bonny 博尼

2021
ANNUAL REPORT

博 尼 国 际 控 股 有 限 公 司

Bonny International Holding Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code:1906

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Ms. Gong Lijin
Ms. Huang Jingyi

Independent Non-executive Directors

Mr. Chan Yin Tsung
Mr. Li Youxing *(resigned on 5 February 2021)*
Mr. Chow Chi Hang Tony *(appointed on 5 February 2021)*
Mr. Wang Jian *(resigned on 17 December 2021)*
Dr. Wei Zhongzhe *(appointed on 17 December 2021)*

COMPANY SECRETARY

Ms. Chen Chun *(resigned on 17 September 2021)*
Ms. Ng Wing Shan *(appointed on 17 September 2021 and resigned on 1 March 2022)*
Mr. Wong Wai Chiu *(appointed on 1 March 2022)*

AUTHORISED REPRESENTATIVES

Mr. Jin Guojun
Ms. Chen Chun *(resigned on 17 September 2021)*
Ms. Ng Wing Shan *(appointed on 17 September 2021 and resigned on 1 March 2022)*
Mr. Wong Wai Chiu *(appointed on 1 March 2022)*

AUDIT COMMITTEE

Mr. Chan Yin Tsung *(Chairman)*
Mr. Li Youxing *(resigned on 5 February 2021)*
Mr. Chow Chi Hang Tony *(appointed on 5 February 2021)*
Mr. Wang Jian *(resigned on 17 December 2021)*
Dr. Wei Zhongzhe *(appointed on 17 December 2021)*

REMUNERATION COMMITTEE

Mr. Wang Jian *(Chairman) (resigned on 17 December 2021)*
Dr. Wei Zhongzhe *(Chairman) (appointed on 17 December 2021)*
Mr. Jin Guojun
Mr. Chan Yin Tsung

NOMINATION COMMITTEE

Mr. Jin Guojun *(Chairman)*
Mr. Chan Yin Tsung
Mr. Wang Jian *(resigned on 17 December 2021)*
Dr. Wei Zhongzhe *(appointed on 17 December 2021)*

REGISTERED OFFICE

4th Floor, Harbour Place
103 South Church Street
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Grand Cayman KY1-1002
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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PRC

WEBSITE OF THE COMPANY

www.bonnychina.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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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

To the Shareholders:

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Bonny International Holding Limited (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2021 (the "**Reporting Period**").

The world has been fighting against the COVID-19 pandemic for over two years, we have experienced global spread and rebound of the pandemic. The widespread of COVID-19, high infection rate and difficulty in transmission prevention is way beyond initial estimation and shows no signs of relief so far. The rebound of the pandemic has, inevitably, brought challenges to the sales performance of the Company's original design manufacturer ("**ODM**") sales products segment and branded sales products segment.

In addition to the decline in sales performance, the Group is also facing the problem of rising labour and material cost. In the beginning of 2021, the Company relocated its production and office facilities of the production site in Suxi Town, Yiwu, Zhejiang Province, the People's Republic of China (the "**PRC**") (the "**Suxi Production Site**") to our production site in Beiyuan Street, Yiwu, Zhejiang Province, the PRC (the "**Beiyuan Production Site**") which commenced operation in February 2021. In response to changes to the living environment, surge in living cost, turnover rate of over 40% among front line production staff and difficulties in hiring new employees, the Company has improved renumerations and benefits package, employed temporary workers, subcontracted part of the production process and prepared for the processing plant in Yushan County, Jiangxi Province, the PRC to ensure sufficient production and capacity. As such, production cost increased by approximately Renminbi ("**RMB**") 20 million. In addition, due to the pandemic and the implementation of the government policy regarding energy consumption reduction in the PRC, material prices increased rapidly.

The Group recorded a loss attributable to owners of the parent company for the Reporting Period of approximately RMB6.5 million (2020: a profit of approximately RMB48.3 million).

Looking forward to 2022, despite the uncertainties over COVID-19 pandemic development, global economy and political situation, the Group has gained better understanding of the risks facing the Group and implemented more practical corresponding measures. The Group has analyzed its own inadequacies, examined the reasons for the net loss of the Group for the Reporting Period and reviewed various production and business procedures, strived to modernise its operation and promoted steady development in the "post-pandemic" era by implementing the following measures:

1) actively respond to the product design and delivery requirements of premium international brand partners, to ensure steady increase in overseas ODM orders;

2) leverage on the rapid development of domestic service brands, actively identify new domestic brand partners and strive to achieve domestic ODM orders growth;

3) actively develop online retail channels, ride on the advantages of the Company's supply chains and online and offline retail channels to rapidly respond to evolving consumer's need, and produce and promote "red hot" products so as to increase the online sales;

4) follow the predetermined timetable and quickly close down self-operated brand stores that suffered loss, enlarge the effects of profitable stores, aim to turn the self-operated brand into profit-making; and

5) reduce management cost, implement stringent control over procurement cost, actively optimise production procedures to enhance productivity.

As a garment industry player, the Company adheres to its original vision of "Bonny creates a better living environment", and commits to provide quality products to its customers and comfortable dressing experience for consumers.

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

Jin Guojun
Chairman

Zhejiang, PRC, 31 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONS REVIEW

During the Reporting Period, the Group's total revenue amounted to approximately RMB248.8 million, representing a decrease of approximately 13.6% as compared to the corresponding period last year (2020: approximately RMB287.8 million). Such decrease was primarily due to i) no revenue was generated from sales of face masks during the Reporting Period; and ii) revenue generated from the ODM products segment decreased due to the COVID-19 pandemic. The Group recorded a gross profit of approximately RMB65.7 million (2020: approximately RMB117.7 million) with a gross profit margin of approximately 26.4% during the Reporting Period (2020: approximately 40.9%).

The Group recorded a loss attributable to owners of the parent company for the Reporting Period of approximately RMB6.5 million (2020: a profit of approximately RMB48.3 million). The loss-making for the Reporting Period was mainly attributable to i) decrease in revenue by approximately 13.6%; ii) increase in production cost, which was resulted from increase in raw material prices, increase in employee renumerations and benefits expenses, subcontract of part of the production process and preparation for the construction of the production base located at Yushan County, Shangrao, Jiangxi Province, the PRC (the "**Jiangxi Shangrao Production Site**"); and iii) gain on disposal of approximately RMB29.5 million (2020: gain on land disposal of approximately RMB65.7 million was recognised) related to properties under the Suxi Production Site and other fixed assets is recognised during the Reporting Period.

The Group had a provision in the amount of approximately RMB0.16 million as at 31 December 2021 for the non-compliance of Shanghai Bonny Apparel Co., Ltd.* (上海博尼服裝有限公司) ("**Shanghai Bonny**") with the Regulations on the Administration of Housing Provident Fund of the PRC (《中華人民共和國住房公積金管理條例》) and had a provision of approximately RMB0.27 million as at 31 December 2021 for the non-compliance of Shanghai Bonny with the Social Insurance Law of the PRC (《中華人民共和國社會保險法》). As at 31 December 2021, the amount of outstanding housing provident fund contribution of Shanghai Bonny was approximately RMB0.17 million and the amount of social insurance payment underpaid by Shanghai Bonny was approximately RMB0.67 million. The Group had a provision in the amount of approximately RMB0.07 million as at 31 December 2021 for the non-compliance of Jiangxi Bonny Apparel Co., Ltd.* (江西博尼服裝有限公司) ("**Jiangxi Bonny**") with the Housing Provident Fund Regulations and a provision in the amount of approximately RMB0.29 million as at 31 December 2021 for the non-compliance of Jiangxi Bonny with the Social Insurance Law. As at 31 December 2021, the amount of outstanding housing provident fund contribution of Jiangxi Bonny were approximately RMB0.07 million and the amount of social insurance payment underpaid by Jiangxi Bonny were approximately RMB0.29 million.

Brand management

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

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

Sales network

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

As at 31 December 2021, the Group had 133 self-operated retail outlets (comprising 124 self-operated concession counters and 9 self-operated standalone stores) and 32 franchised retail outlets, covering 18 provinces, municipalities and autonomous regions in the PRC, and did not involve distributors or multiple layers of franchisees. The total number of the Group's retail outlets decreased from 179 as at 31 December 2020 to 165 as at 31 December 2021. The decrease was mainly because of the early close-down and termination of agreement of certain loss-making stores during the COVID-19 pandemic.

Meanwhile, the Group's products are also available for sale through its current e-commerce network and different well-recognised e-commerce platforms. In response to the change in consumption pattern towards online shopping in the PRC, the Group has developed its current e-commerce network into a comprehensive online shopping platform for intimate wear products, which is a complementary sales channel to its physical outlets to allow coherent multi-channel customer experience.

Product design, research and development

The Group is committed to improving and developing the functionality and designs of its products, and continues to devote resources to the design, research and development of new products. With innovation of new designs, the Group continued to bring diversified product portfolio of excellent quality to the market.

During the Reporting Period, the Group introduced 140 distinct types of products in terms of style, size and colour under different product categories for the Group's branded sales into the domestic retail market. For the Reporting Period, expenses for product design, research and development was approximately RMB25.7 million (2020: approximately RMB20.7 million).

As at 31 December 2021, the Group had a total of 81 registered trademarks in the PRC, 1 registered trademark in Hong Kong, 5 registered domain names, 14 registered software copyrights in the PRC, and 29 registered patents in the PRC, including 3 invention patents and 26 utility model patents.

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

Production capacity

In the beginning of 2021, the Company relocated its production and office facilities of the Suxi Production Site to the Beiyuan Production Site and commenced operation in February 2021. The original Suxi Production Site can accommodate 271 sets of machines for the production of seamless intimate wear products while the Phases I and II of the Beiyuan Production Site (already commenced operation) can accommodate up to 400 sets of machines, which satisfies our current productivity requirement. During the Reporting Period, there was no change in the seamless production capacity of the Company.

Phase III of the Beiyuan Production Site is currently under construction, which shall be completed by 30 June 2022. Commencement of production of phase III of the Beiyuan Production Site will depend on the actual order volume.

Human resources

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

The Group enters into individual employment contracts with its employees. The number of full-time employees of the Group was 692 as at 31 December 2021 (31 December 2020: 720). The employee benefit expense (excluding Directors' and chief executive's remunerations) for the Reporting Period was approximately RMB54.4 million (2020: approximately RMB42.3 million).

In addition to direct employment, 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 subcontractors 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 RMB27.8 million (2020: approximately RMB37.8 million).

Financial Review

Revenue

Revenue for the Reporting Period was approximately RMB248.8 million, representing a decrease of approximately RMB39.0 million, or approximately 13.6%, from approximately RMB287.8 million for the corresponding period last year.

The ODM products segment revenue for the Reporting Period was approximately RMB194.3 million, representing a decrease of approximately RMB38.3 million, or approximately 16.5%, from segment revenue of approximately RMB232.6 million for the corresponding period last year. This decrease was primarily due to i) no revenue was generated from sales of face masks during the Reporting Period; and ii) revenue generated from the ODM products segment decreased due to the COVID-19 pandemic.

The brand products segment revenue for the Reporting Period was approximately RMB54.5 million, representing a decrease of approximately RMB0.7 million, or approximately 1.4% for the corresponding period last year (2020: approximately RMB55.2 million). Total number of the Group's retail outlets decreased from 179 as at 31 December 2020 to 165 as at 31 December 2021. In addition, 16 retail outlets shortened its business hours in response to the COVID-19 prevention measures of such infected areas. The Group used more promotions to maintain its performance, resulting in a slight decrease in brand products segment revenue during the Reporting Period as compared to the corresponding period last year.

Gross Profit

Gross profit for the Reporting Period was approximately RMB65.7 million, representing a decrease of approximately RMB52 million, or approximately 44.2%, from approximately RMB117.7 million for the corresponding period last year mainly due to i) no revenue was generated from sales of face masks which has a higher gross profit margin; ii) increase in production cost, which was resulted from increase in raw material prices, increase in renumerations and benefits expenses, subcontract of part of the production process and preparation for the construction of the Jiangxi Shangrao Production Site; and iii) average exchange rate of United States dollars against RMB decreased by approximately 6% as compared to the corresponding period last year.

Segment gross profit for ODM products for the Reporting Period was approximately RMB43.1 million, representing a decrease of approximately RMB45.7 million, or approximately 51.5%, from approximately RMB88.8 million for the corresponding period last year due to i) no revenue was generated from sales of face masks which has a higher gross profit margin; ii) increase in production cost; and iii) average exchange rate of United States dollars against RMB decreased by approximately 6% as compared to the corresponding period last year.

