Reporting Guidance on Social KPIs" to "How to Prepare an ESG Report" published by the Stock Exchange. A third-party consultancy firm is engaged to assist the Group in conducting the audit.	The Report uses a consistent statistical methodology to enable meaningful comparison. Changes in methodologies and reporting scope will be interpreted in remarks for reference.	Based on objective facts, the Report provides a comprehensive disclosure of the Group's performance and impact in environmental, social and governance aspects to assist readers in decision-making.

Language and Access of the Report

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

Comments and Feedback

The Group values the opinions of all stakeholders and actively considers their opinions to help us continuously improve our environmental, social and governance performance. If you have any questions or suggestions on the Report, please contact the Group through the following channels.

Address:	Room 02-03, 31/F, 118 Connaught Road West, Hong Kong (For the attention of the Board of Bonny International Holding Limited)
Phone:	3150 6788
Email:	ppd@bonnychina.com

CORPORATE GOVERNANCE AND RISK MANAGEMENT

Corporate Governance

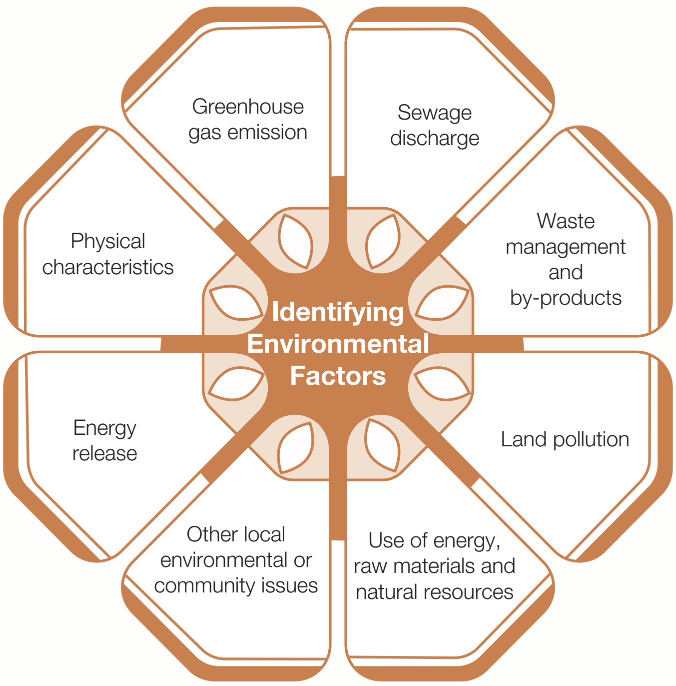
Corporate governance is the foundation of sustainable development. Hence, the Group strictly adheres to business ethics and integrity principles to ensure fair and transparent operations. The Group reviews its business operation regularly and holds meetings to assess whether the items that need to be followed up are appropriate and revise the relevant operating policies. Marketing, production, quality control, administration, procurement and other departments will continuously identify the environmental and social risks associated with the planning, implementation and process control of their products, services, and operations. In order to identify and assess human resources, supply chain and production risks, the Company has established a series of written systems, such as environmental protection requirements and reputation assessment on suppliers, production material supervision, contract review, production base operation assessment, product quality, human resources supervision and environmental factor identification and evaluation.

Through various channels, such as sharing sessions, off-duty seminars and on-duty training, we promote better understanding of our business among the management. The departments report to the management on the new technologies employees have learned about in recent projects. In addition, we help new directors to become more familiar with the Group's business and their responsibilities under the Listing Rules and relevant laws through our directors' orientation and preliminary meetings. The directors will be briefed regularly on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure the upkeep of good corporate governance practices of the Group.

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

Risk Management

The Group recognises the importance of identifying and managing risks in its business operations. Therefore, we have established the "Quality and Environmental Management Handbook", which sets out strict management measures to assess, manage and mitigate the identified environmental risks. In order to evaluate all the factors that may affect the environment in the Company's product manufacturing and service provision processes, we have established the "List of Material Environmental Factors" in accordance with the "Environmental Factor Identification and Evaluation Management Measures". We will consider the following eight aspects to identify environmental factors:



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

APPROACH TO SUSTAINABILITY DEVELOPMENT

The Group's progress towards sustainability is dependent on our effective governance structure. The board of directors of the Company (the "**Board**"), as the highest governance structure, is responsible for establishing and maintaining the governance practices of the Group, including matters related to sustainable development. The Board's responsibilities in relation to sustainability include:

- review and identify risks and sustainability issues that may have a significant impact on the business;

- continuously manage and monitor the policies, measures and effectiveness related to sustainable development for the reviewed environmental, social and governance issues and take these issues into account when formulating the Group's business strategies; and

- set targets for issues related to sustainability and to review the progress of these targets in a timely manner.

We will continue to optimize and enhance the Group's environmental, social and governance mechanisms and implement the concept of sustainable development at different levels. In addition, we have appointed Riskory Consultancy Limited as an independent sustainability consultant to provide environmental, social and governance advisory services.

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

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

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

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

STAKEHOLDER ENGAGEMENT AND COMMUNICATION CHANNELS

The valuable feedback from our stakeholders has enabled the Group to identify areas for improvement in terms of sustainability, allowing us to continuously optimize our development approach. Therefore, we are committed to maintaining good communication with stakeholders. The Group's management has identified the major stakeholders that affect or are affected by the Group's operations. We have established the following formal and informal communication channels to ensure that stakeholders are kept informed of the Group's operations in a timely manner:

Stakeholder	Demands and Expectations for the Group	Communication channel
Customers	• Product and service quality • After-sales service • Customer information security • Business ethics	• Direct communication • Business meetings • Group website • Email/telephone
Employees	• Employee rights and welfare • Occupational health and safety • Equal opportunities • Training and development • Prospects of the Group	• Appraisals • On-the-job mentorship • Internal meetings • Group website • Trainings • Human resources manual • Employee activities • Exit interview
Investors and Shareholders	• Business strategies and sustainability of the Group • Financial performance • Investment return • Corporate governance	• General meetings • Meetings, phone and written enquiries • Direct communication • Group website • Regular corporate publications (such as annual reports, financial reports, circulars and announcements)

Stakeholder	Demands and Expectations for the Group	Communication channel
Suppliers and Business Partners	• Fair competition • Building a win-win cooperating relationship • Fulfilment of contract commitment • Payment schedule	• Direct communication • Business meetings • Group website • Email/telephone
Government and Other Regulatory Authorities	• Compliance with law and regulations • Proper treatment of inside information • Promptly and effectively handle enquiries	• Correspondence • Email/telephone • Regular corporate publications (such as annual reports, financial reports, circulars and announcements)
Local Community	• Participation in community and charity activities • Legality and compliance of business • Contribute to environmental protection • Fair employment opportunities	• Group website • Public media • Community activities • Donations

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

MATERIALITY ANALYSIS

To identify material ESG issues for the Group, we have conducted a materiality assessment during the Reporting Period to effectively manage the Group's environmental, social and governance performance. The Board reviewed and evaluated the identified issues taking into account the opinions of various stakeholders and business operations. The materiality assessment process is as follows:

Material Issue Identification

- The Group identified material ESG issues for the Group, taking into account its own operating conditions and with reference to international standards and the views of stakeholders.

Review and Examination

- Combining the expectations of major stakeholders and influence of ESG issues on the Group, the Board reviewed and re-evaluated the material issues.

Confirmation of Material Topics

- The Group confirmed its material issues during the Reporting Period and assessed their significance.

To comprehensively reflect the environmental, social and governance risks and opportunities faced by the Group, we have integrated environmental, social and governance issues. The environmental, social and governance issues involved include:

Environmental Protection

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

Operating Practices

6. Supply chain management (including environmental and social risk management)
7. Green procurement (e.g. using environmentally friendly raw materials)
8. Crisis or emergency management
9. Anti-corruption and whistle-blowing system

Product and Service Responsibility

10. Product and service quality
11. Customer satisfaction and complaint handling
12. Intellectual property protection
13. Customer information privacy
14. Advertisement and marketing

Human Rights and Employees

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

Contribution to Community

20. Participation in welfare activities
21. Charitable donations

Among the above material issues, those of higher importance to the Group are as follows:

Issue	Disclosure Section
Waste management	Emissions Management
Combatting climate change	Combatting Climate Change
Supply chain management (including environmental and social risk management)	Sustainable Supply Chain Management
Product and service quality	Optimizing Products and Services
Customer satisfaction and complaint handling	Customer Rights and Interests
Employment relationship, employee welfare and benefits	Employment Management
Occupational health and safety	Occupational Health and Safety
Preventing child and forced labour	Labour Standards

INTEGRITY AND COMPLIANCE

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

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

Whistle-blowing Channels

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

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

Anti-corruption Training

The Group is committed to enhancing the anti-corruption awareness of directors and staff and therefore regularly provides training on anti-corruption, bribery and fraud policy to the Board and staff to improve their understanding of anti-corruption legislation and enhance their vigilance in facing potential corruption incidents in their daily work and operations, so as to ensure operation compliance and prevent corrupt practices. During the Reporting Period, all directors and senior management have completed anti-corruption training.

OPTIMIZING PRODUCTS AND SERVICES

The Group attaches importance to the quality and innovation of products and is therefore committed to developing and optimizing the product features and designs, continuously improving the product quality, and providing a diverse product portfolio to fulfil the needs of customers. At the same time, we also actively listen to the opinions of our customers, absorb their feedback and make targeted improvements to enhance our service quality.

During the Reporting Period, the Group had 0.002% of sold or shipped products that had to be recalled for safety and health reasons, and has received 12 complaints in relation to products and services, which involve no significant issue relating to product quality and have been properly handled by us according to strict regulations.

Product Quality Management System

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

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

Production Department
- Product initial passing rate
- Equipment failure rate

Workshop
- Products initial passing rate
- Process execution rate

Marketing Department
- Timeliness of contract review
- Customer satisfaction

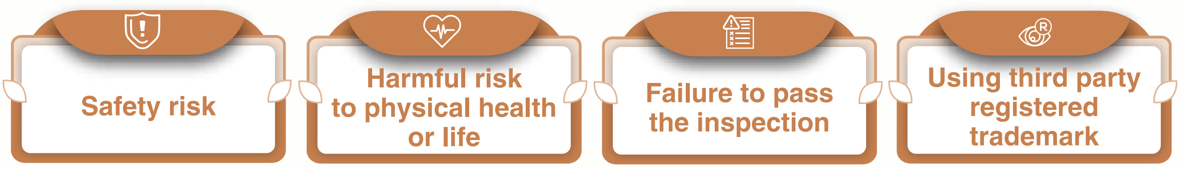
Procurement Department
- Supplier assessment completion rate

Product Quality Assurance

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

The Group have formulated "Production Control System (Seamless Processing)" and "Quality Production Control System for Fine Products" in accordance with relevant laws and regulations and standards to stipulate quality management procedures, including production processes, relevant personnel responsibilities and inspection requirements. Our bras and seamless products are required to pass through a series of inspection procedures, from the inspection of raw materials before production to the review of critical processes in the production process. All unpackaged products are inspected, and the unqualified items are sent directly to the defective and surplus goods warehouse for further follow-up by the Quality Control Department. The products that pass the finished product inspection will be packaged, and the packaged products will be thoroughly inspected or sampled according to the customer's requirements. The packaged products will be sampled for testing again to ensure that all the products delivered to customers meet the quality requirements.

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



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

During the Reporting Period, the Group did not receive any fines, product recall orders or other penalties from any regulatory authority for product quality problems. The Group was not aware of any material non-compliance with laws and regulations in relation to the quality of products that have a material impact on the Group.

Excellent Service Quality

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

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

CUSTOMER RIGHTS AND INTERESTS

Customer Complaint Management

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

Ensuring Customer Health and Safety

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

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

Protecting Customer Privacy

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

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

INTELLECTUAL PROPERTY RIGHTS PROTECTION

Intellectual property is a valuable asset of the Group and therefore we attach great importance to intellectual property protection. We have developed different management policies, including the "Patent Management Policy", "Software Copyright Management Policy" and "Trademark Management Policy", to defend and supervise the intellectual property rights of patents, trademarks and software.