Segment gross profit for brand products for the Reporting Period was approximately RMB21.1 million, which decreased from approximately RMB27.6 million for the corresponding period last year primarily due to a decrease in product gross profit resulted from the increased promotions used.

Other Income and Gains

Other income and gains for the Reporting Period was approximately RMB34.2 million, representing a decrease of approximately RMB41.9 million, or approximately 55.1%, from approximately RMB76.1 million for the corresponding period last year. The decrease was primarily due to i) government grants income decreased by approximately RMB3.3 million as compared to the corresponding period last year; and ii) gain on disposal of approximately RMB29.5 million (2020: gain on the land disposal of approximately RMB65.7 million was recognised) related to properties under the Suxi Production Site and other fixed assets is recognised during the Reporting Period.

Selling and Distribution Expenses

Selling and distribution costs for the Reporting Period were approximately RMB51.6 million, representing an increase of approximately RMB3.1 million, or approximately 6.4%, from approximately RMB48.5 million for the corresponding period last year. The increase was primarily due to the Group increased the remuneration of our staff in order to boost their loyalty and stability.

Administrative and Other Expenses

Administrative and other expenses for the Reporting Period were approximately RMB59.2 million, representing a decrease of approximately RMB5.7 million, or approximately 8.8%, from approximately RMB64.9 million for the corresponding period last year. The increase in the remuneration of our staff and establishment of Jiangxi Bonny during the Reporting Period, resulting in an increase in staff cost of approximately RMB5.0 million. In order to further provide for impairment loss of the face mask production equipment, an impairment of other assets of approximately RMB0.1 million was recorded during the Reporting Period, while an impairment of approximately RMB13.5 million was recorded for the corresponding period last year.

Finance Costs

Finance costs for the Reporting Period were approximately RMB5.1 million, representing a decrease of approximately RMB5.6 million, or approximately 52.3%, from approximately RMB10.7 million for the corresponding period last year due to a decrease of 46.6% in the average remaining bank borrowing for the Reporting Period as compared to that of the corresponding period last year.

Income Tax Credits/Expense

Income tax credits for the Reporting Period were approximately RMB5.5 million as compared to the income tax expenses of RMB6.2 million for the corresponding period last year. The income tax credit incurred during the Reporting Period was due to i) netting of R&D expense; and ii) recognition of deferred income tax assets for the deductible loss.

Loss/Profit Attributable to Equity Holders of the Parent

As a result of the foregoing, the Group recorded a loss attributable to owners of the parent company for the Reporting Period of approximately RMB6.5 million (2020: a profit of approximately RMB48.3 million).

Advances from customers, other payables and accruals

Advances from customers, other payables and accruals for the year ended 31 December 2021 were approximately RMB64.1 million, representing a decrease of approximately RMB83.2 million, or approximately 56.5%, from approximately RMB147.3 million for the corresponding period last year. The decrease was primarily due to the completion of the Suxi Production Site relocation, resulting in a transfer out of deferred income of approximately RMB81.0 million.

Future Plan and Prospects

Looking forward to 2022, despite the uncertainties over COVID-19 pandemic development, global economy and political situation, the Group has gained better understanding of the risks facing the Group and implemented more practical corresponding measures. The Group has analyzed its own inadequacies, examined the reasons for the net loss of the Group during the Reporting Period and reviewed various production and business procedures, strived to modernise its operation and promoted steady development in the "post-pandemic" era by implementing the following measures:

1) actively respond to the product design and delivery requirements of premium international brand partners, to ensure steady increase in overseas ODM orders;

2) leverage on the rapid development of domestic service brands, actively identify new domestic brand partners and strive to achieve domestic ODM orders growth;

3) actively develop online retail channels, leverage the advantages of the Company's supply chains and online and offline retail channels to rapidly respond to evolving consumer's need and produce and promote "red hot" products so as to increase the online sales;

4) follow the predetermined timetable and quickly close down self-operated brand stores that suffered loss so as to enlarge the effects of profitable stores and aim to turn the self-operated brand segment into profit-making; and

5) reduce management cost, implement stringent control over procurement cost, actively optimise production procedures to enhance productivity.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers. As at 31 December 2021, the Group had cash and cash equivalents, which are mostly denominated in Renminbi, United States dollars and Hong Kong dollars currency unit, of approximately RMB8.7 million (31 December 2020: approximately RMB48.3 million). Such decrease was mainly due to i) net cash flows from operating activities during the Reporting Period decreased by approximately RMB25.8 million as compared to last year; and ii) the government grants of approximately RMB8.0 million received during the Reporting Period, compared to the acquisition subsidies of approximately RMB150.2 million received from government in respect of the disposal of the Suxi Production Site in 2020. The interest-bearing liabilities as at 31 December 2021 was approximately RMB144.8 million (2020: approximately RMB124.5 million) with interest rates ranging from approximately 4.35% to 6.0% per annum. The Group's gearing ratio as at 31 December 2021, calculated based on net debts to the total capital and net debts, was approximately 40.8% (as at 31 December 2020: approximately 33.7%). The Group recorded net current assets of approximately RMB75.1 million as of 31 December 2021. The management believes that the Group has maintained adequate financial resources to fulfil its working capital requirements. During the Reporting Period, no financial instruments had been used for hedging purpose.

FOREIGN EXCHANGE RISK

The monetary assets and liabilities and business transactions of the Group are mainly carried out and conducted in Renminbi, United States 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 2021, the Group had total capital commitments of RMB58.5 million (as at 31 December 2020: RMB93.8 million), primarily related to the construction of phase III of the Beiyuan Production Site.

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

CONTINGENT LIABILITIES

In December 2020, the Company received a "Civil Complaint" (民事起訴狀) served by Jinhua City Intermediate People's Court of Zhejiang Province, and became aware that the case in relation to the procurement contract dispute between A Barcs & Co Nominees Pty Ltd and Zhejiang Bonny Fashion Holding Group Co., Ltd. ("**Zhejiang Bonny**") had been accepted by such court. For details, please refer to the announcement of the Company dated 13 January 2021.

Saved as disclosed above, as at 31 December 2021, the Group did not have any significant contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2021, save for (i) the Group's leasehold lands with a net carrying amounts of RMB21,741,000 (31 December 2020: RMB21,740,000) and certain of the Group's buildings and machinery and equipment with a net carrying amounts of approximately RMB100,610,000 (31 December 2020: RMB106,121,000) which were pledged to secure general banking facilities and (ii) certain of the Group's machinery and equipment with a net carrying amount of RMB15,907,000 (31 December 2020: RMB17,586,000) were pledged to secure the property preservation applied by A Barcs & Co Nominees Pty Ltd who has a legal arbitration of contract dispute with the Group, the Group did not pledge any other assets. Details of the Group's assets pledged for Group's bank loans, and for bills payables granted to major suppliers are included in Notes 22 and 24 respectively, to the consolidated financial statements.

USE OF PROCEEDS

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

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

The table below sets out the use of net proceeds from the initial public offering and the unutilised amounts as at 31 December 2021:

	Planned allocation of Net Proceeds as stated in the Prospectus *HK$ million*	Amount unutilised as at 1 January 2021 (before revised allocation on 30 November 2021) *HK$ million*	Remaining net proceeds to be utilised (after revised allocation on 30 November 2021) *HK$ million*	Amount utilised as at 31 December 2021 *HK$ million*	Amount unutilised as at 31 December 2021 *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 *(Note 1)*	0.5	5.0	Before 31 December 2024
General working capital	—	—	19.0 *(Note 2)*	15.9	3.1	Before 31 December 2022
Total	**131.3**	**24.5**	**24.5**	**16.4**	**8.1**	

Notes:

1. The proposed preparation for the construction of the Jiangxi Shangrao Production Site will be made by way of operating lease of a plant located at Yushan County, Shangrao, Jiangxi Province, China. The unutilised amount (after revised allocation) will be mainly used for plant leasing, renovation and trial production.

2. Net Proceeds of approximately HK$19 million from the planned reallocation will be used for capital replenishment, representing approximately 14.5% of the Net Proceeds. Employee remuneration and procurement of raw materials will represent approximately 35% and 65% of the above reallocation, respectively.

SUBSEQUENT EVENT

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

EMPLOYEE AND REMUNERATION POLICY

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

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

SIGNIFICANT INVESTMENTS HELD

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

EXECUTIVE DIRECTORS

Mr. Jin Guojun (金國軍), aged 45, is our Chairman and was appointed as a Director on 19 July 2017 and was re-designated as an executive Director and appointed as the chief executive officer on 19 September 2018. He co-founded our Group with Ms. Gong Lijin on 21 August 2001 and is primarily responsible for overseeing the daily operational management and the business performance of our Group, as well as for the overall strategy planning and management of our Company's business. Mr. Jin is currently the director of each of our Company's subsidiaries (except Yiwu Bonny E-Commerce Co., Ltd.* (義烏博尼電子商務有限公司) ("**Yiwu Bonny**")), including Hong Kong Bonny Ltd. ("**Bonny HK**"), Zhejiang Bonny, 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**"), Yiwu Leyishang Apparel Co., Ltd.* (義烏樂衣尚服飾有限公司) ("**Yiwu Leyishang**") and Jiangxi Bonny. He is also the manager of Zhejiang Bonny, Shanghai Bonny, Yiwu Fayue, Bonny Protective, Yiwu Leyishang and Jiangxi Bonny. Mr. Jin is the chairman of the nomination committee of the Company (the "**Nomination Committee**") and a member of the remuneration committee of the Company (the "**Remuneration Committee**").

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

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

Mr. Zhao Hui (趙輝), aged 52, was appointed as a Director on 19 July 2017 and was re-designated as an executive Director on 19 September 2018. 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 43, 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 nearly 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 25, 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 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 Board and Ms. Gong Lijin, a non-executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yin Tsung (陳彥璁), aged 42, 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 19 years of experience in initial public offering, corporate merger and acquisitions, restructuring, due diligence, audit, financial modeling and business valuation.

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

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

Mr. Chow Chi Hang Tony (周志恒), aged 30, was appointed as an independent non-executive Director on 5 February 2021. He is a member of the Audit Committee.

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

Dr. Wei Zhongzhe (魏中哲), aged 34, was appointed as an independent non-executive Director on 17 December 2021. He is a member of each of the Audit Committee and Nomination Committee, and the 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, and at which he is primarily responsible for the development of academic curriculum and infrastructure of the college. Since January 2021, Mr. Wei has been engaged by Sinopec Ningbo New Materials Research Institute* (中石化寧波新材料研究院) to conduct post-doctoral research on high-efficiency multicomponent composite catalysts.

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

SENIOR MANAGEMENT

Mr. Li Zhanhai (李占海), aged 42, 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 16 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 37, 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 13 years of experience in the intimate apparel industry. Prior to joining our Group, he worked as the manager of the Xi'an Office at Embry (China) Fashion Co., Ltd.* (安莉芳（中國）服裝有限公司), a company engages in the production and sale of intimate wear from April 2006 to February 2011, and was responsible for the retail operation of the company.

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

Mr. Zhu Zhengxi (朱正喜), aged 37, joined our Group as the secretary to the Chairman in July 2008 and has been working as the director of the cross-border e-commerce centre of Zhejiang Bonny since 16 December 2015. He is primarily responsible for the e-commerce operation of our Group.

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

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

Mr. Zhou Donggen (周冬根), aged 46, 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 18 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.

COMPANY SECRETARY

Mr. Wong Wai Chiu (黃偉超) was appointed as the company secretary of the Company on 1 March 2022. Mr. Wong is the Associate Director of SWCS Corporate Services Group (Hong Kong) Limited. Mr. Wong has extensive experience in compliance and listed companies secretarial work. Mr. Wong is a fellow of The Hong Kong Chartered Governance Institute (previously known as The Hong Kong Institute of Chartered Secretaries), a fellow of the Chartered Governance Institute, a member of CPA Australia, a member of the Hong Kong Trustee Association and a Certified Trust Practitioner.

Mr. Wong possesses a bachelor's degree in Social Sciences (Honours) from the University of Hong Kong, a post-graduate diploma in Hong Kong and United Kingdom laws from the Manchester Metropolitan University, United Kingdom, a master's degree in Corporate Governance from The Hong Kong Polytechnic University, a master's degree in Arbitration and Dispute Resolution from the City University of Hong Kong and a master's degree in Applied Science from the University of Technology Sydney, Australia.

CORPORATE GOVERNANCE MEASURES

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

The Company had complied with all the applicable code provisions under the CG Code during the Reporting Period, save and except for deviation from code provision A.2.1 of the CG Code (which has been re-numbered as code provision C.2.1 since 1 January 2022). Details of the deviation are explained in the section "Chairman and chief executive officer" of this corporate governance report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Upon specific enquiry, all Directors have confirmed that they have complied with the Model Code during the Reporting Period. In addition, to the knowledge of the Company, there was no 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 any other 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 A.2.1 of the CG Code (which has been re-numbered as code provision C.2.1 since 1 January 2022), where it provides that the two positions should be held by two different individuals, as 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 be taken should the need arise.

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 meeting, 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 his 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. Each of the independent non-executive Directors is appointed for a term of three years.

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. Zhao Hui and Ms. Gong Lijin will retire from office and, being eligible, will offer himself/herself for re-election at the forthcoming annual general meeting of the Company ("**AGM**").

In accordance with article 113 of the Articles, Dr. Wei Zhongzhe, being appointed as a Director to fill a casual vacancy on 17 December 2021, will hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. By virtue of article 113 of the Articles, Dr. Wei Zhongzhe will retire from office and, being eligible, will offer himself for re-election at the 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 D.3.1 of the CG Code (which has been re-numbered as code provision A.2.1 since 1 January 2022).

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 Professional 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 A.6.5 of the CG Code (which has been re-numbered as code provision C.1.4 since 1 January 2022).

According to the records of the Company, for the year ended 31 December 2021, 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. Li Youxing *(Note 1)*		
Mr. Wang Jian *(Note 2)*	√	√
Mr. Chan Yin Tsung	√	√
Mr. Chow Chi Hang Tony *(Note 3)*	√	√
Dr. Wei Zhongzhe *(Note 4)*	√	√

Notes:

1. Mr. Li Youxing resigned as an independent non-executive Director on 5 February 2021.

2. Mr. Wang Jian resigned as an independent non-executive Director on 17 December 2021.

3. Mr. Chow Chi Hang Tony was appointed as an independent non-executive Director on 5 February 2021.

4. Dr. Wei Zhongzhe was appointed as an independent non-executive Director on 17 December 2021.

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:

	Number of Meetings to be Attended/Meetings Held				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	General Meeting
Executive Directors					
Mr. Jin Guojun *(Chairman)*	4/4	N/A	3/3	2/2	1/1
Mr. Zhao Hui	4/4	N/A	N/A	N/A	1/1
Non-executive Directors					
Ms. Gong Lijin	4/4	N/A	N/A	N/A	1/1
Ms. Huang Jingyi	4/4	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Li Youxing *(Note 1)*	0/0	0/0	N/A	N/A	0/0
Mr. Wang Jian *(Note 2)*	4/4	4/4	3/3	2/2	1/1
Mr. Chan Yin Tsung	4/4	4/4	3/3	2/2	1/1
Mr. Chow Chi Hang Tony *(Note 3)*	4/4	4/4	N/A	N/A	1/1
Dr. Wei Zhongzhe *(Note 4)*	0/0	0/0	0/0	0/0	0/0

During the Reporting Period, save as disclosed in the above table, the Chairman has held a meeting with the independent non-executive Directors without other Directors present.

Notes:

1. Mr. Li Youxing resigned as an independent non-executive Director and a member of the Audit Committee on 5 February 2021.

2. Mr. Wang Jian resigned as an independent non-executive Director, a member of the Audit Committee and the Nomination Committee and the Chairman of the Remuneration Committee on 17 December 2021.

3. Mr. Chow Chi Hang Tony was appointed as an independent non-executive Director and a member of the Audit Committee on 5 February 2021.

4. Dr. Wei Zhongzhe was appointed as an independent non-executive Director, a member of the Audit Committee and the Nomination Committee and the chairman of the Remuneration Committee on 17 December 2021.

Board committees

Nomination committee

The Company established a Nomination Committee on 19 March 2019 with written terms of reference in compliance with paragraph A.5 of the CG Code (which has been re-numbered as code provision paragraph B.3 since 1 January 2022).

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 3 meeting(s) and had reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors and recommended to the Board the appointment of Mr. Chow Chi Hang Tony and Dr. Wei Zhongzhe as independent non-executive Directors of the Company, and made recommendation to the Board on the proposed re-election of the Directors at the Company's annual general meeting held in 2021.

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, two of them are aged 30 or below, four of them are aged 31 to 50 and one of them are aged 51 or above.

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.

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 on 19 March 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code (which has been re-numbered as code provision paragraph D.3 since 1 January 2022).

The primary duties of the Audit Committee including, 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 4 meetings and had reviewed the annual results and annual report of the Group for the year ended 31 December 2020, the interim results announcement and interim report of the Group for the six months ended 30 June 2021, the effectiveness of the Company's financial controls, internal control and risk management systems, the appointment of external auditors and also reviewed the relevant scope of work and connected transactions. 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 on 19 March 2019 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code (which has been re-numbered as paragraph E.1 since 1 January 2022).

The primary duties of the Remuneration Committee, under the principle that no Director should be involved in deciding his own remuneration, including, 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; and (c) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.

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 2 meeting(s) and had reviewed the remuneration policy for all Directors and senior management and the remuneration of the newly appointed Directors and had made recommendations to the Board.

COMPANY SECRETARY

On 17 September 2021, Ms. Chen Chun has resigned as the company secretary of the Company (the "**Company Secretary**") and Ms. Ng Wing Shan has been appointed as the Company Secretary. On 1 March 2022, Ms. Ng has resigned as the Company Secretary and Mr. Wong Wai Chiu has been appointed as the Company Secretary. Ms. Chen and Ms. Ng confirmed that they had no disagreement with the Board and there were no other matters in respect of their resignations that need to be brought to the attention of the shareholders of the Company and the Stock Exchange.

Mr. Wong is an associate director of SWCS Corporate Services Group (Hong Kong) Limited, who fulfils the qualification requirements laid down in the Listing Rules. Biographical details of Mr. Wong are set out under "Directors and Senior Management" section in this annual report. During the Reporting Period, each of Ms. Chen, Ms. Ng and Mr. Wong has taken not less than 15 hours of relevant professional training in compliance with the requirements of Rule 3.29 of the Listing Rules. The main contact person of the Company for Ms. Chen, Ms. Ng and Mr. Wong is Mr. Zhao Hui, an executive Director of the Company.

SENIOR MANAGEMENT'S REMUNERATION

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

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

EXTERNAL AUDITORS AND REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities for the Company's financial statements for the year ended 31 December 2021 is set out in the Independent Auditor's Report on pages 94 to 99 of this annual report.

The fees paid/payable to Ernst & Young, the Company's auditors, in respect of audit services for the year ended 31 December 2021 are analysed below:

Types of services provided by the external auditors	Fees paid/ payable *RMB'000*
Audit services — audit fee for the year ended 31 December 2021	2,033

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 year ended 31 December 2021. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on page 97 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

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

REVISION OF CONNECTED TRANSACTION REPORTING PROCEDURES

The Company reviewed its existing policy on connected transactions. The revision of connected transaction reporting procedures took effect from 1 April 2021. To further enhance the Group's internal control, the Company has resolved to establish the following reporting line regarding continuing connected transactions in consultation with an external internal control reviewer:

(1) before entering into any individual procurement agreement, the finance department shall apply for the use of the company seal. The financial manager (財務經理) shall specify in the "application form for using the company seal" (用印申請單) the accumulated transaction amount for that connected person in the financial year concerned and the price comparison information. The "application form for using the company seal" shall then be approved and signed by the chief financial officer after reviewing the accumulated transaction amount, price comparison information and contractual terms and confirming that the procurement agreement was not entered into for the purpose of price-locking, and submitted to the general manager for written approval;

(2) the financial accountant (財務會計) of the finance department will be required to compile monthly statistical reports of connected transactions. The reports will be reviewed by the financial manager of the finance department and reported to the chief financial officer;

(3) the finance department shall monitor the aggregated amount of the transactions with connected persons during the financial year, and report to the chief financial officer when the aggregated transaction amount reaches 75% of the annual cap with any specific connected person. The chief financial officer will in turn report to the Audit Committee and the Board regarding the transaction amounts of the connected transactions; and

(4) the Board and the Audit Committee, having approved the terms of the relevant continuing connected transactions (including the annual caps) in the first place, will receive quarterly reports on the connected transactions from the finance department and supervise the implementation of the Group's relevant internal control measures.

For details, please refer to the Company's announcement dated 16 April 2021.

SHAREHOLDER 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, 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:	40th Floor, Dah Sing Financial Centre 248 Queen's Road East Wanchai 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 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 each 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.

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 THE GROUP

Bonny International Holding Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**we**") is pleased to publish the Environmental, Social and Governance Report of 2021 (the "**Report**"). The Group is a seamless intimate wear manufacturer in China, with a number of seamless circular knitting machines, the leading production equipment of the Company's seamless product business. As at 31 December 2021, the Group's retail network comprised 166 self-operated retail outlets in 18 provinces, municipalities, and autonomous regions in China. Our products are best-selling in many countries. We not only focus on the design, production and sale of high-quality seamless and traditional intimate wears, including bras, underpants, thermal clothing, loungewear, and functional sportswear, but also commit to being a sustainable enterprise.

ABOUT THIS REPORT

This Report covers the Group's policies, measures and performance in environmental, social and governance by demonstrating the Group's commitment to practice social and environmental responsibility to implement cleaner production, safeguard environmental hygiene and comply with local environmental laws and regulations as our environmental management objectives. This Report also enhances the transparency of the Group's business. It enables stakeholders to understand the Group's progress and development direction on sustainability issues to have more confidence in our operational performance.

Reporting Period and Scope

Unless otherwise specified, the reporting period covered from 1 January 2021 to 31 December 2021 (the "**Reporting Period**"). During the Reporting Period, the Group's main production business locates in China. The Report will disclose the policies and measures of the Group, while the disclosure of social and environmental key performance indicators will only focus on the Group's China office and Beiyuan Production Facility in Zhejiang Province. The land and houses where the Suxi Production Facility locates were sold on 31 December 2020, and the production process was transferred to the Beiyuan Production Facility, which was put into production during the Reporting Period. Therefore, this Report will not include data from the Suxi Production Facility.

Reporting Basis and Principles

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

Principle	Definition	The Group's Response
Materiality	The threshold at which ESG issues determined by the board are sufficiently important to investors and other stakeholders that they should be reported.	The Group collects the views of stakeholders through questionnaires and conducts materiality assessments to identify current major sustainability issues.
Quantitative	Key performance indicators (KPIs) in respect of historical data need to be measurable. The Group shall set targets for reducing particular impacts. Quantitative information should be accompanied by a narrative, explaining its purpose, impacts, and giving comparative data where appropriate.	The Group's environmental and social key performance indicators are disclosed quantitatively, ancillary notes and comparable data are provided. A third-party consultancy firm is engaged to assist the Group in conducting the audit.
Balance	The Report should provide an unbiased picture of the Group's performance. The report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgement by the report reader provide an unbiased picture of the Group's performance. The report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgement by the report reader.	Based on objective facts, this Report provides a comprehensive disclosure of the Group's performance and impact in environmental, social and governance areas to assist readers in decision-making.
Consistency	The Group should use consistent methodologies to enable meaningful comparisons of environmental, social and governance data over time.	The revised scope of reporting has been stated in this Report, and a consistent statistical methodology has been used for meaningfully comparison. It is explained in the notes for the reference of the stakeholders in case of a change of scope or calculation method.

Language and Access of this Report

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

Comments and Feedback

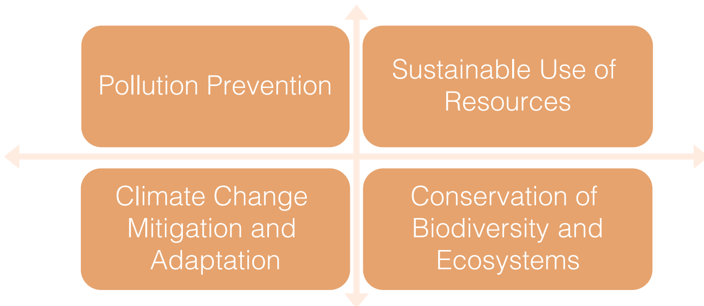
Stakeholders' feedback helps deepen our understanding of stakeholders and drives our continuous improvement to the Group's environmental, social and governance performance. If you have any suggestions, please contact the Group through the following channels.