Patent Protection Policy

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

Trademark and Software Policy

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

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

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

ADVERTISING AND LABELLING

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

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

SUSTAINABLE SUPPLY CHAIN MANAGEMENT

Supply chain is also an important part of the Group's operations and we are therefore committed to establishing a sound supply chain management system for sustainable development. The Group expects our business partners to follow our established systerm as guidance to abide by our business ethics and work seamlessly to provide quality products. During the Reporting Period, the Group cooperated with 199 suppliers, among which 195 came from Mainland China, 3 came from Hong Kong and 1 came from Korea. The Group conducts annual assessments of business partners in accordance with the "Procurement Management Policy", "Material Procurement Management Policy" and "Selection and Supervision of Dealers and Franchisee", including but not limited to the following assessment items:

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

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

SUPPLIER EVALUATION

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

Existing Supplier Evaluation Procedure

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

New Supplier Review Procedure

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

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

In addition, we inspect semi-finished products and finished products from subcontractors before acceptance to ensure that the products comply with the specifications stipulated in the supply agreement. We also arrange representatives to conduct regular on-site examinations of subcontractors and inspect the production process including but not limited to sampling products of subcontractors for tests. If the quality of the supplied products does not conform with our standards, the Group will demand replacement or refund form subcontractors.

Franchisee Management

The Group selects the most suitable franchisees for the corporate image of Bonny according to the "Selection and Supervision of Distributors and Franchisees" and "Selection and Evaluation System". We consider various factors, including franchisee's recognition of the brand vision of Bonny, reputation, image, financial status, operation management, store location and conflict of interest, and franchisee's participation in joint events with the Group. During the Reporting Period, the Group cooperated with 12 franchisees.

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

EMPLOYMENT MANAGEMENT

The Group's development relies on the effort and dedication of employees and therefore talent management is an important part of our operations. We are committed to providing a multicultural working environment and competitive remuneration and benefits to attract talents to join the Group. At the same time, we care about the well-being of our employees and pay attention to good communication with them so as to establish a relationship of mutual trust.

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

As at 31 December 2023, the Group employed a total of 607 full-time employees, all of whom were from Mainland China. The following table sets out the number of employees by gender and age group:

Employee Distribution	Unit	2023
By gender		
Male	Person	262
Female	Person	345
By age group		
30 or below	Person	110
31-50	Person	350
51 or above	Person	147

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

Employee Turnover Rate	Unit	2023
By gender		
Male	Percentage	85
Female	Percentage	71
By age group		
30 or below	Percentage	132
31-50	Percentage	72
51 or above	Percentage	48
By geographical location		
Mainland China	Percentage	77
Total turnover rate	Percentage	77

Note: The calculation method of employee turnover rate is (the number of employees who left/the number of employees as at 31 December 2023) x 100%.

Labour Standards

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

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

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

Employment and Remuneration Policy

The Group attaches great importance to attracting and retaining talents and therefore offers competitive benefits package to its staff to ensure excellent human resources and a steady increase in business performance of the Company in the market. The Group strictly abides by local employment-related laws and regulations, including but not limited to the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》).

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

Recruitment and Promotion

In terms of recruitment and promotion, the Group always adheres to the principle of fairness and impartiality and determine the recruitment criteria according to the job content of the position, and all decisions are based on the performance and skills of the candidates and employees. We are committed to providing equal opportunities for employees and will not discriminate based on age, gender, physical health, marital status, family status, race, skin colour, nationality, religion, political stance, and other factors.

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

Employees' promotion opportunities are based on their work performance and skills. We give every employee an equal opportunity to demonstrate their expertise and talents. The Group has formulated the "Management System of Performance Appraisal of Employees" as a guideline for management in their performance appraisals. Performance appraisal items include but not limited to:

- the completion of the Company's business objectives;
- the completion of the employee's personal objectives;
- professional knowledge;
- innovation ability;
- work performance; and
- work attitude.

The Group conducts a performance appraisal with employees every year to obtain a comprehensive performance evaluation. The Human Resources Department will use the appraisal results as the basis for promotion, salary raise, reward, transfer, education and training.

OCCUPATIONAL HEALTH AND SAFETY

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

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

Occupational Health and Safety System

The Group is committed to safeguarding the health and safety of employees. We therefore continue to improve our own occupational health and safety system and have set up an Environment, Health and Safety ("EHS") Group. The EHS specialists will hold regular meetings to analyze all the actual and potential environmental, health and safety risks of different departments and types of work, followed by developing effective improvement programs and preventive measures to mitigate identified crises. The work-related fatalities rate of the Group remained at zero, and no work-related fatalities were reported in the past three years (including the Reporting Period). During the Reporting Period, 28 lost days due to work injury of the Group were reported.

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

EXCELLENT TALENT TRAINING

The professional skills of our employees have a significant impact on the quality of the Group's products and services, and therefore the nurturing of outstanding and diverse talents is the foundation of our sustainable development. We are committed to providing comprehensive staff training and have formulated the "Staff Training Management Policy". We also encourage staff to rotate their jobs to increase networking opportunities and to learn new skills.

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

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

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

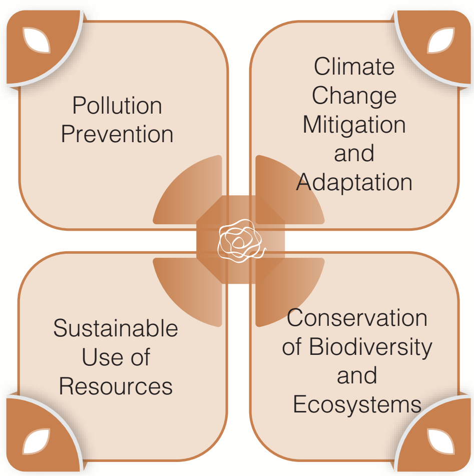
	Unit	2023
Percentage of total employees trained	**Percentage**	**100**
Percentage of employees trained		
By gender		
Male	Percentage	100
Female	Percentage	100
By employee category		
General and technical staff	Percentage	100
Middle management	Percentage	100
Senior management	Percentage	100
Average training hours of employees		
By gender		
Male	Hour	17
Female	Hour	14
By employee category		
General and technical staff	Hour	16
Middle management	Hour	7
Senior management	Hour	3

ENVIRONMENTAL MANAGEMENT SYSTEM

The Group focuses on minimizing our impact on the environment while conducting our operations. We are therefore committed to improving our EHS system and standardizing all environmental and occupational health and safety management activities. We strictly abide by relevant laws and regulations, including but not limited to:

- Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》);
- Law of the People's Republic of China on Environmental Impact Assessment (《中華人民共和國環境影響評價法》);
- Integrated Emission Standard of Air Pollutants (《大氣污染綜合排放標準》) (GB16297–1996); and
- Ambient Air Quality Standards (《環境空氣質量標準》) (GB3095–2012).

We are committed to the corporate responsibility of protecting the environment. Based on the "Quality and Environmental Management Handbook", we established comprehensive environmental management guidelines to reduce the impact on the environment caused by business operations to realize the commitment to environmental protection. According to the "Quality and Environmental Management Handbook", we focus on the following areas in our business:



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

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

EMISSIONS MANAGEMENT

The Group's business involves the production of seamless intimate wears, which inevitably generates air pollution, wastewater and solid waste discharge. In order to ensure compliance with relevant laws and regulations and minimize our adverse impact on the environment, the Group has proactively taken different measures and is committed to reviewing existing measures to reduce waste generation. In order to ensure that our production operations comply with national standards, we have obtained ISO14001:2015 Environmental Management System Certification and regularly appointed specialists to conduct tests on our operating procedures, covering air and noise pollution, wastewater and waste discharge.

Non-hazardous Waste Management

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

Non-hazardous Waste	Unit	2023	2022
Total non-hazardous wastes	Tonnes	54.37	41.34
Intensity	Tonnes/million revenue (RMB)	0.31	0.26

The Group has implemented various waste reduction measures to minimize the impact of waste on the ecology and environment, including:

- placing sorting bins and recycling bins in our offices and production facilities, encouraging staff to sort paper, metal and plastic waste, and arranging specialists to be responsible for recycling items; and

- promoting "Paperless" by making good use of emails and e-notices to send waste reduction slogans and promotional content to employees to reduce the paper used for printing.

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

Hazardous Waste Management

During the Reporting Period, dyeing in the production process was outsourced to an external dyeing factory. Since the waste produced during the dyeing process were managed and disposed by external dyeing factory, the relevant data becomes unobtainable. We will continue to communicate with the external dyeing factory, and plan to enhance the data collection process actively. During the Reporting Period, we did not generate any liquid waste. We produce hazardous waste such as used lead-acid batteries and waste dye packaging bags in the production process. We formulate specific guidelines for waste management by the waste sorting standards of the operating places and guide employees to dispose of all kinds of waste properly. We will follow the relevant local environmental policies and assign hazardous solid waste to a trusted third-party waste recycler for centralized treatment.

To avoid water pollution, we have strict prevention and control measures for sewages, regulated by the national environmental protection standards and water pollutant discharge indicators to manage wastewater discharge. The daily wastewater discharge is strictly monitored and will not exceed the upper limit set by the State. Some of the treated and target-meeting wastewater can be recycled back into the production process for reuse. If there are other hazardous liquid wastes, they will be entrusted to relevant professional institutions for reuse.

Hazardous Waste	Unit	2023	2022
Total solid waste	Tonnes	**0.055**	0.050
Intensity	Tonnes/million revenue (RMB)	**0.00031**	0.00031
Total liquid waste	Tonnes	**–**	–
Intensity	Tonnes/million revenue (RMB)	**–**	–

Air and Greenhouse Gas Emissions

During the Reporting Period, the Group's air emissions were mainly derived from the use of vehicles, which resulted in exhaust gas pollutants, including nitrogen oxides, sulphur oxides and particulate matter. Direct greenhouse gas emissions come from fuels used in vehicles, fuels used in boiler, and the use of refrigerants, while energy indirect greenhouse gas emissions come from the use of purchased electricity.

Air and Greenhouse Gas	Unit	2023	2022
Air			
Nitrogen oxides	Kg	**519.20**	388.86
Sulphur oxides	Kg	**78.44**	52.35
Particulate matter	Kg	**23.62**	16.33
Greenhouse Gas			
Direct emissions (Scope 1)	Tonnes CO2 equivalent	**481.12**	326.41
Energy indirect emissions (Scope 2)	Tonnes CO2 equivalent	**3,680.82**	3,757.71
Total Greenhouse Gas Emissions	Tonnes CO2 equivalent	**4,161.94**	4,084.12
Intensity	Tonnes CO2 equivalent/ million revenue (RMB)	**23.43**	25.38

The Group aims to reduce the emissions of exhaust gases and greenhouse gases from our business operations, and actively adopts different monitoring procedures and emission reduction measures:

Compliance Evaluation in the "Quality and Environmental Management Handbook"

- Appoint an office commissioner to determine the frequency of compliance evaluation in accordance with the local laws and regulations;

- The Management evaluates the impact of construction projects and business on our emission level annually; and

- In case of any non-compliance of local environmental laws and regulations requirements in our production procedures, we will require relevant departments to implement rectifying measures.

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

- Office commissioner reports the data to the relevant departments, especially in the case of any abnormalities or exceedances;

- Departments shall be notified promptly of any production safety hazard in accordance with the"Management Provisions on Identification and Rectification of Production Safety Hazards", and corrective actions shall be taken within the specified timeframe; and

- Overall compliance will be presented at the evaluation meeting of the management of the Company and the result of regular evaluation will be recorded.

Production Emission Reduction Measures

- Prioritize the purchase of high-performance and low-pollution machines in the production line; and

- Transform coal boilers into natural gas boilers.

Vehicle Management and Transportation Emission Reduction Measures

- Manage the number and type of vehicles in the Company properly to reduce fuel consumption and pollutant emissions; and

- Avoid busy hours when scheduling delivery.

Travel Emission Reduction Measures

- Encourage employees to use video conference and email instead of business travel; and

- Choose direct flights for unavoidable air travel to reduce the carbon footprint due to business travel.