Address: 40/F, Dah Sing Financial Centre,
248 Queen's Road East,
Wanchai, Hong Kong
(For the attention of the Board of Bonny International Holding Limited)
Email: ppd@bonnychina.com
Phone: 3150 6788

APPROACH TO SUSTAINABILITY DEVELOPMENT

We believe that good environmental, social and governance mechanisms can effectively advance the Group's sustainable development. The Board has reviewed and identified risks and sustainability issues that may have a significant impact on the business. The Board will continuously manage and monitor the policies, measures and effectiveness related to sustainable development for the environmental, social and governance issues that have been reviewed and will take these issues into account in formulating the Group's business policies. We will continue to optimize and enhance the Group's environmental, social and governance mechanisms and implement the concept of sustainable development at different levels. The Company has also appointed Riskory Consultancy Limited as a 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; Implementing clean production, Maintaining environmental hygiene, Complying with laws and regulations, and Achieving sustainable development". According to ISO9001:2015 Quality Management System Certification, ISO14001:2015 Environmental Management System Certification and combined with the Company's business conditions, we have formulated the "Quality and Environmental Management Handbook". With each requirement, departments and production bases strictly comply with the provisions in the manual to ensure that the Company's sustainable development can meet the standards of the management system. Considerations for the environment include:



We attach great importance to the sustainable development of equipment and technology. The Chinese government has implemented a series of schemes to promote green consumption and green clothing consumption. We 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 so as to promote green consumption and a low-carbon transition.

We also set out the social responsibilities and obligations in the "Policy of Social Responsibilities" that the Group should fulfill, including environmental management, safe production, resource conservation, training and development, and protection of employees' rights and benefits.

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

CORPORATE GOVERNANCE AND RISK MANAGEMENT

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

For environmental risks, we have implemented rigorous management measures to assess, manage and mitigate the identified risks. In accordance with the "Environmental Factor Identification and Evaluation Management Measures" in the "Quality and Environmental Management Handbook", we established the "List of Material Environmental Factors" to assess all environmentally affecting factors in the Company's products and services. When identifying environmental factors, the following eight aspects will be considered:

- Greenhouse gas emission;
- Sewage discharge;
- Waste management and by-products;
- Land pollution;
- Use of energy, raw materials and natural resources;
- Other local environmental or community issues;
- Energy release; and
- Physical characteristics.

We will analyze and assess the scope and extent, frequency, social concern, regulatory compliance, resource consumption and the possible extent of energy saving of such risks and adopt 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.

To ensure that the management has a deeper understanding of the operation of the Company's business and enhance communication with each other, the Group will provide sharing sessions and organize off-duty seminars and on-duty training. In the workshop, the departments report to management on the new technologies that employees have learned about recent projects. In addition, directors are given guidance and preparation meetings about the Group's business and their duties responsibilities under the Listing Rules and the relevant statutory and regulatory requirements when newly appointed. 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 more details on corporate governance, please refer to the Corporate Governance Report of this annual report.

Anti-Corruption

The Group values the integrity it has built with its employees and expects them to maintain a high level of ethics concerning any matter that is not in line with business ethics and integrity, such as corruption, bribery, extortion, fraud, and money laundering and other violations. Accordingly, we adopted a zero-tolerance attitude to previous events. The Group strictly abides by the laws and regulations related to anti-corruption, including but not limited to the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) and other relevant laws and regulations.

We have formulated the "Code of Conduct Manual" to regulate the conduct of our employees and remind them of the importance of compliance with the law and discipline and developed the "Procedures for Staff Complaints, Recommendation and whistle-blowing" and "Policy of Internal Reporting and Anti-corruption". We strictly implement the policy and establish reporting channels. Employees can report to the relevant departments by telephone, letter, email, and face-to-face reporting. After receiving the complaint, the Internal Audit Department will analyze and evaluate the complaint within 48 hours. The informant's identity will keep confidential. We understand that the Group has a responsibility to prevent any misconduct that harms the interests of shareholders, investors, customers, and the public. 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 also actively provide trainings on anti-corruption, bribery and fraud to the Board and staff to their vigilance in the face of potential corruption incidents in their daily work and operations and their understanding of anti-corruption legislation to ensure compliance and prevent corrupt practices.

During the Reporting Period, the Group was not aware of any material issues on anti-corruption-related laws and regulations or concluded legal cases.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION CHANNELS

Good communication with stakeholders is critical to advance our sustainability goals. These internal and external organizations or individuals are relevant to our day-to-day operations. The Group's management has identified the major stakeholder groups that affect or are affected by the Group's operations. Our stakeholders include:

The Group has established the following formal and informal communication channels to ensure that stakeholders are kept informed of the Group's operations. We actively listen and respond to the concerns of our stakeholders to understand the impact of our business on the environment and society, as well as the demand of our stakeholders, as a consideration in our planning for future business development. We make good use of the information gathered through these communication channels and will analyze it to determine the basic framework of this Report.

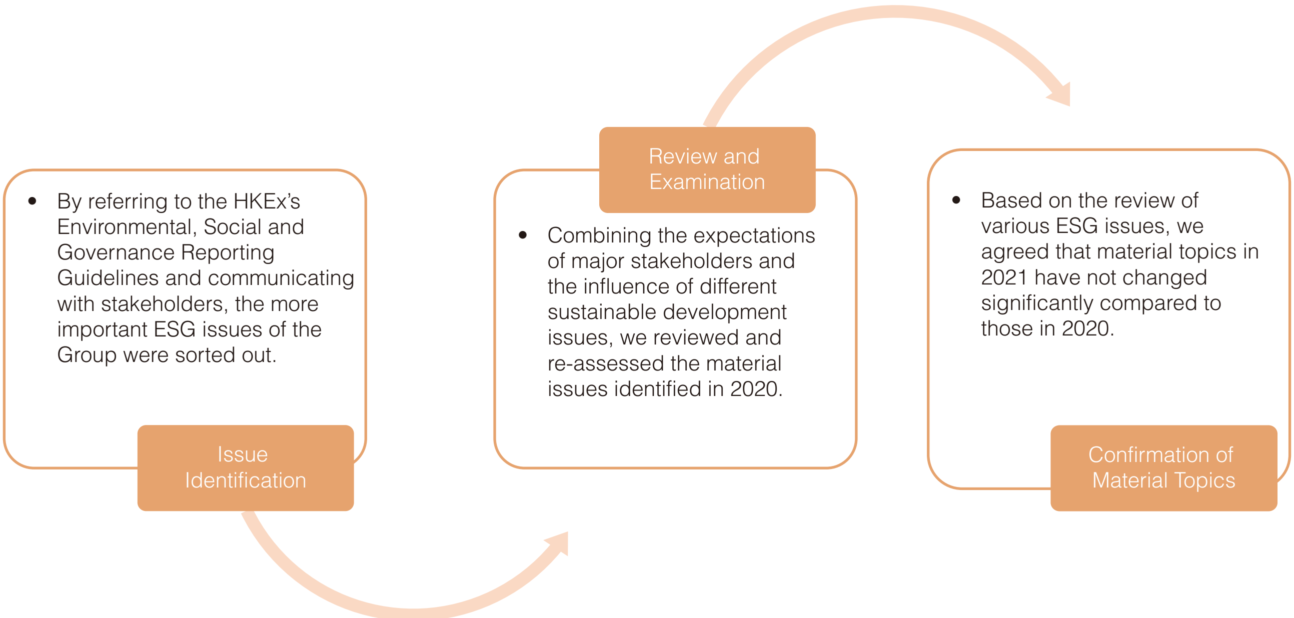
Stakeholders	Issues Concerned	Communication Channels
Investors and Shareholders	• Business strategies and sustainability of the Group • Financial performance • Investment return • Corporate governance	• General meetings • Meetings, phone and written enquiries • Direct communication • Group website • Regular corporate publications (such as annual reports, financial reports, circulars, and announcements)
Customers	• Product and service quality • After-sale service • Customers information security • Business ethics	• Direct community • Business meetings • Group website • Email/telephone
Suppliers and Business Partners	• Fair competition • Creation of win-win cooperating relationship • Fulfilment of contract commitment • Payment schedule	• Direct communication • Business meetings • Onsite inspection • Email/telephone • Tendering for procurement of products or services
Employees	• Employee rights and welfare • Occupational health and safety • Equal opportunities • Training and development • Prospects of the Group	• Appraisals • On-the-job coaching • Internal meetings • Group website • Trainings • Human resources manual • Employee activities • Exit interview
Government and Other Regulatory Authorities	• Compliance with law and regulations • Treatment of inside information • Co-operation with 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 • Performance on environmental protection • Fair employment opportunities	• Group website • Public media • Community activities • Donations

MATERIALITY ANALYSIS

To manage the Group's environment, social and governance performance and facilitate the reporting process, we assessed the importance of environmental, social and governance issues during the Reporting Period.

Materiality Assessment

The Group conducted materiality assessments, communicated with stakeholders through different communication channels to identify stakeholders' environmental, social and governance issues of concern and prioritize the major issues based on the results of the assessment. The materiality assessment process is as follows:



To better reflect the environmental, social and governance risks and opportunities faced by the Group, we have integrated environmental, social and governance issues. As the international society attaches greater importance to climate change, we have added the issue of climate change. The environmental, social and governance issues covered include:

Environmental Protection

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

Operating Practices

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

Product and Service Responsibility

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

Human Rights and Employees

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

Contribution to Community

21. Participation in welfare activities
22. Charitable donations

The Group's Material ESG Topics

Rank	Material ESG issues of the Group	Issue number	Disclosure Section
1	Product and service quality	11	Products and Services
2	Training and development	19	Development and Training
3	Customer satisfaction and complaint handling	12	Service Quality
4	Waste management	2	Emissions Management
5	Occupational health and safety	18	Employee Health and Safety

ENVIRONMENTAL PROTECTION AND MANAGEMENT

The Group is committed to 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. Our management team will follow the guidelines on risk management, continuously monitor the potential environmental risks in our business and communicate with various departments to ensure that the relevant personnel understand the environmental objectives of the Group. The management team will also 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 business compliance. The business strictly complies with 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》) (GB3095–1996).

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 have a significant impact on the Group.

CLIMATE CHANGE

As a responsible enterprise, the Group is fully aware of the risks associated with climate change in its business. 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. For instance, Beiyuan Production Facility locates in a coastal area, and extreme weather phenomena such as typhoons and floods may cause damage to machines, employees cannot go to work as usual, and transportation and supply chain disruptions can be interrupted. To address these physical risks, the Group has developed the “Flood Control Emergency Plan” with appropriate measures and procedures for different weather conditions to minimize the impact of extreme weather on our business.

Besides physical risks, we are also aware of the transition risks and opportunities associated with our business. In the 14th Five-Year Plan, the Chinese government plans to comprehensively promote the action plan for carbon emission reduction and set goals for the green development of the weaving industry. The Company may need to invest more money and technology to develop environmental-friendly intimate wear or purchase environmentally friendly raw materials. As the demand for green intimate wears increases, customer preferences also provide us opportunities to identify emerging markets and expand our product types and sales.

EMISSIONS MANAGEMENT

Since the Company’s business involves production process, the seamless circular knitting machines we used in producing seamless intimate wears produce air pollution, wastewater and solid waste discharge. Therefore, the Group has taken active measures to reduce its adverse impact on the environment and is committed to reviewing existing measures to reduce waste generation. Since January 2019, we have set various types of environmental targets in response to the nature of each department, including but not limited to domestic waste disposal rate and workshop solid waste collection rate. Through the daily work assessment and irregular organization of review meetings, we review whether the target in each production has reached 100% of the situation. 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, as well as wastewater and waste discharge.

Air and Greenhouse Gas ("GHG") 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 ("**NOx**"), Sulphur Oxides ("**SOx**") and Particulate Matter ("**PM**"). Direct greenhouse gas emissions come from vehicle combustion, fuels used in boiler, and refrigerants, while indirect greenhouse gas emissions come from the use of electricity. The Group complies with the legislation relating to air and greenhouse gas emissions in relation to the "Compliance Evaluation" in the "Quality and Environmental Management Handbook" and the daily testing.

Compliance Evaluation

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

Daily Inspection

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

Air and GHG Emissions	Unit	2021	2020
Air Pollutants			
Nitrogen Oxides	kg	1,261.91	1,697.09
Sulphur Oxides	kg	236.51	357.45
Particulate Matter	kg	15.76	18.47
Greenhouse Gas Emissions			
Direct emissions (Scope 1)[1]	Tonnes CO_2 equivalent	1,325.78	2,153.63
Indirect emissions (Scope 2)[2]	Tonnes CO_2 equivalent	5,408.68	7,163.23
Total Emissions	**Tonnes CO_2 equivalent**	**6,734.46**	**9,316.86**
Intensity	Tonnes CO_2 equivalent/million revenue (RMB)	27.06	32.37

1 According to the Reporting Guidelines in Appendix 2 of "How to prepare an ESG Report" published by the Hong Kong Stock Exchange, the Group's direct greenhouse gas emissions are derived from vehicle combustion, fuels used for factory boiler and refrigerants.

2 According to the Reporting Guidelines in Appendix 2 of "How to prepare an ESG Report" published by the Hong Kong Stock Exchange, the Group's indirect greenhouse gas emissions are derived from the use of electricity.