RESOURCE MANAGEMENT

The Group is well aware of the finiteness of natural resources and therefore promotes the efficient use of resources internally. We improve energy efficiency by continuously monitoring energy consumption data and actively optimizing management to reduce emissions and save energy.

Improving Efficiency of Resource Use

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

Type of Energy	Unit	2023	2022
Direct Energy			
Natural gas	MWh	2,111.54	1,408.29
Diesel	MWh	148.51	100.64
Unleaded petrol	MWh	62.91	59.50
Indirect Energy			
Purchased electricity	MWh	6,454.18	6,159.17
Total consumption	MWh	8,777.14	7,727.60
Intensity	MWh/million revenue (RMB)	49.40	48.02

The Group is committed to improving our energy efficiency and implements the following measures to achieve the best results:

Energy conservation measures

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

Conserving Water Resources

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

Water Consumption	Unit	2023	2022
Total water consumption	m^3	**178,749.00**	71,751.00
Intensity	m^3/million revenue (RMB)	**1,006.07**	445.91

The Group is committed to improving water efficiency and has developed the "Energy Saving and Emission Reduction Management Procedures", which covers water-saving production methods and related instruments to improve water use efficiency, conserve water to the largest extent. We also strived to implement different measures, including integrated water management solutions. In order to ensure the sustainable development of the ecological environment, we have developed and implemented water management measures that require employees to reduce the consumption of drinking water in their work processes as much as possible, including:

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

Reducing Packaging Materials

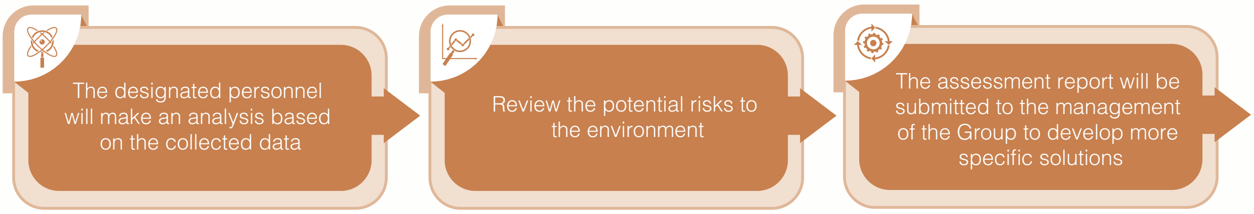
The Group is committed to avoiding over-packaging to reduce the use of packaging materials. Our products involve plastic bags, liners, packing boxes and other packaging materials. Packaging materials such as tags, tag pins and stickers are also required for each product sold in stores. During the Reporting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

Packaging Materials	Unit	2023	2022
Total packaging materials	Tonnes	**1,999.26**	1,237.58
Intensity	Tonnes/million revenue (RMB)	**11.25**	7.69

We will choose pack cartons made from sustainable forests or certified by the Forest Stewardship Council for packaging where possible.

CHERISHING NATURAL RESOURCES

Due to the nature of our business, we do not have a significant impact on the environment and natural resources. However, we still place great importance on incorporating the concept of environmental protection into our operations, and carefully handle possible impact of our operations on the surrounding environment. We mainly promote the importance of cherishing natural resources and environmental protection to employees and conduct environmental management in accordance with the "Quality and Environmental Management Handbook" and "Energy Conservation and Emission Reduction Management Procedures". We actively manage air and noise and appoint designated personnel to conduct regular inspections of operating procedures.



We implement a series of measures to help employees adjust their work habits in daily operations, indirectly reducing the consumption of natural resources:

- set our office printers in eco-friendly printing mode;
- set up a recycling bin to collect single-sided used paper for employees to reuse;
- encourage employees to use double-sided printing to avoid using too much unnecessary paper;
- encourage employees to use electronic communication tools to view and store data and avoid printing relevant files; and
- Reduce the consumption rate of packaging, logistics and sales mode through reuse, such as reusing carton packaging for internal transportation.

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

COMBATTING CLIMATE CHANGE

Climate change has become a global concern, with varying degrees of impact on businesses. The Group attaches great importance to the potential opportunities and risks that climate change brings. We developed strategies to address the potential threats posed by climate change. At the same time, the Board will continue to monitor the climate-related risk management system and improve relevant policies.

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

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

During the Reporting Period, we successfully reduced greenhouse gas emissions through carbon offset. We chose the Hebei ChengAn Biomass Cogeneration Project (project number: 3797), a carbon offset project of Clean Development Mechanism ("CDM") of the United Nations. This project uses local cotton stalks to generate electricity and sales the generated electricity to the power grid of Hebei Province to replace the electricity generated by the coal-fired power plants, which helps to reduce greenhouse gas emissions, improves use of resources and environmental protection, offers employment opportunities and raises the incomes of local residents. In addition, the certified emission reductions (CERs) of this project were also used in the Asian Games Hangzhou 2022 and the Asian Para Games Hangzhou 2022 to achieve carbon neutrality. In the future, the Group will continue to explore different measures and opportunities to promote sustainable development in business operations.

Date: 7 FEBRUARY 2024
REFERENCE: VC31952/2024

United Nations
Framework Convention on
Climate Change

VOLUNTARY CANCELLATION CERTIFICATE

Presented to
Bonny International Holding Limited

Project
Hebei ChengAn Biomass Cogeneration Project

Reason for cancellation
Our company would like to contribute to climate action by offsetting our greenhouse gas emissions.

Number of units cancelled

2 CERs
Equivalent to 2 tonne(s) of CO_2

Start serial number: CN-5-1186597225-1-1-0-3797
End serial number: CN-5-1186597226-1-1-0-3797

Monitoring period: 05-12-2010 - 04-12-2017

The certificate is issued in accordance with the procedure for voluntary cancellation in the CDM Registry. The reason included in this certificate is provided by the cancellor.

COMMUNITY INVESTMENT

The Group understands the importance of giving back to the society. We rely on the support of various stakeholders for sustainable business development. We hope to support the development of communities where the Group operates. For many years, the Group has encouraged employees to participate in various community projects to promote community development. We also actively listen to the voices and opinions of the community and promise to invest more resources such as effort, time, and expertise to contribute to all levels of society in the future.

INDEX OF "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE"

Subject Area	Content	Chapter
Mandatory Disclosure Requirements		
Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's business); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's business.	Approach to Sustainability Development
Reporting Principles	A description of, or an explanation on, the application of the Reporting Principles (materiality, quantitative and consistency) in the preparation of the ESG report.	About this Report-Reporting Principles
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report.	About this Report-Reporting Period and Boundary

Subject Area	Content	Chapter
"Comply or explain" Provisions		
A Environment		
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Management System
KPI A1.1	The types of emissions and respective emissions data.	Emissions Management - Air and Greenhouse Gas Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where applicable, intensity.	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where applicable, intensity.	Emissions Management - Hazardous Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where applicable, intensity.	Emissions Management - Non-Hazardous Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions Management – Air and Greenhouse Gas 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 Management - Non-Hazardous Waste Management; Hazardous Waste Management

Subject Area	Content	Chapter
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water, and other raw materials.	Resource Management
KPI A2.1	Direct and/or indirect energy consumption by type in total (kWh in ’000s) and intensity.	Resource Management – Improving Efficiency of Resource Use
KPI A2.2	Water consumption in total and intensity.	Resource Management - Conserving Water Resources
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Resource Management – Improving Efficiency of Resource Use
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.	Resource Management - Conserving Water Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Resource Management - Reducing Packaging Materials
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer’s significant impacts on the environment and natural resources.	Cherishing 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.	
A4 Climate Change		
General Disclosure	Policies on significant climate-related issues which have impacted the issuer.	Combatting Climate Change
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.	

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

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

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

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Company is investment holding. Principal activities of the subsidiaries are set out in Note 1 to the consolidated financial statements. A review of the business of the Group during the Reporting Period, a discussion on the Group's future business development and an analysis of the Group's performance during the Reporting Period using key financial performance indicators are provided in the "Management Discussion and Analysis" on pages 5 to 11 of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

The Group recognises that employees, customers and suppliers are keys to the Group's sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing high quality products and services to its customers and maintain cooperation with its suppliers. The Group provides a fair and safe workplace, promotes diversity to its employees and provides competitive remuneration packages and career development opportunities based on their performance and experience. The Group also provides regular trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions. The trade receivables and credit risk of the Group are set out in Note 19 and Note 35 to the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Market Risks

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

Financial Risks

The financial risk management objectives and policies of the Group are shown in Note 35 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure our compliance to the prevailing environmental protection laws and regulations. During the Reporting Period, the Group did not violate any relevant environmental regulations and rules which gives rise of significant impact to the Group's development, performance and businesses. The environmental, social and governance report is included in this annual report on page 30 to page 68.

CONSOLIDATED FINANCIAL STATEMENTS

The results of the Group for the Reporting Period and the financial position of the Group as at 31 December 2023 are set out on pages 89 to 92 of this annual report.

DIVIDENDS

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

DIVIDEND POLICY

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

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

(i) Financial results;

(ii) Cash flow situation;

(iii) Business conditions and strategies;

(iv) Future operations and earnings;

(v) Capital requirements and expenditure plans;

(vi) Interests of shareholders;

(vii) Any restrictions on payment of dividends; and

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

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

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on Thursday, 30 May 2024, the register of members of the Company will be closed from Monday, 27 May 2024 to Thursday, 30 May 2024, both dates inclusive, during which no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of the Company should ensure that all share transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 24 May 2024.

INVESTMENT PROPERTIES

The Group's investment properties consist of industrial properties situated at No. 129, Chunhan Street, Beiyuan Road, Yiwu City, Zhejiang Province, PRC, which is used as offices and warehouses. The addition is the Group's own-occupied properties which transferred to investment properties on 30 June 2023 and the fair value amounting to RMB185,220,000 was based on valuations performed by AVISTA Valuation Advisory Limited, an independent firm of professionally qualified valuers. Further summary details of which are included in Note 14 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 31 December 2023 are set out in Note 24 to the consolidated financial statements.

SHARE CAPITAL

Details of the movement in the Company's share capital during the Reporting Period are set out in Note 27 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DONATIONS

The Group did not make any charitable donations during the Reporting Period.

RESERVES

Details of the movement in reserves of the Company and the Group during the Reporting Period are set out in Note 28 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

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

Non-executive Directors

Ms. Gong Lijin
Ms. Huang Jingyi

Independent non-executive Directors

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

Biographical details of the existing Directors are set out on pages 12 to 15 of this annual report.

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

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' REMUNERATION

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

FIVE HIGHEST PAID INDIVIDUALS

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

DIRECTORS' SERVICE CONTRACTS

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

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

TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions and Related Party Transactions" in this report and Note 32 to the consolidated financial statements, no director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

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

DEBENTURES IN ISSUE

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed in the paragraph headed "Share Option Scheme" below, at no time during the Reporting Period from the Listing Date and up to 31 December 2023 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares, or debt securities, including debentures, of the Company or any other body corporate.

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

As at 31 December 2023, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")), which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have taken under such provisions of the SFO), or were recorded in the register required to be kept under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position in the issued shares of the Company

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

Notes:

1. As at 31 December 2023, the total number of issued shares of the Company is 1,200,000,000 shares.

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

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

Long position in the shares of associated corporations of the Company

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

Note:

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

Save as disclosed above, as at 31 December 2023, none of the Directors or chief executive of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have taken under such provisions of the SFO), or were recorded in the register required to be kept under Section 352 of the SFO, or as otherwise were notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, so far as known to the Directors, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position in issued shares of the Company

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

Note:

1. As at 31 December 2023, the total number of issued shares of the Company is 1,200,000,000 shares.

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any other persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

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

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

(i) Purpose

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

(ii) Eligible Participants

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

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

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

(iii) Maximum number of Shares

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

(iv) Maximum entitlement of each participant

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

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

(v) Grant of options to connected persons

Any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the option).

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

(vi) Time of acceptance and exercise of option

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

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

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

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

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

(viii) Period of the Share Option Scheme

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

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

EQUITY-LINKED AGREEMENTS

During the Reporting Period, save for the Share Option Scheme previously mentioned, the Company has not entered into any equity-linked agreements, and there did not subsist any equity-linked agreement entered into by the Company as at 31 December 2023.