In order to reduce the emissions of exhaust gases and greenhouse gases from our business operations, we strive to adopt different emission reduction measures. In terms of production, we prioritize the purchase of high-performance and low-pollution machines in the production line and transform coal boilers into natural gas boilers to reduce greenhouse gas emissions. We also properly manage the number and type of vehicles in the Company to reduce fuel consumption and pollutant emissions and avoid busy hours to schedule delivery times. When it comes to travel, we encourage employees to use video conferencing and email instead of remote travel.

Hazardous and Non-hazardous Waste Management

The Group's business mainly generates non-hazardous wastes such as office papers, construction wastes, plastic packaging materials and general industrial wastes. We strive to reduce waste production through implementing measures, such as setting up sorting bins and recycling bins in our offices and production facilities, encouraging staff to sort waste paper, metal, and plastic, and arranging specialists to be responsible for recycling items. In addition, we also promote "Use Fewer Papers" 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.

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

Non-hazardous Waste	Unit	2021	2020
Non-hazardous Waste	**Tonnes**	**43.49**	**222.20**
Intensity	Tonnes/million revenue (RMB)	0.17	0.77

Since our business involves production, we produce hazardous waste such as industrial sewage, sludge, used lead-acid batteries, and dye packaging bags in the production process. We formulate specific guidelines for waste management by the waste sorting standards of the place of operation and guide employees to dispose of all kinds of waste properly. We have strict prevention and control measures for industrial sewages, regulated by the national environmental protection standards and water pollutant discharge indicators to manage wastewater discharge. The daily wastewater discharge will not exceed the upper limit set by the state due to strict regulation. Some of the treated and compliant wastewater can be reflowed back into the production process for reuse. Other hazardous liquid wastes will be entrusted to relevant professional institutions for reuse. In addition, hazardous solid waste will be handled by the relevant local environmental policies and assigned to a trusted third-party waste recycler.

Hazardous Waste	Unit	2021	2020
Liquid Waste	**Tonnes**	**67,026**	**85,673**
Intensity	Tonnes/million revenue (RMB)	269.42	297.67
Solid Waste	**Tonnes**	**0.062**	**0.063**
Intensity	Tonnes/million revenue (RMB)	0.00025	0.00021

CONSUMPTION OF RESOURCES

The Group attaches great importance to resource management and actively improves energy efficiency. Due to the nature of the industry, we understand that it is inevitable that energy is used in the production process. To effectively use resources, the Group is committed to improving energy efficiency by continuously monitoring energy consumption data and actively optimizing management to reduce emissions and save energy.

Effective Use of Energy

During the Reporting Period, our energy consumption was mainly derived from electricity and natural gas. The Group has been making every effort to reduce the use of energy and in order to enhance the Group's operational efficiency, we have implemented the following measures to achieve the best practices:

- 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
- Install motion sensors in areas not frequently used. Lights will only be turned on when employees pass through to reduce unnecessary electricity consumption
- Separate light switches for production facility and office area and post notices to remind employees to turn off unnecessary lights and appliances when leaving the working area
- Deploy more natural light. Prioritize the use of energy saving lighting devices
- 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

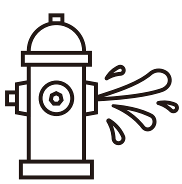
Type of Energy	Unit	2021	2020
Direct Energy			
Natural gas	MWh	6,386.53	9,661.37
Diesel	MWh	105.43	29.70
Unleaded petrol	MWh	68.71	28.78
Indirect Energy			
Purchased electricity	MWh	8,865.23	8,902.85
Total	**MWh**	**15,425.90**	**18,622.70**
Intensity	MWh/million revenue (RMB)	62.01	64.71

Conserving Water Resources

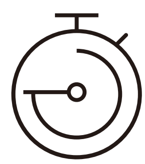
The Group understands the importance of water resources to the ecology of the earth. Due to the nature of the business, the Group consumes water resources in its production processes. During the Reporting Period, we had no issues in sourcing water that is fit for purpose. In order to save as much water as possible, we strive to implement measure such as integrated water management solutions and developed the "Energy Saving and Emission Reduction Management Procedures", which cover water-saving production methods and related instruments to improve water use efficiency. In order to ensure the sustainable development of the ecological environment, we have developed and implemented water management measures that require employees to reduce the consumption of drinking water in their work processes.

Recycle wastewater for cleaning and irrigation

Use dual-flush toilet that can adjust flushing volume



Check and repair the pipes of production facility and office for any leaks on a regular basis



Inspect the water meter at regular interval to check for hidden water leaks promptly

Water Consumption	Unit	2021	2020
Total water consumption	**m^3**	**129,160**	**119,996[1]**
Intensity	m^3/million revenue (RMB)	519.17	416.93[1]

1 Water consumption in 2020 is disclosed in tonnes. In order to optimize the calculation method to more accurately reflect the actual usage, the Group has updated the unit of measurement in m^3 this year.

Reducing Packaging Materials

The Group has been carefully use packaging materials to reduce unnecessary waste. The products produced by the Group will involve packaging materials, including plastic bags, liners and packaging boxes. We will choose to pack cartons made by sustainable forests or certified by the Forest Stewardship Council in terms of packaging cartons. Packaging materials such as tags, tag pins and stickers are also required for each product sold in stores. The packaging materials involved in the Reporting Period can be mainly divided into paper and plastic, and the amount used is as follows:

Packaging Materials	Unit	2021	2020
Total Packaging Material	**Tonnes**	**2,969.04**	**4,180.77**
Intensity	Tonnes/million revenue (RMB)	11.93	14.53

CHERISHING NATURAL RESOURCES

The Group cares about the possible impact of its operations on the surrounding environment. We mainly promote the importance of cherishing natural resources and environmental protection to employees in accordance with the "Quality and Environmental Management Handbook" and the "Energy Conservation and Emission Reduction Management Procedures". Although our production process does not significantly impact natural resources, we still actively manage air and noise and appoint designated personnel to conduct regular inspections of operating procedures. Based on the data collected, the designated personnel analyses and reviews the potential risks to the environment, and the assessment report is submitted to group management to develop more specific solutions. In addition, we will also strive to protect the environment by reducing the use of paper. We implement the following measures to expect our employees to indirectly reduce the consumption of natural resources through their daily business operations and adjust work habits.

Reduction of Paper Consumption

- Office printers are set in eco-friendly printing mode to reduce paper usage;
- Single-sided used paper is collected in recycling bins for reuse by employees;
- Encourage staffs to print in double-sided and avoid using too much unnecessary paper;
- Use enterprise resource planning system for daily operation and management to create "paperless" working environment;
- Encourage staffs to use electronic communication tools for data review and storage instead of printing; and
- Reduce the consumption of packaging, logistics and sales model through reuse of carton box package for internal logistics.

Environmental Training for Staffs

- To enhance employees' awareness on the importance of the control and management of sewage, air emissions, solid waste, noise and dust produced by the Company, meanwhile, require them to abide by the environmental policies of the Company and to minimize the harm on environmental and employees' health caused by personal habits and business operations.

PRODUCTS AND SERVICES

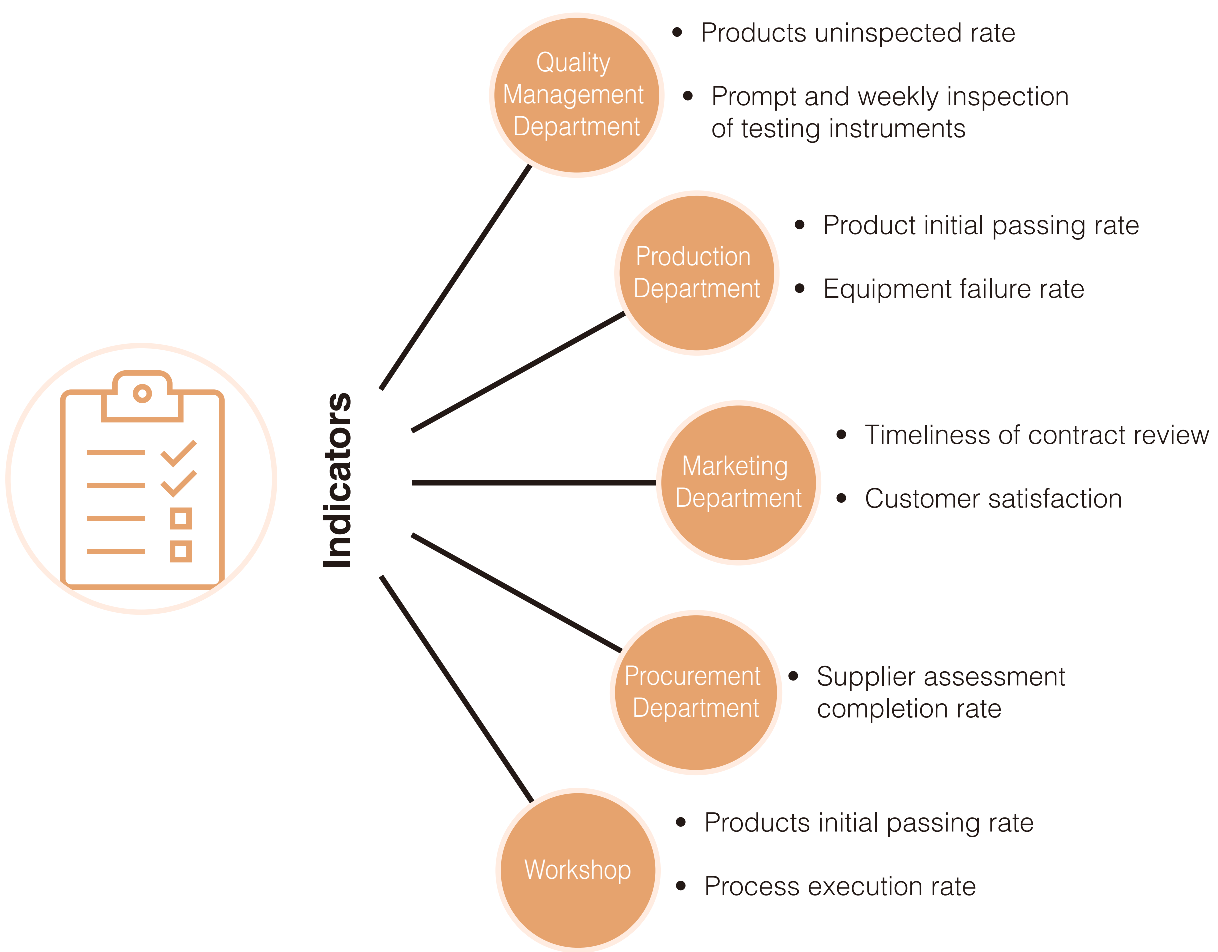
We have always insisted on providing the best quality products and services to meet the customers' needs. In order to continuously improve product quality, we actively improve and develop the latest and highest quality product features and designs and strive to provide a diverse product portfolio for customers. At the same time, we actively listen to our customers, adopt their suggestions, and make improvements to enhance the quality of our services.

During the Reporting Period, the Group has received 19 complaints in relation to products and services. The percentage of total products sold or shipped subject to recalls for is 0.002%.

Product Responsibility

The Group has continuously operated its business with safety, quality and responsibility and continues to provide quality products to gain customers' trust in the brand. In order to protect the rights and interests of customers, we have formulated the "Production Policy (Seamless Knitting)", "Premium Production Policy" and "Defective Products Recall System" to maintain the high quality of products so that customers can buy our products with peace of mind.

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 Manual and to fulfill their responsibilities.



Product Quality

In order to ensure the quality of its products, the Group not only sets strict standards for its own production, but also has the same quality requirements for suppliers or partners to maintain brand value and image. In the production process, the Group strictly complies with relevant international standards and regulations, which mainly include 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 formulates quality management procedures in accordance with relevant laws and regulations and standards, including "Production Policy (Seamless Knitting)" and "Quality Production Policy" to standardize production procedures, relevant personnel responsibilities and inspection requirements. The production of bras and seamless products is required to go through multiple inspection procedures, from the inspection of raw materials before production to the review of critical processes in the production process, only through each link The inspected product can only proceed to the following production process. All unpackaged products are inspected, and the unqualified items are sent directly to the reject and surplus warehouse for further follow-up by the Quality Control Department. The goods that pass the finished product inspection will be packaged, and the finished products that are packaged will be fully inspected or sampled according to the customer's requirements. After packaging process, they will test the products again to ensure that all the products delivered to the customer's hands meet the quality requirements.