NON-COMPETITION UNDERTAKING BY THE CONTROLLING SHAREHOLDERS

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

CONTRACTS WITH CONTROLLING SHAREHOLDERS

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

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

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

ZB Loan Agreements

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

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

CONTINUING CONNECTED TRANSACTION

From 1 January 2023 to 27 June 2023, Zhejiang Bonny, the indirect wholly-owned subsidiary of the Company, as the buyer entered into 14 procurement agreements (collectively, the "**Procurement Agreements**") with Deshipu New Materials as the seller, pursuant to which Zhejiang Bonny agreed to purchase from Deshipu New Materials 62,297.7 kilogram of cotton yarn products at a consideration of approximately RMB1.24million (equivalent to approximately HK$1.37million). Hence, the transactions contemplated under the Procurement Agreements constitute connected transactions of the Company. As all of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for Procurement Agreements, on an aggregated basis, are higher than 0.1% but less than 5% and the total consideration is less than HK$3,000,000, the entering into of the Procurement Agreements and the transactions contemplated thereunder are fully exempt from the relevant disclosure requirements under Chapter 14A of the Listing Rules.

On 28 June 2023, Zhejiang Bonny entered into the framework purchasing agreement (the "**Framework Purchasing Agreement**") with Deshipu New Materials, which constituted a continuing connected transaction and was subject to the reporting, announcement and annual review requirements but was exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Date	28 June 2023
Parties	Zhejiang Bonny, a wholly-owned subsidiary of the Company (as buyer); and Deshipu New Materials, a connected person of the Company (as seller).
Nature	Zhejiang Bonny has agreed to purchase polyamide from Deshipu New Materials, and Deshipu New Materials has agreed to supply polyamide to Zhejiang Bonny.
Term	From 28 June 2023 to 31 December 2023
Annual cap	RMB7.52 million
Pricing policies	The price for purchasing polyamide by Zhejiang Bonny under the Framework Purchasing Agreement shall be determined on an arm's length basis with reference to the prevailing market price of polyamide and in any event shall not be higher than the price that Zhejiang Bonny was able to purchase polyamide from the independent third parties. As the purchase prices were determined with reference to the prevailing market price of polyamide and in any event shall not be higher than the price that Zhejiang Bonny was able to purchase polyamide from the independent third parties, the Board considered such pricing principles and the transactions contemplated under the Framework Purchasing Agreement, would be conducted on normal commercial terms and not prejudicial to the interests of the Company and its shareholders as a whole.

The sum of the aggregate annual cap of RMB7.52 million and the historical actual transaction cap amount of approximately RMB1.22 million for the period from 1 January 2023 to 27 June 2023 was approximately RMB8.74 million, and the total amount of actual procurement transactions in 2023 was approximately RMB7.62 million, not exceeding the above totaled cap amount.

Deshipu New Materials is wholly owned by Bode Holding, a company established in the PRC with its entire equity interest held by a sister of Mr. Jin ("**Ms. Jin**") and a PRC company owned by Ms. Jin and her husband. Therefore, Deshipu New Materials is an associate of Mr. Jin and thus also a connected person of the Company.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTION

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

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

b. on normal commercial terms or better; and

c. according to the agreement governing the transaction on terms that are fair and reasonable and in the interests of 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 transaction 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 transactions.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total	
	Revenue	Purchases
The largest customer	23.4%	N/A
The five largest customers in aggregate	53.5%	N/A
The largest supplier	N/A	11.9%
The five largest suppliers in aggregate	N/A	31.4%

Save for Deshipu New Materials, which was our largest supplier for the Reporting Period, none of our Directors or their respective associates or any shareholder (whom to the knowledge of our Directors owns more than 5% of the issued shares) had any interest in any of our five largest suppliers and our five largest customers during the Reporting Period. For further details of the transactions between our Group and Deshipu New Materials, please refer to sections headed "Connected Transactions" and "Continuing Connected Transaction" in the Prospectus.

PUBLIC FLOAT

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

PERMITTED INDEMNITY PROVISION

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

TAX RELIEF

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

PROFESSIONAL TAX ADVICE

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

AUDITOR

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

ON BEHALF OF THE BOARD

Jin Guojun
Chairman

Zhejiang, PRC, 28 March 2024

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

OPINION

We have audited the consolidated financial statements of Bonny International Holding Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 89 to 172, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Impairment of inventories	
As at 31 December 2023, the Group's net carrying value of inventories amounted to RMB83,367,000, after netting of a provision of impairment of RMB17,782,000, which represented 14.2% of the Group's total assets. The Group's inventories are carried at the lower of cost and net realisable value which requires management's significant estimation of the net realisable value of inventories based on the historical experience, current market condition, customer demands and fashion trends, expected selling prices, estimated costs to sell and judgements in determining the appropriate level of inventory provisions against identified surplus or obsolete items. The accounting policies and disclosures for inventories are included in notes 2.4, 3 and 18 to the consolidated financial statements.	Our audit procedures included but not limited to the following: • We gained an understanding of and evaluated the key controls that the Group has implemented to identify slow-moving and obsolete inventories; • We observed the inventory count performed by management, undertook our own test counts on a sampling basis and assessed the physical condition of inventories at the end of the reporting period; • We assessed, on a sampling basis, the ageing of inventories by checking the inventory receipt notes; • We tested the computation of the obsolescence level based on the mechanisms and other parameters applied in the Group's inventory provision policy; • We assessed the subsequent or expected selling prices and estimated costs to sell by reviewing the historical costs incurred; and • We inquired of management of the current and future fashion trends and potential market condition and checked the subsequent consumptions.

Key audit matter	How our audit addressed the key audit matter
Impairment of long-lived assets	
As at 31 December 2023, the Group had long-lived assets of RMB252,692,000, before netting of an impairment provision of RMB21,671,000. Due to the decline of orders and continuing operation losses, management performed impairment assessment of the various cash-generating units ("CGUs") by comparing the carrying amounts of the CGUs with the recoverable amounts which were the higher of the value in use and the fair value less costs of disposal and allocated the impairment provision to reduce the carrying amount of individual assets of the CGUs. An impairment provision for the long-lived assets of RMB1,971,000 were provided during the year ended 31 December 2023. Significant judgement was involved in the assessment of the recoverable amounts of the CGUs, including an estimate of the future cash flows, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the evaluation of replacement values of long-lived assets by using the quoted prices and estimating transportation and installation fees and the rate of newness by considering physical deterioration. The accounting policies and disclosures for long-lived assets are included in notes 2.4, 3 and 13 to the consolidated financial statements.	Our audit procedures included but not limited to the following: • We discussed with management to obtain an understanding of management's process for identifying impairment indicators, and considering management's assessment of impairment; • We assessed the reasonableness of the identification and allocation of the CGU; • We evaluated the objectivity, competence and capabilities of the external specialists engaged by management and reviewed their valuation reports, including the reasonableness of the key assumptions used in determining the fair value of the property, plant and equipment; • We reviewed and tested management's future forecasted cash flows and key assumptions by comparing to the Group's development plan and external forecasts and analysis on the industry; • We involved our internal valuation specialists to assist us in evaluating the appropriateness of the methodology and the reasonableness of certain key assumptions used in the valuation; and • We also reviewed the related disclosures in the financial statements.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 2023 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 the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Hooi Wan Yee.

Ernst & Young
Certified Public Accountants
Hong Kong

28 March 2024

Consolidated Statement of Profit or Loss

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	**177,671**	160,910
Cost of sales		**(136,003)**	(129,266)
Gross profit		**41,668**	31,644
Other income and gains	5	**18,742**	6,912
Selling and distribution expenses		**(40,159)**	(41,850)
Administrative expenses		**(28,219)**	(28,737)
Impairment losses on financial assets, net		**(1,252)**	(1,034)
Other expenses		**(25,017)**	(33,671)
Finance costs	7	**(5,987)**	(4,596)
LOSS BEFORE TAX	6	**(40,224)**	(71,332)
Income tax (expense)/credit	10	**(4,986)**	390
LOSS FOR THE YEAR		**(45,210)**	(70,942)
Attributable to:			
Owners of the parent		**(45,271)**	(70,935)
Non-controlling interests		**61**	(7)
		(45,210)	(70,942)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		**RMB(3.8 cents)**	RMB(5.9 cents)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
LOSS FOR THE YEAR	**(45,210)**	(70,942)
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation from functional currency to presentation currency	**(4,321)**	(25,265)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation from functional currency to presentation currency	**4,447**	25,953
Gains on property revaluation	**79,788**	17,013
Income tax effect	**(11,968)**	(2,551)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**72,267**	40,415
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**67,946**	15,150
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**22,736**	(55,792)
Attributable to:		
Owners of the parent	**22,675**	(55,785)
Non-controlling interests	**61**	(7)
	22,736	(55,792)

Consolidated Statement of Financial Position

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	205,871	317,955
Advance payments for property, plant and equipment		176	695
Investment properties	14	228,070	48,400
Right-of-use assets	15	24,851	28,634
Intangible assets	16	299	494
Equity investments designated at fair value through other comprehensive income	17	150	—
Deferred tax assets	26	—	4,896
Other non-current assets		—	5,170
Total non-current assets		459,417	406,244
CURRENT ASSETS			
Inventories	18	83,367	109,884
Trade receivables	19	33,783	32,576
Prepayments, other receivables and other assets	20	7,817	6,781
Pledged deposits	21	—	7,257
Cash and cash equivalents	21	3,649	6,454
Due from related parties	32(c)	49	2,302
Total current assets		128,665	165,254
CURRENT LIABILITIES			
Trade payables	22	30,740	26,378
Other payables and accruals	23	60,168	88,530
Interest-bearing bank and other borrowings	24	91,032	60,506
Tax payable		270	266
Provision	25	—	4,138
Due to related parties	32(c)	5,181	11,384
Total current liabilities		187,391	191,202

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NET CURRENT LIABILITIES		**(58,726)**	(25,948)
TOTAL ASSETS LESS CURRENT LIABILITIES		**400,691**	380,296
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	**42,555**	83,734
Deferred tax liabilities	26	**18,589**	6,621
Due to a related party	32(c)	**26,870**	—
Total non-current liabilities		**88,014**	90,355
Net assets		**312,677**	289,941
EQUITY			
Equity attributable to owners of the parent			
Share capital	27	**80,827**	80,827
Share premium	27	**205,242**	205,242
Other reserves	28	**25,483**	2,808
		311,552	288,877
Non-controlling interests		**1,125**	1,064
Total equity		**312,677**	289,941

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

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

	Attributable to owners of the parent								Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve*	Statutory surplus reserve*	Exchange fluctuation reserve*	Asset revaluation reserve*#	Accumulated losses*	Total		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	80,827	205,242	(42,112)	19,658	9,308	37,521	(21,567)	288,877	1,064	289,941
Loss for the year	–	–	–	–	–	–	(45,271)	(45,271)	61	(45,210)
Other comprehensive income for the year:										
Gains on property revaluation, net of tax	–	–	–	–	–	67,820	–	67,820	–	67,820
Exchange differences on translation from functional currency to presentation currency	–	–	–	–	126	–	–	126	–	126
Total comprehensive income for the year	–	–	–	–	126	67,820	(45,271)	22,675	61	22,736
At 31 December 2023	80,827	205,242	(42,112)	19,658	9,434	105,341	66,838	311,552	1,125	312,677

* These reserve accounts comprise the consolidated other reserves of RMB25,483,000 (2022: RMB2,808,000) in the consolidated statement of financial position.