In order to strengthen the safety management of our products, we have formulated "Defective Products Recall System". When the following risks are found in the products, including safety risk, harmful risk to physical health or life, failure to pass the inspection or using third party registered trademark, the Group will immediately activate the product recall procedure:

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

Service Quality

To ensure the desired quality of service, we regularly conduct comprehensive and ongoing internal training and assessments for sales staff in self-operated retail stores, including onboarding for recruits, on-site training sessions at the sales counter and post-trial assessments. All active employees will also receive monthly training and product knowledge assessment to ensure that employees are familiar with the Company's business products and operations, as well as can quickly grasp the products in response to changes in market trends. At the same time, different types of training can continuously improve their service attitude, emergency skills, and product knowledge to maintain service quality.

The Group's interests are prioritized, so we attach great importance to handling customer complaints and customer satisfaction management. We believe that accepting our customers' opinions enables the Group to progress and understand what our customers expect of us more effectively. We are open to build close, trusting, and long-term relationships with our customers. We have established feedback channels to facilitate customers to contact us directly and service hotlines to answer customers' inquiries on franchisee, product quality, order status and product return. If a customer complaint is received, the Group 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 the required training to prevent similar situations.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in relation to the quality of service.

CUSTOMER PROTECTION

The Group believes that the rights and interests of our customers are of paramount importance, and we formulate management policies in accordance with relevant laws and regulations. In terms of the health and safety of our customers and data privacy protection, we strive to continuously review relevant measures and improve our policies to protect our customers in the era of rapid technological development.

Health and Safety of Customers

We attach great importance to the shopping experience of our customers and develop our management methods in accordance 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》). In response to the safe environment of the retail store, we operate our retail stores in accordance with the safety requirements of fire and security and sign a safety responsibility letter with the mall property management company that the staff of the store are committed to ensuring the safety of customers. We also offer safety training programs to our employees. In the event of suspected theft, the Group's staff are expected to assist the affected client professionally, including calling the police for help or contacting the relevant authorities to assist in the investigation.

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

Privacy Protection for Customers

With advanced technology, customer personal data privacy protection has been valued. The Group is committed to protecting the personal data of the customers. Designated access to customer data is restricted to authorized employees who have also signed a confidentiality agreement at the time of employment and are not allowed to disclose any data to third parties without authorization. We comply with the strictest ethical standards and local laws and regulations such as the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), so that customers can use our products with peace of mind to maintain the group's reputation for high quality products.

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

SUPPLY CHAIN MANAGEMENT

The Group has established close relationships with business partners, including suppliers, subcontractors, franchisees and transport companies. To manage the supply chain effectively, the Group will conduct annual assessments of business partners in accordance with the "Procurement Policy", "Material Procurement Policy" and "Selection and Supervision of Dealers and Franchisee", including:

- Supply Capacity
- Production Capacity
- Technology and Equipment
- Timeliness on Providing Sample
- Product Quality
- Product Delivery Schedule
- Shipping Method
- Urgent Order Processing
- Communication on Emergency Situations
- Pricing
- Service Quality

We will immediately terminate the relationship with the business partner to prevent the quality of our products from being affected when the products are failed to meet the standards, The Group expects our business partners to follow the guidance of the system we have established, to abide by our business ethics and to work together to provide quality products.

In parallel with its business development, the Group recognizes the equal importance of integrating environmental protection considerations into its supply chain. Therefore, 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 to select materials and products that have less environmental impact as much as possible, such as reducing the use of environmentally harmful materials such as plastics, so that our supply chain can better meet the requirements of sustainable development. As store renovation requires construction materials, we encourage each store to reuse existing materials to keep in line with the environmental protection vision of the Group. We will continuously monitor and promote our suppliers' social and environmental compliance performance to ensure that our supply chain is effectively and sustainably developed.

During the Reporting Period, the Group had a total of 144 suppliers and 166 franchisees. Suppliers are mainly from Hong Kong and Mainland China, 142 of the suppliers are from Mainland China and only 2 are Hong Kong suppliers. Our suppliers included suppliers of raw material, logistic services, engineering services and cross border e-commerce procurement services.

Supplier Management

In order to regulate our suppliers, we established a sound management system. The Group has formulated the "Procurement Policies & Procedures", which contains the management requirements of suppliers in the areas of development, access, evaluation, review, evaluation and exit. As a leading seamless intimate wear product manufacturer, we place great emphasis on the quality of the raw materials of our products. In addition, the procurement department will follow up the supplier's raw material manufacturing process to ensure its production progress and will be represented by the Company. Quality Control department will inspect the quality of raw materials. The quality control personnel will assess the supplier's raw material quality and delivery time. If the raw materials have quality problems, the purchasing department will be immediately notified to follow up. When selecting a new supplier, we review it according to the following procedures:

1
- An evaluation team is formed
- Members comprising representative from the Quality Control Department, Production Department and Technology Department

2
- Evaluate existing suppliers by using the indicators listed in supplier assessment policy
- Prepare the "Evaluation Report on Basic Information of Supplier"

3
- Conduct on-site inspection on such suppliers
- Prepare the "Inspection Report on Supplier"

4
- Suppliers that meet the requirements need to submit samples to the Quality Control Department for further testing

5
- Submit "Evaluation Report on Basis Information of Supplier" and "Inspection Report on Supplier" to the management for review and approval

In order to maintain the quality of suppliers, the Group has set up a review team consisting of the Purchasing Department, the Financial Department, the User Department and the Quality Control Department. The team evaluates all existing suppliers and reviews the qualification, operating conditions, credit ratings, service quality, purchase price and product quality and problems of the suppliers. Management will make a final decision on the panel's assessment results. If a supplier fails to meet the Group's standards, the Procurement Department will apply to remove it from the "Qualified Suppliers List". Any supplier who has a material adverse impact on the Group will be blacklisted.

Besides year-end inspection, 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 during year-end assessment. The rating, order size and payment policy of the suppliers will be determined on the basis of the assessment. During the Reporting Period, the Group did not have any material claims against the suppliers due to the defective quality of raw materials.

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

Franchisee Management

In order to select the most suitable franchisees for the Bonny brand, the Group has formulated 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 interest conflict of franchisee, and franchisee's participation in joint events with the Group choose the most suitable franchisee for cooperation. In order to ensure that the quality of franchisees' services meets the Expectations of the Group, our branches will regularly monitor and inspect franchisees in respect of their financial condition, products and daily operation to ensure their stable supply. We also offer training programs on daily operation, including selling skills, product knowledge, service awareness, store operation and safety measures, to the staff of franchisees. The Group conducts regular inspection and guidance on the image of franchisee to make sure that their brand images are consistent with that of the Group.

INTELLECTUAL PROPERTY RIGHTS

The Group considers intellectual property rights to be of paramount importance and has developed different policies, including the "Patent Management Policy", "Software Copyright Management Policy" and "Trademark Management Policy", to defend and supervise the patents, trademarks and software in question Categories of intellectual property rights. The general manager office protects the Company's team by applying, registering, renewing, modifying, transferring and licensing intellectual property rights. We added 7 new utility model patents, 3 trademarks, and retained existing computer software copyrights during the Reporting Period. In order to maintain the Group's intellectual property rights in patent areas, the Human Resources Department is responsible for direct contact with Technology Departments. The Technology Research and Development Department, Marketing Department and new employees are provided trainings in intellectual property protection. In terms of trademarks and software, we will establish a trademark list and record the files related to software copyrights so that the staff of the general manager can timely handle the renewal of trademarks and read the required information at any time.

In case of intellectual property rights infringement, we will inform the senior management promptly to arrange for investigation and search for evidence. Serious infringement will be reported to the relevant local authority or filed with the People's Court. We encourage employees to report any infringement and will honour the act of whistle-blowing in internal corporate publications or conferences and offer a small number of rewards.

During the Reporting Period, no legal cases regarding the infringement of intellectual property rights was brought against the Group or any of its employees.

ADVERTISING AND LABELING

We are convinced that the Group's brand awareness and turnover can be advanced by effective advertising campaigns. To this end, 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 non-compliance in relation to advertising and labelling regarding products and services provided.

EMPLOYMENT RELATIONSHIP

The Group regards talent as the cornerstone of its longevity, and the contribution of employees is an integral part of the sustainable development of the Company. As a responsible business, we are committed to providing a multicultural working environment and competitive remuneration and benefits to attract quality talents to join the Group. At the same time, we care about the well-being of our employees and pay attention to good communication with employees so as to establish a good relationship of mutual trust between the two parties.

Employee Overview

As at 31 December 2021, the Group employed a total of 692 full-time employees, who all are from Mainland China. The following list details the distribution of employees by gender, age and category of employees for the Reporting Period and 2020:

Employee Distribution	2021	2020
By age		
30 or below	190	116
31–50	378	524
51 or above	124	80
By gender		
Male	330	187
Female	362	533
By employee category		
General and technical staff	626	636
Middle management	54	74
Senior management	12	10

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

Employee Turnover Rate	**2021**
By age	
30 or below	145.3%
31–50	109.3%
51 or above	72.6%
By gender	
Male	122.1%
Female	103.9%
By geographical location	
Mainland China	112.6%
Total turnover rate	**112.6%**[1]

1 The relatively high employee turnover rate in the Reporting Period was mainly due to changes in the environment and cost of living of the factory site after the relocation of the production facility. To this end, the Group has enhanced the level of remuneration and benefits, subcontracted part of the production process and establish a processing plant in the Jiangxi Province to ensure timely production and delivery, and further attract and retain talents. The Jiangxi processing plant has also commenced operations in 2022.

Employment and Remuneration Policy

In order to maintain a competitive advantage in the market, the remuneration packages provided by the Group are adjusted after conducting research with other peers. Having a competitive benefits package will not only help us retain high-quality talent, but also enable the Company's market performance to rise steadily.

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 ensure that every employee is treated fairly, our "Staff Handbook" covers 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 at the end of each year. The Group strictly complies with these laws and regulations and contributes to social security insurance covering pension insurance, medical insurance, unemployment insurance, occupational injury insurance, maternity insurance (if applicable) and housing fund for its employees. In addition, we also provide benefits including accommodation allowance, catering allowance, attendance bonus and traveling allowance.

Labour Standards

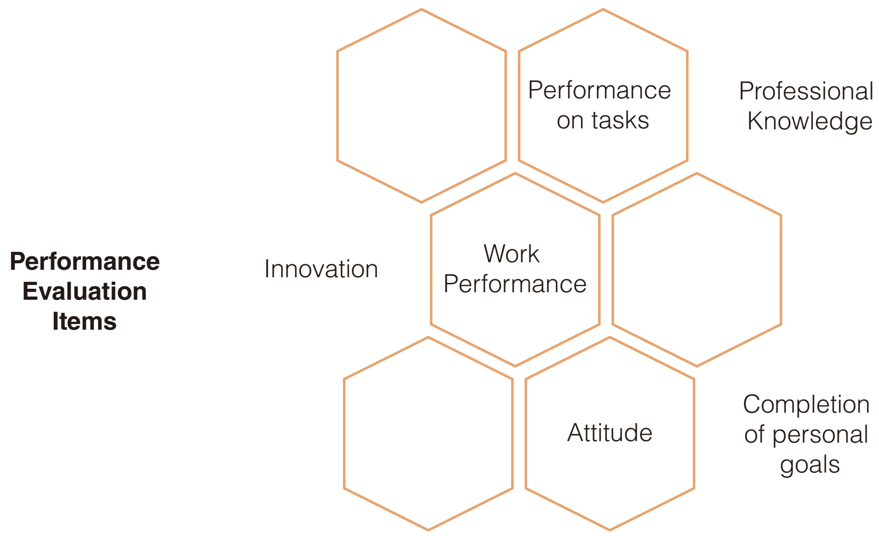
During the recruitment of employees and the approval of the recruitment process, the Group complies with relevant laws and regulation, including but not limited to the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》) to ensure compliance with relevant required standards. We have zero-tolerance for 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 all those who do not meet the requirements will not be hired. In order to avoid the occurrence of forced labour, employees are required to fill in the "Overtime Application Form" before working overtime. Application for overtime work by employees must be approved by the head of the relevant department before the performance of overtime working and payment of the allowance. We are aware of any use of child or forced labour. We will immediately stop hiring the employee and remove the employee from the workplace, then review and change the recruitment process to prevent the recurrence of similar incidents.

During the Reporting Period, the Group was not aware of any material non-compliance with the relevant laws and regulations in relation to the child labour and forced labour.