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

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(40,224)**	(71,332)
Adjustments for:			
Loss on disposal of items of property, plant and equipment	6	**30**	51
Covid-19-related rent concessions from lessors		**—**	(182)
Gain on early termination of leases		**(211)**	(66)
Finance costs	7	**5,987**	4,596
Depreciation of property, plant and equipment	13	**11,779**	13,162
Impairment of property, plant and equipment	13	**1,971**	6,104
Changes in fair value of investment properties	14	**5,550**	200
Depreciation of right-of-use assets	15	**4,331**	4,474
Amortisation of intangible assets	16	**195**	255
Impairment/(reversal of impairment) of inventories	18	**1,655**	(586)
Impairment of trade receivables and other receivables		**1,252**	1,034
Foreign exchange differences, net		**96**	570
		(7,589)	(41,720)
Decrease in inventories		**24,862**	41,069
(Increase)/decrease in trade receivables		**(1,799)**	32,541
(Increase)/decrease in prepayments, other receivables and other assets		**(1,697)**	3,257
Decrease/(increase) in pledged deposits		**7,257**	(7,257)
Decrease in amounts due from related parties		**2,253**	358
Increase/(decrease) in trade payables		**4,362**	(11,811)
(Decrease)/increase in other payables and accruals		**(18,962)**	8,990
(Decrease)/increase in provision		**(4,138)**	4,138
Increase in amounts due to related parties		**5,095**	86
Cash generated from operations		**9,644**	29,651
Income tax paid		**(86)**	(764)
Net cash flows from operating activities		**9,558**	28,887

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(16,285)**	(36,202)
Repayment of deposits for plant construction		**5,170**	–
Purchases of equity investments designated at fair value through other comprehensive income		**(150)**	–
Proceeds from disposal of items of property, plant and equipment		**1,161**	35
Additions to other intangible assets		**–**	(199)
Net cash flows used in investing activities		**(10,104)**	(36,366)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**–**	64,000
Repayment of bank loans		**(8,000)**	(63,200)
Proceeds from other borrowings from a related party		**54,900**	12,000
Repayment of other borrowings from a related party		**(39,230)**	(800)
Principal portion of lease payments		**(2,988)**	(2,393)
Interest paid		**(6,970)**	(4,496)
Net cash flows (used in)/from financing activities		**(2,288)**	5,111
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(2,834)**	(2,368)
Cash and cash equivalents at beginning of year		**6,454**	8,701
Effect of foreign exchange rate changes, net		**29**	121
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,649**	6,454
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**3,649**	6,454

1. CORPORATE AND GROUP INFORMATION

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

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued shares/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hong Kong Bonny Ltd. ("**Bonny HK**")	Hong Kong 4 September 2017	HKD10 thousand	100	–	Investment holding and trading of brassieres, panties and thermal underwear
Barry Trading Ltd. ("**Barry Trading**") ***	Hong Kong 19 June 2017	HKD10 thousand	100	–	Dormant
Zhejiang Bonny Fashion Holding Group Co., Ltd. ("**Zhejiang Bonny**") *	PRC/ Chinese Mainland 21 August 2001	RMB218 million	–	100	Manufacture and trading of brassieres, panties, thermal underwear and functional sportswear
Shanghai Bonny Apparel Co., Ltd. ("**Shanghai Bonny**") *	PRC/ Chinese Mainland 29 December 2007	RMB1 million	–	100	Trading of brassieres, panties and thermal underwear
Yiwu Bonny E-Commerce Co., Ltd. ("**Yiwu Bonny**") *	PRC/ Chinese Mainland 16 May 2016	RMB12 million	–	70	Trading of brassieres, panties and thermal underwear
Yiwu Leyishang Apparel Co., Ltd. ("**Yiwu Leyishang**") *	PRC/ Chinese Mainland 10 March 2016	RMB6 million	–	100	Trading of brassieres, panties and thermal underwear
Yiwu Bonny Sportswear Co., Ltd. ("**Bonny Sportswear**") *	PRC/ Chinese Mainland 25 May 2017	RMB1 million	–	100	Trading of brassieres, panties and thermal underwear

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued shares/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Yiwu Fayue Apparel Co., Ltd. ("**Yiwu Fayue**") *	PRC/ Chinese Mainland 26 May 2017	RMB1 million	–	100	Trading of brassieres, panties and thermal underwear
Bonny USA Ltd. ("**Bonny USA**") **	USA/ New York 15 May 2019	N/A	–	100	Trading of brassieres, panties and thermal underwear
Jiangxi Bonny Apparel Co., Ltd. ("**Jiangxi Bonny**") *	PRC/ Chinese Mainland 12 July 2021	RMB2 million	–	100	Manufacture of brassieres, panties and thermal underwear

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

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

*** The Company acquired 100% equity interests of the entity from the ultimate controlling shareholder's sister at a total consideration of nil on 24 October 2023. The entity has not yet commenced its business.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

Going concern assumption

As at 31 December 2023, the Group's net current liabilities amounted to approximately RMB58,726,000, which comprised current assets of approximately RMB128,665,000 and current liabilities of approximately RMB187,391,000. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. In preparing the financial statements, the directors of the Company have considered the Group's liquidity and believe that adequate sources of funding are available to fulfil the Group's debt obligations and capital expenditure requirements.

2.1 BASIS OF PREPARATION (continued)

Going concern assumption (continued)

As at 31 December 2023, the Group's total interest-bearing bank and other borrowings amounted to RMB133,587,000, RMB91,032,000 of which will be due within twelve months from 31 December 2023.

As at the end of the reporting period, the Group had unutilised banking facilities of RMB77,000,000 with a final maturity date of 30 November 2028 to meet the debt obligations and capital expenditure requirements. Subsequent to the end of the reporting period, in January 2024, the Group drew down an additional bank loan of RMB69,000,000 under the existing banking facilities and repaid a bank loan of RMB49,000,000. As at the approval date of these financial statements, the Group had unutilised banking facilities of RMB8,000,000. The Group is continuously taking great effort to develop new customers and secure new orders, improve its working capital and reduce capital expenditure since the Group had completed the construction of its plant.

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

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

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

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group did not apply the initial recognition exemption on transactions that give rise to equal taxable and deductible temporary difference in prior years, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1,4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1,4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

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

2 Effective for annual periods beginning on or after 1 January 2025

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

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

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

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

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

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Fair value measurement

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

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

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for a non-financial asset is required (other than inventories, deferred tax assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Related parties

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

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

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

or

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

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

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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

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

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with HKAS 16.

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

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

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

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

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

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

Group as a lessor

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessor (continued)

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Derecognition of financial assets

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

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

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

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, amounts due to related parties and interest-bearing bank and other borrowings.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at amortised cost (trade and other payables, and borrowings)

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

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

Derecognition of financial liabilities

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

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

Inventories

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Provisions

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

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

Income tax

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Sale of goods

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

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

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

(i) Rights of return

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

Revenue from other sources

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

Other income

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

Contract liabilities

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Employee benefits

Pension scheme

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

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

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

Borrowing costs

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

Foreign currencies

The functional currency of the Company is Hong Kong dollar ("HKD"). As the major revenues and assets of the Group are derived from operations in Chinese Mainland, RMB is chosen as the presentation currency to present the financial statements. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in statement of profit or loss.

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

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Property lease classification – Group as lessor

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Classification between investment properties and owner-occupied properties

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

Estimation uncertainty

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

Provision for expected credit losses on trade receivables and other receivables

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and other receivables is disclosed in note 19 and note 20 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Leases – Estimating the incremental borrowing rate

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

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2023, the provision for impairment of property, plant and equipment amounted to RMB21,671,000 (2022: RMB19,722,000).

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2023 was nil (2022: nil). The amount of unrecognised tax losses at 31 December 2023 was RMB151,422,000 (2022: RMB101,706,000). Further details are contained in note 26 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimation of fair value of investment properties

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

The principal assumptions for the Group's estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition, appropriate capitalisation rates and expected profit margin. The carrying amount of investment properties at 31 December 2023 was RMB228,070,000 (2022: RMB48,400,000). Further details are contained in note 14 to the financial statements.

Impairment of inventories

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

Provision

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

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money as a whole. Provisions are reviewed at the end of each reporting period. Where there is clear evidence that the carrying amount of a provision does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate. The carrying value of the provision at 31 December 2023 was nil (2022: RMB4,138,000). Further details are contained in note 25 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

Year ended 31 December 2023	ODM products *RMB'000*	Brand products *RMB'000*	Total *RMB'000*
Segment revenue *(note 5)*			
Sales to external customers	134,984	42,687	177,671
Segment results	27,194	(25,685)	1,509
Other income and gains			18,742
Corporate and other unallocated expenses			(54,488)
Finance costs			(5,987)
Loss before tax			(40,224)

Year ended 31 December 2023	ODM products *RMB'000*	Brand products *RMB'000*	Total *RMB'000*
Other segment information			
Impairment losses recognised in the statement of profit or loss, net	844	2,063	2,907
Impairment of property, plant and equipment	902	1,069	1,971
Depreciation and amortisation	15,549	756	16,305
Capital expenditure*	16,261	24	16,285

4. OPERATING SEGMENT INFORMATION (continued)

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

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

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

Geographical information

(a) Revenue from external customers

	2023 RMB'000	2022 RMB'000
Chinese Mainland	**91,440**	103,580
United States of America	**39,613**	16,344
Germany	**16,712**	12,592
Netherlands	**12,702**	13,645
Mexico	**6,026**	6,806
Korea	**3,427**	1,528
Canada	**2,995**	2,689
Britain	**2,583**	2,897
Other countries/regions	**2,173**	829
Total revenue	**177,671**	160,910

The revenue information above is based on the shipment destinations.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) Non-current assets

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

Information about major customers

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

	2023 RMB'000	2022 RMB'000
Customer 1	17,436	22,893
Customer 2	41,803	16,405
Total	59,239	39,298

The revenue of the above two customers is derived from sales of ODM products.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers	177,671	160,910

Revenue from contracts with customers

(a) Disaggregated revenue information

	2023 RMB'000	2022 RMB'000
Timing of revenue recognition		
Goods transferred at a point in time	177,671	160,910

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

	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	15,320	6,184

(b) Performance obligations

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

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

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

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(b) Performance obligations (continued)

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

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023 are expected to be recognised as revenue within one year. As permitted under HKFRS 15, the transaction prices allocated to these unsatisfied contracts are not disclosed.

An analysis of other income and gains is as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Other income		
Bank interest income	**108**	87
Government grants *(a)*	**3,829**	4,512
Gross rental income from investment property operating leases	**10,593**	2,176
Additional deduction of value added tax	**386**	—
Others	**156**	71
Total other income	**15,072**	6,846
Gains		
Gain from mediation *(b)*	**3,459**	—
Early termination of leases	**211**	66
Total gains	**3,670**	66
Total other income and gains	**18,742**	6,912

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

(b) The amount represents a gain from the settlement of a legal claim with a customer. The Group entered into a sales agreement with a customer in 2020. Prepayments and interest on occupied prepayments of RMB21,159,000 in total were disputable between the Group and such customer. In 2023, as agreed by both parties, the customer waived the payment of RMB3,459,000 from the Group, resulting in a gain of RMB3,459,000.

6. LOSS BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Cost of inventories sold*		**136,003**	129,266
Depreciation of property, plant and equipment	13	**11,779**	13,162
Depreciation of right-of-use assets	15	**4,331**	4,474
Amortisation of intangible assets**	16	**195**	255
Research and development costs***		**17,123**	21,198
Lease payments not included in the measurement of lease liabilities	15(c)	**429**	762
Government grants		**(3,829)**	(4,512)
Auditor's remuneration		**1,659**	1,562
Outsourced manufacturers		**3,777**	2,917
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**53,696**	56,476
Pension scheme contributions****		**5,583**	6,609
Staff welfare expenses		**115**	708
Total		**59,394**	63,793
Concession fees		**6,620**	6,245
Foreign exchange differences, net		**228**	1,377
Impairment/(reversal of impairment) of inventories, net	18	**1,655**	(586)
Impairment/(reversal of impairment) of trade receivables, net	19	**591**	(58)
Impairment of other receivables and prepayments	20	**661**	1,092
Impairment of property, plant and equipment*****	13	**1,971**	6,104
Changes in fair value of investment properties	14	**5,550**	200
Gross rental income from investment property operating leases	5	**(10,593)**	(2,176)
Bank interest income	5	**(108)**	(87)
Loss on disposal of items of property, plant and equipment		**30**	51

6. LOSS BEFORE TAX (continued)

* The cost of inventories sold includes RMB35,338,000 (2022: RMB26,660,000) relating to staff cost, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets and impairment of inventories for the year ended 31 December 2023, which are also included in the respective total amounts disclosed above for each type of expenses.