Recruitment and Promotion

The Group has always adhered to the concept of equality. Our recruitment process is fair and open, and all recruitment criteria are based on the candidate's performance and skills. We are committed to providing equal opportunities to our employees regardless of age, gender, physical health, marital status, family status, race, skin colour, nationality, religion, political stance, and other factors. In addition, we have also developed the "Staff Recruitment Policy", which specifically describes the Group's recruitment process and management procedures. The main channels of the Company's recruitment include attending talent exchange meetings, internal employee recommendation, online recruitment, publishing recruitment advertisements, headhunting and campus recruitment. The Human Resources Department will arrange interviews with qualified candidates in accordance with the requirement set out in the job description and the workforce requirement proposal to ensure the candidate is equipped with the required qualifications and abilities. After screening, the qualified candidate will be invited to conduct an on-site interview, and hired after a second round of interviews by the head of the department according to the requirements of the responsibilities of the position.

All regular employees have equal opportunities for promotion. The Group has formulated the "Performance Appraisal of Employees" as a guideline for management in their performance appraisals. We give every employee an equal opportunity to demonstrate their expertise and talents. The Group conducts a performance appraisal with employees every year to conduct a comprehensive evaluation. The Human Resources Department will use the appraisal results as the basis for promotion, salary, reward, transfer and education and training.



During the Reporting Period, the Group was not aware of any material non-compliance with the relevant labour 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 have a significant impact on the Group.

EMPLOYEE HEALTH AND SAFETY

The Group has always put the health and safety of our employees at the first place, and we take the necessary safety measures to protect our employees and avoid any occupational hazards. 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.

To ensure production safety, we have set up an Environment, Health and Safety ("**EHS**") Group and appointed EHS Specialists, which meet regularly to analyze all the substances and potentials of different departments and types of work environment, health and safety risks, and develop effective improvement programmes and preventive measures to mitigate identified crises. At the same time, the Group regularly cooperates with the local government fire department to hold a number of rescues, firefighting and evacuation exercises. Before operating machinery, we arrange appropriate safety training to remind employees about occupational safety and provide safety equipment such as gloves to reduce the risk of injury during operation. We have developed the "Emergency Response Plan", which covers different scenarios, such as sudden fire and explosion, electric shock, mechanical accident, pipeline accident, flood control, environmental pollution accident and chemical leakage to effectively prevent, timely control and eliminate the impacts of emergency situations.

The ongoing outbreak of COVID-19 has caused a global public health crisis, and in the face of a challenging epidemic crisis, we must actively prevent the epidemic. In accordance with the implementation measures of the local government on the prevention and control of new crown pneumonia infectious diseases, we have formulated internal measures such as the "Emergency Response Plan for the New Crown Pneumonia Epidemic" and the "Enterprise Epidemic Prevention and Control Work Plan" and set up a working group on the prevention and control of infectious diseases to respond to the epidemic effectively. Through a series of measures, we achieve the goal of effective prevention, timely control and elimination of the harm of COVID-19 infections. In order to protect the health and life safety of all employees, we have implemented the following measures, including but not limited to:

- Daily temperature measurement and recording
- Management of epidemic prevention and control materials, timely reporting and procurement of material shortages
- Regular cleaning and ventilation practice on workplaces, dorms and offices
- Use exhibition boards to promote knowledge of infectious disease prevention
- Conduct online meetings whenever possible through phones or softwares instead of face-to-face meetings

The work injury rate and work-related fatalities rate of the Group remained at zero. No lost days due to work injury were reported in the Reporting Period, and no work-related fatalities were reported in the past three years (including the Reporting Period).

In the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations in relation to workplace safety that have a significant impact on the Group.

DEVELOPMENT AND TRAINING

The Group understands that the knowledge and skills of its employees can promote the development of the Group's business, so we have formulated the "Staff Training Policy" and are committed to providing comprehensive staff training. Employees can increase their knowledge, realize their potential, improve their technical skills, and also help to improve the efficiency of business operations for mutual benefit. We also encourage staff to rotate their jobs to increase networking opportunities and learn new skills. In 2021, the Group organized 11 sessions of training programs for our employees including recruits training programme and vocational training, with 729 employees attending.

As our frontline staff are in direct contact with our customers, we provide comprehensive and quality training to ensure consistent service quality to maintain our brand image. We provide in-house training on product knowledge, sales skills, customer service, store operations and safety measures to store staff to familiarize themselves with the retail operation model as soon as possible. The Group also providers study leave and course fee allowances to employees to encourage them to self-add value and improve the level of vocational skills to support employees' positive learning attitudes. The following is data on training by gender and category of employees for the Reporting Period:

	2021
Percentage of total employees trained	**105.4%[1]**

	Percentage of employees trained	Average number of hours for trainees (hour(s))
By gender		
Male	90.9%	11
Female	118.5%[1]	12
By employee category		
Senior management	16.7%	2
Middle management	9.3%	1
General and technical staff	115.3%[1]	13

1 According to Appendix 3: Reporting Guidance on Social KPIs in "How to prepare an ESG Report" published by the Stock Exchange, the calculation method is the percentage of trained employees divided by the employees at 31 December 2021. Due to the larger employee turnover during the reporting period, the number of employees at the end of the period was lower than the number of trained workers.

COMMUNITY INVESTMENT

The Group understands the importance of giving back to the community and relies on the support of its stakeholders to practice sustainable business development. We want to support the development of communities where the Group operates. Over the years, the Group has been encouraging its staff to engage in various community projects and 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 in the future.

INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

Subject Area	Content	Chapter
Mandatory Disclosure Requirement		
Governance Structure	A statement from the board containing the following elements: (a) a disclosure of the board's oversight of ESG issues; (b) 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 (c) 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.	Reporting Basis and 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.	Reporting Period and Scope
"Comply or explain" Provisions		
A. Environment		
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issue relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste.	Environmental Protection and Management
A1.1	The types of emissions and respective emissions data.	Air and Greenhouse Gas ("**GHG**") Emissions
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity.	
A1.3	Total hazardous waste produced and intensity.	Hazardous and Non-hazardous Waste Management
A1.4	Total non-hazardous waste produced and intensity.	
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Air and Greenhouse Gas ("**GHG**") Emissions
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.	Hazardous and Non-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.	Effective Use of Energy
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	
A2.2	Water consumption in total and intensity.	Conserving Water Resources
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Consumption of Resources
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.	Conserving Water Resources
A2.5	Total packing materials used for finished products and, if applicable, with reference to per unit produced.	Reducing Packaging Materials
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Cherishing Natural Resources
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
A4 Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	
B. Society		
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment, and promotion, working hours, rest Periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Remuneration Policy
B1.1	Total workforce by gender, employment type, age group, and geographical region.	Employee Overview
B1.2	Employee turnover rate by gender, age group and geographical region.	

Subject Area	Content	Chapter
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.	Employee Health and Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	
B2.2	Lost days due to work injury.	
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	
B3 Development and Training		
General Disclosure	Policy on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
B3.1	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).	
B3.2	The average training hours completed per employee by gender and employee category.	
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.	Labour Standards
B4.1	Description of measures to review employment practices to avoid child and forced labour.	
B4.2	Description of steps taken to eliminate such practices when discovered.	

Subject Area	Content	Chapter
Operating Practices		
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
B5.1	Number of suppliers by geographical region.	
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supplier Management; Franchisee Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility; Advertising and Labeling
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Quality
B6.2	Number of products and service-related complaints received and how they are dealt with.	Products and Services; Service Quality
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property Rights
B6.4	Description of quality assurance process and recall procedures.	Product Responsibility; Product Quality
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Privacy Protection for Customers

Subject Area	Content	Chapter
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud, and money laundering.	Anti-corruption
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	
B7.3	Description of anti-corruption training provided to directors and staff.	
Community		
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
B8.1	Focus areas of contribution (e.g., education, environmental concerns, labour needs, health, culture, sport).	
B8.2	Resources contributed (e.g., money or time) to the focus area.	

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Company is investment holding. Principal activities of the subsidiaries are set out in Note 1 to the consolidated financial statements. A review of the business of the Group during the Reporting Period, a discussion on the Group's future business development and an analysis of the Group's performance during the Reporting Period using key financial performance indicators are provided in the "Chairman's Statement" on pages 5 to 7 and the "Management Discussion and Analysis" on pages 8 to 18 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 training 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 36 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 36 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 40 to page 78.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in section of "Corporate Governance Report" contained in this annual report.

CONSOLIDATED FINANCIAL STATEMENTS

The results of the Group for the Reporting Period and the financial position of the Group as at 31 December 2021 are set out in the consolidated financial statements on pages 94 to 184 of this annual report.

DIVIDENDS

The Board does not recommend a final dividend for the Reporting Period (2020: nil).

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 June 2022, the register of members of the Company will be closed from Saturday, 25 June 2022 to Thursday, 30 June 2022, 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, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 24 June 2022.

FIVE YEARS FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the past five financial years are set out on pages 185 to 186 of this annual report. The summary does not form part of the audited financial statements.

INVESTMENT PROPERTIES

The Group's investment properties consist of industrial properties situated at No. 129, Chunhan Street, Beiyuan Road, Yiwu City, Zhejiang Province, PRC, which is used as offices and warehouses. The Group has transferred certain owner-occupied properties with fair value of RMB14,080,000 to investment properties on 12 May 2021. The valuation of the said properties were prepared by AVISTA Valuation Advisory Limited, an independent qualified valuer. Further summary details of which are included in Note 14 to the consolidated 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 2021 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.

CHARITABLE 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.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution amounted to approximately RMB205.2 million which consisted of share premium of approximately RMB205.2 million.

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. Li Youxing *(resigned on 5 February 2021)*
Mr. Wang Jian *(resigned on 17 December 2021)*
Mr. Chan Yin Tsung
Mr. Chow Chi Hang Tony *(appointed on 5 February 2021)*
Dr. Wei Zhongzhe *(appointed on 17 December 2021)*

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. Zhao Hui and Ms. Gong Lijin will retire from office and, being eligible, will offer himself/herself for re-election at the forthcoming AGM.

In accordance with article 113 of the Articles, Dr. Wei Zhongzhe, being appointed as a Director to fill a casual vacancy on 17 December 2021, will hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. By virtue of article 113 of the Articles, Dr. Wei Zhongzhe will retire from office and, being eligible, will offer himself for re-election at the forthcoming AGM.

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

CHANGES IN INFORMATION OF DIRECTORS

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

Since 12 July 2021, Mr. Jin Guojun has been serving as an executive director and manager of Jiangxi Bonny, and Ms. Gong Lijin has been serving as the supervisor of Jiangxi Bonny.

Mr. Chan Yin Tsung obtained an executive master's degree in business administration from the Peking University in January 2022.

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

DIRECTORS' REMUNERATION

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

FIVE HIGHEST PAID INDIVIDUALS

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

DIRECTORS' SERVICE CONTRACTS

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

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

TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Related Party Transactions" in this report and Note 33 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 year was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors 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 2021, 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 2021, 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 *(Note 1)*	Interest in controlled corporation	1	100%

Note:

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

Save as disclosed above, as at 31 December 2021, 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 2021, 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	Beneficial Owner	634,500,000	52.88%
Jin Xiaohong	Beneficial Owner	63,000,000	5.25%
Zhejiang Yiwu Gaoxin District Development and Construction Co., Ltd.* (浙江義烏高新區開發建設有限公司)	Person having a security interest in the shares	243,025,715	20.25%

Note:

1. As at 31 December 2021, the total number of issued shares of the Company is 1,200,000,000 shares.

Save as disclosed above, as at 31 December 2021, 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 of the Company (the "**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.

During the Reporting Period, no options were granted, exercised, lapsed or cancelled by the Company under the Share Option Scheme.

EQUITY-LINKED AGREEMENTS

During the Reporting Period, save for the above Share Option Scheme, 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 2021.

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 (being 26 April 2019) up to the date of this report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year ended 31 December 2021, none of the Directors or their respective associates had any interests in any companies or businesses which competes or may compete with the Group's business.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the section "Continuing 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.

CONTINUING 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 continuing connected transactions, the terms of which took effect on the Listing Date, are set out as follows.

Non-exempt Continuing Connected Transaction

Framework purchasing agreement between Zhejiang Bonny and Deshipu New Materials

On 19 March 2019, Zhejiang Bonny, the indirect wholly owned subsidiary of the Company, as buyer, has entered into a framework purchasing agreement with Deshipu New Materials, as seller in relation to the supply of polyamide by Deshipu New Materials to Zhejiang Bonny (the "**Framework Purchasing Agreement**"). Deshipu New Materials is wholly owned by Bode Holding, a company established in the PRC with its entire equity interest being held by Mr. Jin Guojun during the Reporting Period until such equity interest was transferred by Mr. Jin to his sister and a PRC company owned by his sister and her husband in January 2020. Therefore, Deshipu New Materials was an associate of Mr. Jin and hence a connected person of our Company.