** The amortisation of intangible assets is included in "Cost of sales" and "Other expenses" in the consolidated statement of profit or loss.

*** The research and development costs include RMB11,269,000 (2022: RMB12,573,000) relating to staff cost, depreciation of property, plant and equipment and amortisation of intangible assets for the year ended 31 December 2023, which are also included in the respective total amounts disclosed above for each type of expenses.

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

***** The impairment of property, plant and equipment is included in "Other expenses" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 **RMB'000**	2022 RMB'000
Interest on bank loans	**6,724**	7,965
Interest on other borrowings	**(98)**	98
Interest on lease liabilities	**202**	452
Total interest expense on financial liabilities not at fair value through profit or loss	**6,828**	8,515
Less: Interest capitalised	**(841)**	(3,919)
Total	**5,987**	4,596

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2023 ***RMB'000***	2022 *RMB'000*
Fees	**330**	310
Other emoluments:		
Salaries, allowances and benefits in kind	**1,449**	962
Performance related bonuses	**63**	26
Pension scheme contributions	**76**	74
Subtotal	**1,588**	1,062
Total fees and other emoluments	**1,918**	1,372

(a) Independent non-executive directors

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

	2023 ***RMB'000***	2022 *RMB'000*
Mr. Chan Yin Tsung	**162**	155
Mr. Chow Chi Hang Tony	**108**	95
Dr. Wei Zhongzhe	**60**	60
Total	**330**	310

There were no other emoluments payable to the independent non-executive directors during the year (2022: nil).

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

(b) Executive directors and non-executive directors

2023	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Executive directors:				
Mr. Jin Guojun	661	45	28	734
Mr. Zhao Hui	358	—	17	375
Subtotal	1,019	45	45	1,109
Non-executive directors:				
Ms. Gong Lijin	336	18	23	377
Ms. Huang Jingyi	94	—	8	102
Subtotal	430	18	31	479
Total	1,449	63	76	1,588

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

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two executive directors (2022: two executive directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2022: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023	2022
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**2,296**	2,422
Performance related bonuses	**—**	39
Pension scheme contributions	**15**	24
Total	**2,311**	2,485

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

	Number of employees	
	2023	2022
Nil to HK$1,000,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	1
Total	**3**	3

10. INCOME TAX

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

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

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% (2022:16.5%) on the estimated assessable profits arising in Hong Kong during the year. A subsidiary of the Group is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

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

10. INCOME TAX (continued)

Zhejiang Bonny is qualified as a High and New Technology Enterprise and was entitled to a preferential income tax rate of 15% (2022:15%) during the year.

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

	2023 *RMB'000*	2022 *RMB'000*
Current		
Charge for the year	90	135
Deferred *(note 26)*	4,896	(525)
Total tax charge/(credit) for the year	4,986	(390)

A reconciliation of the tax credit applicable to loss before tax at the statutory tax rates for the jurisdiction where the operations of the Group are substantially based to the tax charge/(credit) at the effective tax rate is as follows:

	2023 *RMB'000*	2023 *%*	2022 *RMB'000*	2022 *%*
Loss before tax	(40,224)		(71,332)	
Tax at the statutory tax rate	(10,056)	25.0	(17,833)	25.0
Preferential income tax rate applicable to a subsidiary	3,338	(8.3)	7,022	(9.8)
Additional deductible allowance for research and development expenses	(2,646)	6.6	(3,149)	4.4
Expenses not deductible for tax	115	(0.3)	122	(0.2)
Reversal of temporary differences recognised in prior years	4,896	(12.2)	–	–
Temporary differences not recognised	(312)	0.8	–	–
Tax losses not recognised	9,651	(24.0)	13,448	(18.9)
Tax charge/(credit) at the Group's effective rate	4,986	(12.4)	(390)	0.5

11. DIVIDENDS

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

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,200,000,000 (2022: 1,200,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

The calculations of basic and diluted loss per share are based on:

	2023	2022
	RMB'000	*RMB'000*
Losses		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(45,271)**	(70,935)

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year	**1,200,000,000**	1,200,000,000

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Computer and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023							
At 1 January 2023:							
Cost	242,374	17,196	162,736	2,120	8,711	64,800	497,937
Accumulated depreciation	(19,339)	(15,790)	(117,638)	(1,335)	(6,158)	–	(160,260)
Impairment	–	–	(19,099)	(68)	(555)	–	(19,722)
Net carrying amount	223,035	1,406	25,999	717	1,998	64,800	317,955
At 1 January 2023, net of accumulated depreciation and impairment	223,035	1,406	25,999	717	1,998	64,800	317,955
Additions	–	941	171	–	865	6,312	8,289
Transfer to investment properties *(note 14)*	(105,432)	–	–	–	–	–	(105,432)
Transfers	71,094	–	–	–	–	(71,094)	–
Disposals	(265)	–	(907)		(19)	–	(1,191)
Depreciation provided during the year *(note 6)*	(8,534)	(560)	(1,961)	(248)	(476)	–	(11,779)
Impairment *(note 6)*	–	(1,002)	(786)	(18)	(165)	–	(1,971)
At 31 December 2023, net of accumulated depreciation and impairment	179,898	785	22,516	451	2,203	18	205,871
At 31 December 2023:							
Cost	200,512	7,893	161,590	2,120	9,440	18	381,573
Accumulated depreciation	(20,614)	(6,106)	(119,211)	(1,583)	(6,517)	–	(154,031)
Impairment	–	(1,002)	(19,863)	(86)	(720)	–	(21,671)
Net carrying amount	179,898	785	22,516	451	2,203	18	205,871

13. PROPERTY, PLANT AND EQUIPMENT (continued)

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

13. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2023, certain of the Group's buildings and machinery and equipment with a net carrying amount of approximately RMB176,855,000 (2022: RMB111,907,000) were pledged to secure general banking facilities granted to the Group (note 24).

At 31 December 2022, certain of the Group's machinery and equipment with a net carrying amount of approximately RMB14,228,000 were pledged to secure the property preservation applied by A Barcs & Co. Nominees Pty. Ltd. ("BARCS") who has a legal arbitration of contract dispute with the Group. The pledge was released as both parties to the legal arbitration reached a settlement agreement during the year ended 31 December 2023.

As the product prices and orders have declined, the Group performed impairment test for the sale of traditional business products, i.e., brassieres, functional sportswear, panties and thermal underwear, including the ODM products CGU and the brand products CGU, whose assets consists of buildings, machines and other long-lived assets. Among the assets of the traditional business, the recoverable amounts were lower than their carrying amounts and therefore a provision for impairment of RMB902,000 (2022: RMB2,537,000) and RMB1,069,000 (2022: RMB215,000) was provided for the ODM products CGU and the brand products CGU during the year ended 31 December 2023, respectively. The Group evaluated recoverable amount of each CGU which has been determined based on a value in use calculation and allocated the impairment loss to each individual asset except for those assets with the estimated fair value less cost of disposal amounts higher than their carrying amounts. The value in use calculations of the ODM products CGU and the brand products CGU were using cash flow projections based on financial budgets covering a three-year period approved by senior management and the discount rate applied to the cash flow projections is 12%.

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

The fair value of the assets of the CGUs was measured by using significant unobservable inputs.

14. INVESTMENT PROPERTIES

	2023 *RMB'000*	2022 *RMB'000*
Carrying amount at 1 January	**48,400**	14,070
Transfer from property, plant and equipment *(note 13)*	**105,432**	17,517
Gain on revaluation upon reclassification to investment properties	**79,788**	17,013
Net loss from a fair value adjustment	**(5,550)**	(200)
Carrying amount at 31 December	**228,070**	48,400

The Group's investment properties consist of industrial properties in Chinese Mainland. The addition was the Group's own-occupied properties which were transferred to investment properties in June 2023 and the fair value amounting to RMB185,220,000 was based on valuations performed by AVISTA Valuation Advisory Limited ("AVISTA"), an independent firm of professionally qualified valuers.

At 31 December 2023, the Group's investment properties with a carrying amount of RMB228,070,000 (2022: RMB48,400,000) were pledged to secure general banking facilities granted to the Group (note 24).

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the financial statements.

Fair value hierarchy

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

	Fair value measurement as at 31 December 2023 using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Recurring fair value measurement for:				
Industrial properties	–	–	228,070	228,070

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

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

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

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2022: nil).

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

	2023 ***RMB'000***	2022 *RMB'000*
Carrying amount at 1 January	**48,400**	14,070
Transfer from property, plant and equipment	**105,432**	17,517
Gain on revaluation upon reclassification to investment properties	**79,788**	17,013
Net loss from a fair value adjustment recognised in other expenses in profit or loss	**(5,550)**	(200)
Carrying amount at 31 December	**228,070**	48,400

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

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

As at 31 December 2023:

	Valuation techniques	Significant unobservable inputs	Range or weighted average
1st floor of industrial properties	**Income method**	**Prevailing market rent**	**RMB41 per square metre per month**
		Term yield	**7.0%**
		Reversionary yield	**7.5%**
Other floors of industrial properties	**Income method**	**Prevailing market rent**	**RMB25 per square metre per month**
		Term yield	**7.0%**
		Reversionary yield	**7.5%**

As at 31 December 2022:

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

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

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

15. LEASES

The Group as a lessee

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

(a) Right-of-use assets

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

	Leasehold land *RMB'000*	Retail shops and office properties *RMB'000*	Total *RMB'000*
As at 1 January 2022	22,472	9,356	31,828
Additions	—	1,807	1,807
Depreciation charge	(532)	(3,942)	(4,474)
Early termination of leases	—	(659)	(659)
Exchange realignment	—	132	132
As at 31 December 2022 and 1 January 2023	**21,940**	**6,694**	**28,634**
Additions	**—**	**2,946**	**2,946**
Depreciation charge	**(532)**	**(3,799)**	**(4,331)**
Early termination of leases	**—**	**(2,411)**	**(2,411)**
Exchange realignment	**—**	**13**	**13**
As at 31 December 2023	**21,408**	**3,443**	**24,851**

At 31 December 2023, the Group's leasehold land with a net carrying amount of RMB21,408,000 (2022: RMB20,735,000) was pledged to secure general banking facilities granted to the Group (note 24).

15. LEASES (continued)

The Group as a lessee (continued)

(c) Lease liabilities

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

	2023 *RMB'000*	2022 *RMB'000*
Carrying amount at 1 January	7,240	8,594
New leases	2,946	1,807
Accretion of interest recognised during the year	202	452
Payments	(3,190)	(2,845)
Covid-19-related rent concessions from lessors	—	(182)
Early termination of leases	(2,622)	(725)
Exchange realignment	11	139
Carrying amount at 31 December	4,587	7,240
Analysed into:		
Current portion	4,032	3,506
Non-current portion	555	3,734

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

The Group applied the practical expedient to all eligible covid-19-related rent concessions granted by the lessors during the year ended 31 December 2022.

15. LEASES (continued)

The Group as a lessee (continued)

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

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	202	452
Depreciation charge of right-of-use assets	4,331	4,474
Expense relating to short-term leases	429	762
Covid-19-related rent concessions from lessors	—	(182)
Early termination of leases	(211)	(66)
Total amount recognised in profit or loss	4,751	5,440

The Group as a lessor

The Group leases its investment properties (note 14) consisting of industrial properties in Chinese Mainland under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB10,593,000 (2022: RMB2,176,000), details of which are included in note 5 to the financial statements.

At 31 December 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 RMB'000	2022 RMB'000
Within one year	6,268	2,136
After one year but within two years	2,037	2,105
After two years but within three years	238	—
Total	8,543	4,241

16. INTANGIBLE ASSETS

	Trademarks *RMB'000*	Patents and licences *RMB'000*	Software *RMB'000*	Total *RMB'000*
31 December 2023				
Cost at 1 January 2023, net of accumulated amortisation	**3**	**45**	**446**	**494**
Amortisation provided during the year	**(3)**	**(17)**	**(175)**	**(195)**
At 31 December 2023	**—**	**28**	**271**	**299**
At 31 December 2023:				
Cost	**252**	**580**	**6,716**	**7,548**
Accumulated amortisation	**(252)**	**(552)**	**(6,445)**	**(7,249)**
Net carrying amount	**—**	**28**	**271**	**299**

	Trademarks *RMB'000*	Patents and licences *RMB'000*	Software *RMB'000*	Total *RMB'000*
31 December 2022				
At 1 January 2022:				
Cost	252	580	6,517	7,349
Accumulated amortisation	(238)	(484)	(6,077)	(6,799)
Net carrying amount	14	96	440	550
Cost at 1 January 2022, net of accumulated amortisation	14	96	440	550
Additions	—	—	199	199
Amortisation provided during the year	(11)	(51)	(193)	(255)
At 31 December 2022	3	45	446	494
At 31 December 2022 and at 1 January 2023:				
Cost	252	580	6,716	7,548
Accumulated amortisation	(249)	(535)	(6,270)	(7,054)
Net carrying amount	3	45	446	494

17. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 *RMB'000*	2022 *RMB'000*
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value		
Hangzhou Shangxi Brand Management Co., Ltd.	**150**	–

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

18. INVENTORIES

	2023 *RMB'000*	2022 *RMB'000*
Raw materials	**11,831**	11,471
Work in progress	**22,698**	19,366
Finished goods	**66,620**	95,174
	101,149	126,011
Impairment	**(17,782)**	(16,127)
Total	**83,367**	109,884

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

	2023 *RMB'000*	2022 *RMB'000*
At beginning of year	**16,127**	16,713
Impairment losses recognised/(reversed), net	**1,655**	(586)
At end of year	**17,782**	16,127

19. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	35,658	34,308
Impairment	(1,875)	(1,732)
Net carrying amount	33,783	32,576

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

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

	2023 RMB'000	2022 RMB'000
Within 3 months	32,228	30,675
3 to 6 months	442	517
6 to 12 months	751	265
1 to 2 years	254	759
2 to 3 years	108	360
Total	33,783	32,576

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

	2023 RMB'000	2022 RMB'000
At beginning of year	1,732	3,661
Impairment losses/(reversal of impairment losses), net *(note 6)*	591	(58)
Amount written off as uncollectible	(449)	(1,870)
Exchange realignment	1	(1)
At end of year	1,875	1,732

19. TRADE RECEIVABLES (continued)

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

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

	As at 31 December 2023		
	Gross carrying amount *RMB'000*	**Expected credit loss rate**	**Expected credit losses** *RMB'000*
ODM customers and E-commerce platform			
Within 1 year	26,013	0.52%	135
1 to 2 years	144	49.31%	71
2 to 3 years	59	83.05%	49
Over 3 years	173	100.00%	173
Self-operated stores and counters and franchised outlets			
Within 1 year	6,780	1.00%	68
1 to 2 years	217	22.12%	48
2 to 3 years	149	40.94%	61
Over 3 years	87	100.00%	87
Others			
Within 1 year	875	5.03%	44
1 to 2 years	19	36.84%	7
2 to 3 years	26	61.54%	16
Over 3 years	699	100.00%	699
	35,241		1,458
Individually identified as high expected credit loss rate while the ageing is less than three years	417	100.00%	417
	35,658		1,875

19. TRADE RECEIVABLES (continued)

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

	As at 31 December 2022		
	Gross carrying amount *RMB'000*	Expected credit loss rate	Expected credit losses *RMB'000*
ODM customers and E-commerce platform			
Within 1 year	24,270	0.62%	151
1 to 2 years	81	37.04%	30
2 to 3 years	112	81.25%	91
Over 3 years	103	100.00%	103
Self-operated stores and counters and franchised outlets			
Within 1 year	6,654	1.10%	73
1 to 2 years	845	18.70%	158
2 to 3 years	22	59.10%	13
Over 3 years	227	100.00%	227
Others			
Within 1 year	792	4.42%	35
1 to 2 years	26	19.23%	5
2 to 3 years	699	52.79%	369
Over 3 years	58	100.00%	58
	33,889		1,313
Individually identified as high expected credit loss rate while the ageing is less than three years	419	100.00%	419
	34,308		1,732

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 RMB'000	2022 RMB'000
Prepayments	2,919	2,312
Prepaid expenses	1,477	1,182
Deposits and other receivables	9,051	17,997
Tax recoverable	19	78
	13,466	21,569
Impairment allowance:		
Prepayments	(1,072)	(1,072)
Deposits and other receivables	(4,577)	(13,716)
Total	7,817	6,781

The movements in the loss allowance for impairment of prepayments and other receivables are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	14,788	13,696
Impairment losses recognised	661	1,092
Amount written off as uncollectible	(9,800)	—
At end of year	5,649	14,788

Due to delay in delivery of face mask machines and decline in the purchase price of face mask machines and other dispute with suppliers, the Group requested the suppliers to refund the advance payment and credit loss allowance of RMB4,577,000 (2022: RMB13,716,000) were recorded for those suppliers with poor financial position and credit history. During the year ended 31 December 2023, one supplier was in process of liquidation and impairment loss of RMB9,800,000 (2022: nil) was written off by management. Provisions for prepayments of raw materials of RMB1,072,000 (2022: RMB1,072,000) were recorded due to the decline of face mask orders.

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2023 RMB'000	2022 RMB'000
Cash and bank balances	**3,649**	13,711
Less: Frozen deposits*	**–**	(7,257)
Cash and cash equivalents	**3,649**	6,454

* The Group's deposits with a net carrying amount of nil (2022: RMB7,257,000) were frozen to secure the property preservation applied by BARCS who has a legal dispute with a subsidiary of the Group.

	2023 RMB'000	2022 RMB'000
Denominated in RMB	**2,515**	4,154
Denominated in United States dollars ("**USD**")	**866**	2,242
Denominated in Hong Kong dollars ("**HKD**")	**268**	58
Cash and cash equivalents	**3,649**	6,454

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

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

22. TRADE PAYABLES

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

	2023 RMB'000	2022 RMB'000
Within 3 months	14,023	17,513
3 to 6 months	4,789	5,878
6 to 12 months	6,744	1,737
Over 12 months	5,184	1,250
Total	30,740	26,378

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

23. OTHER PAYABLES AND ACCRUALS

	Notes	2023 RMB'000	2022 RMB'000
Contract liabilities	(a)	3,687	15,320
Advances from lessees		11,230	2,632
Payroll payables		6,046	8,990
Tax payable other than income tax		13,658	9,239
Payable for property, plant and equipment and other intangible assets		19,352	28,708
Interest payable		182	226
Other payables	(b)	6,013	23,415
Total		60,168	88,530

23. OTHER PAYABLES AND ACCRUALS (continued)

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000	1 January 2022 RMB'000
Short-term advances received from customers			
Sale of goods	3,687	15,320	6,184

Contract liabilities represented the obligations to transfer goods to a customer for which the Group has received consideration. The amount was included in "Other payables and accruals" in the consolidated statement of financial position. As at 31 December 2023, no contract liabilities were resulted from the loyalty points programme (2022: nil).

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

(b) Other payables are non-interest-bearing and repayable on demand.

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2023			2022		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Lease liabilities *(note 15(b))*	4.75	2024	4,032	4.75	2023	3,506
Bank loans - secured	4.35	2024	49,000	4.35	2023	49,000
Current portion of long term bank loans - secured	4.65-4.85	2024	38,000	6.00	2023	8,000
Total - current			91,032			60,506
Non-current						
Lease liabilities *(note 15(b))*	4.75	2025-2026	555	4.75	2024-2027	3,734
Bank loans - secured	4.85	2025-2029	42,000	6.00	2024-2029	80,000
Total – non-current			42,555			83,734
Total			133,587			144,240

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

	2023 RMB'000	2022 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**87,000**	57,000
In the second year	**8,000**	38,000
In the third to fifth years, inclusive	**24,000**	24,000
Beyond five years	**10,000**	18,000
Subtotal	**129,000**	137,000
Other borrowings repayable:		
Within one year	**4,032**	3,506
In the second year	**530**	2,156
In the third to fifth years, inclusive	**25**	1,578
Subtotal	**4,587**	7,240
Total	**133,587**	144,240

Notes:

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

(i) the Group's buildings and machinery and equipment situated in Chinese Mainland, which had a net carrying value of RMB176,855,000 as at 31 December 2023 (2022: RMB111,907,000) (note 13);

(ii) the Group's investment properties situated in Chinese Mainland, which had a carrying amount of RMB228,070,000 as at 31 December 2023 (2022: RMB48,400,000) (note 14); and

(iii) the Group's leasehold land situated in Chinese Mainland, which had a net carrying value of RMB21,408,000 as at 31 December 2023 (2022: RMB20,735,000) (note 15).

(b) Mr. Jin Guojun and Ms. Gong Lijin, the Chairman and his wife, have guaranteed certain of the Group's bank loans of up to RMB250,000,000 as at 31 December 2023 (2022: RMB100,000,000).

(c) Ms. Huang Jingyi, the non-executive director, has guaranteed certain of the Group's bank loans of up to RMB200,000,000 as at 31 December 2023 (2022: Nil).

25. PROVISION

	Legal arbitration *RMB'000*
At 1 January 2022	—
Additional provision	4,138
At 31 December 2022 and 1 January 2023	4,138
Amounts paid during the year	(679)
Gain from mediation	(3,459)
At 31 December 2023	—

A provision for a legal claim of RMB4,138,000 was recognised as at 31 December 2022, which was based on the first-instance judgement. During the year ended 31 December 2023, as agreed by both parties to the legal claim, the customer waived the payment of RMB3,459,000 from the Group, resulting in a gain of RMB3,459,000.

26. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	2023				
	Impairment of financial assets *RMB'000*	Impairment of inventories and fixed assets *RMB'000*	Accruals *RMB'000*	Lease liabilities *RMB'000*	Total *RMB'000*
At 1 January 2023	2,461	5,377	833	352	9,023
Deferred tax charged to the statement of profit or loss during the year *(note 10)*	(2,461)	(5,377)	(833)	(352)	(9,023)
Gross deferred tax assets as at 31 December 2023	–	–	–	–	–

26. DEFERRED TAX (continued)

Deferred tax assets (continued)

	2022					
	Impairment of financial assets *RMB'000*	Impairment of inventories and fixed assets *RMB'000*	Accruals *RMB'000*	Lease liabilities *RMB'000*	Loss available for offsetting against future taxable profits *RMB'000*	Total *RMB'000*
At 1 January 2022	2,586	4,550	190	1,322	1,234	9,882
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 10)*	(125)	827	643	(970)	(1,234)	(859)
Gross deferred tax assets as at 31 December 2022	2,461	5,377	833	352	–	9,023

Deferred tax liabilities

	2023		
	Right-of-use assets ***RMB'000***	**Revaluation of investment properties** ***RMB'000***	**Total** ***RMB'000***
At 1 January 2023	**3,611**	**7,137**	**10,748**
Deferred tax credited to the statement of profit or loss during the year *(note 10)*	**(3,611)**	**(516)**	**(4,127)**
Deferred tax charged to the other comprehensive income during the year	**—**	**11,968**	**11,968**
Gross deferred tax liabilities at 31 December 2023	**—**	**18,589**	**18,589**

26. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

	2022		
	Right-of-use assets *RMB'000*	Revaluation of investment properties *RMB'000*	Total *RMB'000*
At 1 January 2022	4,794	4,787	9,581
Deferred tax credited to the statement of profit or loss during the year *(note 10)*	(1,183)	(201)	(1,384)
Deferred tax charged to the other comprehensive income during the year	–	2,551	2,551
Gross deferred tax liabilities at 31 December 2022	3,611	7,137	10,748

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2023 ***RMB'000***	2022 *RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**–**	4,896
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(18,589)**	(6,621)

26. DEFERRED TAX (continued)

The Group has tax losses arising in Chinese Mainland of RMB151,422,000 (2022: RMB100,990,000) that will expire in one to ten years for offsetting against future taxable profits of the companies in which the losses arose. The Group has tax losses arising in Hong Kong of nil (2022: RMB716,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following item:

	2023 RMB'000	2022 RMB'000
Deductible temporary differences	31,464	–
Tax losses	151,422	101,706
	182,886	101,706

The above tax losses will expire in one to ten years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

The Group is liable for withholding taxes on dividends distributable by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 10% for the Group.

At 31 December 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Chinese Mainland. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised totalled nil at 31 December 2023 (2022: nil).

27. SHARE CAPITAL

Shares

	2023 RMB'000	2022 RMB'000
Issued and fully paid:		
1,200,000,000 (2022: 1,200,000,000) ordinary shares	**80,827**	80,827

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000	Share premium RMB'000
At 1 January 2022 and 31 December 2022 and 31 December 2023	**1,200,000,000**	**80,827**	**205,242**

28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 11 to 12 of the financial statements.

Capital reserve

The capital reserve of the Group represents the paid-up capital of the companies comprising the Group prior to the incorporation of the Company and the reserve arising pursuant to the business combination. Details of the movements in the capital reserve are set out in the consolidated statement of changes in equity.

Statutory surplus reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all relevant exchange differences arising from the translation of the financial statements of foreign operations.

28. RESERVES (continued)

Asset revaluation reserve

The asset revaluation reserve arises from a change in use from an owner-occupied property to an investment property measured at fair value.

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2023, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,946,000 (2022: RMB1,807,000) and RMB2,946,000 (2022: RMB1,807,000), respectively, in respect of lease arrangements for retail shops and properties.

During the year ended 31 December 2023, amounts due from a related party of RMB2,275,000 was settled by offsetting against amounts payable under procurement agreements to a related party.

(b) Changes in liabilities arising from financing activities

2023

	Bank and other loans *RMB'000*	Lease liabilities *RMB'000*	Due to a related party *RMB'000*	Interest payable *RMB'000*
At 1 January 2023	137,000	7,240	11,298	226
Changes from financing cash flows	(8,000)	(3,190)	15,670	(6,768)
New leases	—	2,946	—	—
Interest expense	—	202	(98)	6,724
Lease modification	—	(2,622)	—	—
Exchange realignment	—	11	—	—
At 31 December 2023	129,000	4,587	26,870	182

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

2022

	Bank and other loans RMB'000	Lease liabilities RMB'000	Due to a related party RMB'000	Interest payable RMB'000
At 1 January 2022	136,200	8,594	—	224
Changes from financing cash flows	800	(2,845)	11,200	(4,044)
New leases	—	1,807	—	—
Interest expense	—	452	98	4,046
Lease modification	—	(725)	—	—
Covid-19-related rent concessions from lessors	—	(182)	—	—
Exchange realignment	—	139	—	—
At 31 December 2022	137,000	7,240	11,298	226

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 RMB'000	2022 RMB'000
Within operating activities	**429**	762
Within financing activities	**3,190**	2,845
Total	**3,619**	3,607

30. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans, and for a legal arbitration of contract dispute are included in notes 13, 14, 15, 21 and 24, respectively, to the financial statements.

31. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	2023 RMB'000	2022 RMB'000
Buildings	**22,573**	35,957

32. RELATED PARTY TRANSACTIONS

The Group's principal related parties are as follows:

Name	Relationship with the Company
Bode Holding Group Co., Ltd. ("**Bode Holding**")	An entity controlled by the ultimate controlling shareholder's sister
Zhejiang Deshipu New Materials Technology Co., Ltd. ("**Deshipu New Materials**")	An entity controlled by the ultimate controlling shareholder's sister
Zhejiang Baicheng Trading Co., Ltd. ("**Baicheng Trading**")	An entity controlled by the ultimate controlling shareholder
Mr. Jin Guojun	Chairman and a director
Ms. Gong Lijin	Shareholder, wife of the Chairman and a director
Ms. Huang Jingyi	Non-executive director
Ms. Jin Yang	Sister of the Chairman

(a) The Group had the following transactions with related parties during the year:

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Borrowings from:			
Baicheng Trading	(i)	**54,900**	12,000
Interest accrued:			
Baicheng Trading	(i)	**(98)**	98
Purchase of materials from:			
Deshipu New Material	(ii)	**7,628**	980
Loans granted to:			
Mr. Jin Guojun	(iii)	**22**	27

Notes:

(i) The borrowings from Baicheng Trading are unsecured, non-interest-bearing and repayable on 31 March 2025.

(ii) The purchases of materials from Deshipu New Material were made according to the published prices and conditions offered by the related party to its major customers.

(iii) The loans granted to Mr. Jin Guojun are unsecured, non-interest-bearing and repayable on demand.

32. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties:

(i) Mr. Jin Guojun and Ms. Gong Lijin, the Chairman and his wife, have guaranteed certain of the Group's bank loans of up to RMB250,000,000 as at 31 December 2023 (2022: RMB100,000,000).

(ii) Ms. Huang Jingyi, the non-executive director, has guaranteed certain of the Group's bank loans of up to RMB200,000,000 as at 31 December 2023 (2022: nil).

(iii) No materials purchased in previous years were returned by the Group to Deshipu New Material during the year ended 31 December 2023 (2022: RMB1,047,000).

(iv) The Company acquired 100% equity interests of Barry Trading from Ms. Jin Yang at a total consideration of nil on 24 October 2023.

(c) Outstanding balances with related parties:

	2023 *RMB'000*	2022 *RMB'000*
Due from related parties		
Deshipu New Material	–	2,275
Trade (i)	–	*16*
Non-trade (ii)	–	*2,259*
Mr. Jin Guojun *(ii)*	49	27
Total	49	2,302
Due to related parties		
Deshipu New Material *(i)*	5,151	–
Bode Holding *(ii)*	30	86
Baicheng Trading *(iii)*	26,870	11,298
Total	32,051	11,384

Notes:

(i) The balances with related parties above are trade in nature, unsecured, non-interest-bearing and repayable on demand.

(ii) The balances with related parties above are non-trade in nature, unsecured, non-interest-bearing and repayable on demand.

(iii) The borrowings from Baicheng Trading are non-trade in nature, unsecured, non-interest-bearing and repayable on 31 March 2025.

32. RELATED PARTY TRANSACTIONS (continued)

(d) Compensation of key management personnel of the Group:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	2,560	2,075
Performance related bonuses	63	26
Pension scheme contributions	95	122
Total compensation paid to key management personnel	2,718	2,223

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2023

Financial assets

		Financial assets at fair value through other comprehensive income	
	Financial assets at amortised cost RMB'000	Equity investments RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	—	150	150
Trade receivables	33,783	—	33,783
Financial assets included in prepayments, other receivables and other assets	4,474	—	4,474
Due from related parties	49	—	49
Cash and cash equivalents	3,649	—	3,649
Total	41,955	150	42,105

33. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2023

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	**30,740**
Financial liabilities included in other payables and accruals	**25,547**
Interest-bearing bank and other borrowings	**133,587**
Due to related parties	**32,051**
Total	**221,925**

2022

Financial assets

	Financial assets at amortised cost *RMB'000*
Trade receivables	32,576
Financial assets included in prepayments, other receivables and other assets	4,281
Due from related parties	2,302
Pledged deposits	7,257
Cash and cash equivalents	6,454
Total	52,870

33. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2022

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	26,378
Financial liabilities included in other payables and accruals	52,349
Interest-bearing bank and other borrowings	144,240
Due to related parties	11,384
Total	234,351

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals, current portion of interest-bearing bank and other borrowings, amounts due from related parties and amounts due to related parties, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2023 were assessed to be insignificant.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, amounts due to the related parties, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales by operating units in currencies other than the units' functional currencies. Approximately 49% (2022: 37%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale. At present, the Group does not intend to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD and HKD exchange rates, with all other variables held constant, of the Group's profit before tax (arising from USD and HKD denominated financial instruments) and the Group's equity.

	Increase/ (decrease) in USD/HKD rate *%*	**Increase/ (decrease) in profit before tax** *RMB'000*	**Increase/ (decrease) in equity** *RMB'000*
2023			
If RMB weakens against USD	**5**	**497**	**422**
If RMB strengthens against USD	**(5)**	**(497)**	**(422)**
If RMB weakens against HKD	**5**	**13**	**11**
If RMB strengthens against HKD	**(5)**	**(13)**	**(11)**
2022			
If RMB weakens against USD	5	1,250	1,063
If RMB strengthens against USD	(5)	(1,250)	(1,063)
If RMB weakens against HKD	5	3	3
If RMB strengthens against HKD	(5)	(3)	(3)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade receivables*	–	–	–	35,658	35,658
Financial assets included in prepayments, other receivables and other assets					
– Normal**	4,474	–	–	–	4,474
– Doubtful**	–	–	4,577	–	4,577
Due from related parties	49	–	–	–	49
Cash and cash equivalents					
– Not yet past due	3,649	–	–	–	3,649
Total	8,172	–	4,577	35,658	48,407

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	34,308	34,308
Financial assets included in prepayments, other receivables and other assets					
– Normal**	4,281	–	–	–	4,281
– Doubtful**	–	–	13,716	–	13,716
Due from related parties	2,302	–	–	–	2,302
Pledged deposits					
– Not yet past due	7,257	–	–	–	7,257
Cash and cash equivalents					
– Not yet past due	6,454	–	–	–	6,454
Total	20,294	–	13,716	34,308	68,318

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings, and lease liabilities.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2023					
	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to less than 12 months *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Lease liabilities	–	1,045	3,088	765	–	4,898
Interest-bearing bank and other borrowings (excluding lease liabilities)	–	1,732	96,638	38,431	10,382	147,183
Trade payables	16,717	14,023	–	–	–	30,740
Due to related parties	5,181	–	–	26,870	–	32,051
Other payables	21,312	4,235	–	–	–	25,547
Total	43,210	21,035	99,726	66,066	10,382	240,419

	2022					
	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to less than 12 months *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Lease liabilities	–	1,103	2,797	4,136	–	8,036
Interest-bearing bank and other borrowings (excluding lease liabilities)	–	1,852	71,950	71,389	19,295	164,486
Trade payables	8,864	17,514	–	–	–	26,378
Due to related parties	–	2,086	9,298	–	–	11,384
Other payables	40,830	11,519	–	–	–	52,349
Total	49,694	34,074	84,045	75,525	19,295	262,633

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade payables, other payables and accruals and amounts due to related parties, less cash and cash equivalents and pledged deposits. Total capital represents equity attributable to the owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2023	2022
	RMB'000	*RMB'000*
Interest-bearing bank and other borrowings	**133,587**	144,240
Trade payables	**30,740**	26,378
Other payables and accruals	**60,168**	88,530
Due to related parties	**32,051**	11,384
Less: Cash and cash equivalents	**(3,649)**	(6,454)
Pledged deposits	**—**	(7,257)
Net debt	**252,897**	256,821
Equity attributable to owners of the parent	**311,552**	288,877
Capital and net debt	**564,449**	545,698
Gearing ratio	**45%**	47%

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 *RMB'000*	2022 *RMB'000*
NON-CURRENT ASSETS		
Right-of-use assets	446	1,142
Investment in a subsidiary	8	8
Total non-current assets	454	1,150
CURRENT ASSETS		
Cash and cash equivalents	154	19
Prepayments, other receivables and other assets	162	166
Due from a subsidiary	318,981	319,441
Total current assets	319,297	319,626
CURRENT LIABILITIES		
Lease liabilities	269	804
Other payables and accruals	18	112
Due to a subsidiary	8,223	12,380
Due to a related party	–	409
Total current liabilities	8,510	13,705
NET CURRENT ASSETS	310,787	305,921
TOTAL ASSETS LESS CURRENT LIABILITIES	311,241	307,071
NON-CURRENT LIABILITIES		
Lease liabilities	–	375
Net assets	311,241	306,696
EQUITY		
Share capital	80,827	80,827
Share premium	205,242	205,242
Other reserves *(note)*	25,172	20,627
Total equity	311,241	306,696

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Exchange fluctuation reserves *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
Balance at 1 January 2022	(3,313)	(2,685)	(5,998)
Profit for the year	—	672	672
Exchange differences on translation from functional currency to presentation currency	25,953	—	25,953
At 31 December 2022 and 1 January 2023	**22,640**	**(2,013)**	**20,627**
Profit for the year	**—**	**98**	**98**
Exchange differences on translation from functional currency to presentation currency	**4,447**	**—**	**4,447**
At 31 December 2023	**27,087**	**(1,915)**	**25,172**

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2024.