Date of the agreement	:	19 March 2019
Buyer	:	Zhejiang Bonny
Seller	:	Deshipu New Materials
Goods	:	Polyamide
Term	:	Listing Date to 31 December 2021 or the date on which Deshipu New Materials ceases to be a connected person, whichever comes earlier

The transactions under the Framework Purchasing Agreement enable Zhejiang Bonny to obtain the necessary raw materials for production at the prevailing market price which shall not be higher than the price that the Group can purchase the similar products from independent third parties.

Subject to the Framework Purchasing Agreement, Zhejiang Bonny would enter into specific agreements ("**Procurement Agreements**") or place purchase orders with Deshipu New Materials for the procurement of polyamide. As set out in the section headed "Continuing Connected Transactions — Non-Exempt Continuing Connected Transaction" in the Prospectus, the Company has set the maximum annual amount in respect of the transactions under the Framework Purchasing Agreement (the "**Annual Caps**") for each of the three years ended 31 December 2019, 2020 and 2021 at RMB30 million.

The Company has, pursuant to Rule 14A.105 of the Listing Rules, applied for and the Stock Exchange has agreed to grant a waiver from strict compliance with the announcement, circular and independent shareholders' approval requirements under the Listing Rules subject to the condition that the aggregate value of the Framework Purchasing Agreement stated above for each financial year does not exceed the relevant Annual Caps.

During the year ended 31 December 2021, the Company entered into 5 procurement agreements with Deshipu New Materials in relation to the procurement of polyamide. Total procurement price amounted to approximately RMB5.8 million (VAT inclusive). No relevant agreement has been cancelled and no other procurement agreement has been entered into.

Subsequent to the Reporting Period, the Company has entered into a procurement contract with Deshipu New Materials at a consideration of approximately RMB1.11 million, which constitute de minimis connected transaction of the Company. The Company expects that the number of transactions with Deshipu New Materials will be reduced gradually and the Company will comply with the requirements of Chapter 14A of the Listing Rules as and when necessary.

Opinion from the independent non-executive Directors on the non-exempt continuing connected transaction

The independent non-executive Directors have reviewed the connected transactions of the executed Procurement Agreements in respect of the purchase of raw materials between Zhejiang Bonny and Deshipu New Materials for the year ended 31 December 2021 and confirmed that the connected 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 agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company was engaged to report on the Group's continuing connected transactions 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 Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company has received a letter from its auditor containing their finding and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules, which the Directors concur. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save and except transactions under the Framework Purchasing Agreement discussed above, which constitute continuing connected transactions, all the related party transactions disclosed in this annual report under the accounting standards for preparing the Company's financial statements constitute exempted connected transactions under Chapter 14A of the Listing Rules. Save as disclosed above, the Company confirmed that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

Save as disclosed in Note 33 to the consolidated financial statements, the Group has not entered into any connected transaction or continuing connected transaction during the Reporting Period which should be disclosed pursuant to the requirements under the Listing Rules.

MANAGEMENT CONTRACTS

Save as the service contracts disclosed in the section "Directors' Service Contracts" above, 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 SUPPLIER

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

	Percentage of the Group's total	
	Revenue	**Purchases**
The largest customer	18%	N/A
The five largest customers in aggregate	60%	N/A
The largest supplier	N/A	6%
The five largest suppliers in aggregate	N/A	26%

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

PUBLIC FLOAT

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

PERMITTED INDEMNITY PROVISION

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

TAX RELIEF

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

PROFESSIONAL TAX ADVICE

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

AUDITOR

The consolidated financial statements for the year ended 31 December 2021 have been audited by Ernst & Young, who will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution to re-appoint the retiring auditors, 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, 31 March 2022

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

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 100 to 184, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 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 year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment for trade receivables and other receivables	
As at 31 December 2021, the net carrying amount of the Group's trade receivables was approximately RMB65,058,000, after netting off a loss allowance for impairment of RMB3,661,000, which represented 11.0% of the Group's total assets. The Group applies the simplified approach in calculating the expected credit losses ("**ECLs**") for trade receivables. As at 31 December 2021, the net carrying amount of the Group's other receivables was approximately RMB4,055,000, after netting off a loss allowance for impairment of RMB12,624,000, which were individually assessed as default. Management performed periodic assessments on the recoverability of the trade receivables and other receivables and the sufficiency of provision for impairment, based on reasonable and supportable information such as the credit profile of different groups of customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, on-going trading relationships with the relevant customers' financial position and credit information of other debtors. Management also considered forward-looking information in performing the impairment assessment. The measurement of ECLs involves significant judgement and estimates, including the consideration of historical and forward-looking information. The accounting policies and disclosures for trade receivables and other receivables are included in notes 2.4, 3, 19 and 20 to the consolidated financial statements.	Our audit procedures included but not limited to the following: • We gained an understanding of and evaluated the key controls that the Group has implemented to manage and monitor the credit risk of its debtors; • We tested the ageing of the trade receivables, on a sample basis, as at 31 December 2021 and subsequent settlements to bank receipts; • We inquired of management about the on-going business relationship with the customers as debtors based on the trade records; • We assessed the financial information of the debtors individually assessed by management as default; and • We examined the key inputs and assumptions applied in the ECL model, including historical and forward-looking information.

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment	
As at 31 December 2021, the Group had property, plant and equipment for the face mask business of RMB17,309,000, before netting of an impairment provision of RMB13,618,000. Due to the decline of the face mask price and orders, management performed impairment assessment by comparing the carrying amount of the cash-generating unit ("**CGU**") of face mask with the recoverable amount which is the higher of the value in use and the fair value less costs of disposal and determined the provision for individual assets. During the year ended 31 December 2021, a provision for impairment of RMB113,000 was recorded which is determined based on fair value less costs of disposal evaluated by an external valuer. Significant judgement was involved in the assessment of the recoverable amount of the CGU, including the evaluation of replacement value of machines by using the quoted price and estimating transportation and installation fees and the rate of newness by considering physical deterioration. The accounting policies and disclosures for inventories 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 considered management's assessment of impairment; • We assessed the reasonableness of the identification and allocation of the CGU; • We evaluated the objectivity, competence and capabilities of the external specialists engaged and reviewed their valuation reports, including the reasonableness of the key assumptions used in determining the fair value of the property, plant and equipment; • We 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 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 Lai Chee Kong.

Ernst & Young
Certified Public Accountants
Hong Kong

31 March 2022

Consolidated Statements of Profit or Loss

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	248,784	287,809
Cost of sales		(183,125)	(170,093)
Gross profit		65,659	117,716
Other income and gains	5	34,225	76,099
Selling and distribution expenses		(51,567)	(48,534)
Administrative expenses		(30,380)	(27,226)
Reversal of impairment losses/(impairment losses) on financial assets, net		3,885	(15,229)
Other expenses		(28,781)	(37,698)
Finance costs	7	(5,101)	(10,686)
(LOSS)/PROFIT BEFORE TAX	6	(12,060)	54,442
Income tax credit/(expense)	10	5,503	(6,168)
(LOSS)/PROFIT FOR THE YEAR		(6,557)	48,274
Attributable to:			
Owners of the parent		(6,548)	48,281
Non-controlling interests		(9)	(7)
		(6,557)	48,274
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		RMB(0.5 cents)	RMB4.0 cents

Consolidated Statements of Comprehensive Income

Year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
(LOSS)/PROFIT FOR THE YEAR	**(6,557)**	48,274
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation from functional currency to presentation currency	**(3,473)**	12,298
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation from functional currency to presentation currency	**3,111**	(12,655)
Gains on property revaluation	**8,147**	—
Income tax effect	**(1,222)**	—
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**10,036**	(12,655)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**6,563**	(357)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**6**	47,917
Attributable to:		
Owners of the parent	**15**	47,924
Non-controlling interests	**(9)**	(7)
	6	47,917

Consolidated Statements of Financial Position

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	290,326	222,679
Advance payments for property, plant and equipment		13,570	18,178
Investment properties	14	14,070	—
Right-of-use assets	15	31,828	25,566
Intangible assets	16	550	937
Deferred tax assets	26	301	—
Other non-current assets		5,170	5,170
Total non-current assets		355,815	272,530
CURRENT ASSETS			
Inventories	18	150,367	168,772
Trade receivables	19	65,058	70,781
Prepayments, other receivables and other assets	20	11,130	28,446
Assets held for sale	17	—	59,503
Due from related parties	33(c)	2,660	8,710
Pledged deposits	21	—	1,542
Cash and cash equivalents	21	8,701	48,259
Total current assets		237,916	386,013
CURRENT LIABILITIES			
Trade and bills payables	22	38,189	34,986
Advances from customers, other payables and accruals	23	64,120	147,325
Interest-bearing bank and other borrowings	24	59,566	124,152
Tax payable		895	1,080
Total current liabilities		162,770	307,543

	Notes	2021 RMB'000	2020 RMB'000
NET CURRENT ASSETS		**75,146**	78,470
TOTAL ASSETS LESS CURRENT LIABILITIES		**430,961**	351,000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*24*	**85,228**	366
Provision	*25*	**—**	927
Deferred tax liabilities	*26*	**—**	3,980
Total non-current liabilities		**85,228**	5,273
Net assets		**345,733**	345,727
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*	**58,593**	58,578
		344,662	344,647
Non-controlling interests		**1,071**	1,080
Total equity		**345,733**	345,727

Consolidated Statements of Changes in Equity

Year ended 31 December 2021

	Attributable to owners of the parent									
	Share capital RMB'000	Share premium RMB'000	Capital reserve* RMB'000	Statutory surplus reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Asset revaluation reserve*# RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2019 and 1 January 2020	80,827	205,242	(41,769)	14,976	9,339	16,134	12,317	297,066	764	297,830
Profit for the year	—	—	—	—	—	—	48,281	48,281	(7)	48,274
Other comprehensive income for the year:										
Exchange differences on translation from functional currency to presentation currency	—	—	—	—	(357)	—	—	(357)	—	(357)
Total comprehensive income for the year	—	—	—	—	(357)	—	48,281	47,924	(7)	47,917
Acquisition of non-controlling interests	—	—	(343)	—	—	—	—	(343)	323	(20)
Transfer to statutory surplus reserve	—	—	—	4,682	—	—	(4,682)	—	—	—
At 31 December 2020	80,827	205,242	(42,112)	19,658	8,982	16,134	55,916	344,647	1,080	345,727

	Attributable to owners of the parent									
	Share capital RMB'000	Share premium RMB'000	Capital reserve* RMB'000	Statutory surplus reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Asset revaluation reserve*# RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2020 and 1 January 2021	80,827	205,242	(42,112)	19,658	8,982	16,134	55,916	344,647	1,080	345,727
Loss for the year	—	—	—	—	—	—	(6,548)	(6,548)	(9)	(6,557)
Other comprehensive income for the year:										
Gains on property revaluation, net of tax	—	—	—	—	—	6,925	—	6,925	—	6,925
Exchange differences on translation from functional currency to presentation currency	—	—	—	—	(362)	—	—	(362)	—	(362)
Total comprehensive income for the year	—	—	—	—	(362)	6,925	(6,548)	15	(9)	6
At 31 December 2021	80,827	205,242	(42,112)	19,658	8,620	23,059	49,368	344,662	1,071	345,733

* These reserve accounts comprise the consolidated other reserves of RMB58,593,000 (2020: RMB58,578,000) in the consolidated statement of financial position.

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

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(12,060)	54,442
Adjustments for:			
Loss on disposal of items of property, plant and equipment	6	2,219	79
Gain on government acquisition	6	(29,471)	(65,677)
Covid-19-related rent concessions from lessors		—	(95)
Gain on derecognition of right-of-use assets		—	(79)
Finance costs	7	5,101	10,686
Interest income		—	(374)
Depreciation of property, plant and equipment	13	12,059	15,198
Changes in fair value of investment properties	14	10	(1,620)
Depreciation of right-of-use assets	15	3,611	4,789
Amortisation of intangible assets	16	417	654
Impairment of inventories	18	4,502	2,988
(Reversal of impairment)/impairment of trade receivables and other receivables		(3,885)	15,229
Impairment of prepayments		—	2,504
Impairment of property, plant and equipment	13	113	13,505
Foreign exchange differences, net		(457)	(247)
		(17,841)	51,982
Decrease/(increase) in inventories		13,903	(35,707)
Decrease in trade receivables		9,608	15,391
Decrease in prepayments, other receivables and other assets		17,316	4,308
Decrease in pledged deposits		1,542	8,087
Decrease/(increase) in amounts due from related parties		6,050	(6,076)
Increase/(decrease) in trade and bills payables		3,203	(8,690)
Increase in other payables and accruals		(6,325)	25,649
Increase/(decrease) in amounts due to related parties		—	(2,117)
Cash generated from operations		27,456	52,827
Income tax (refunded)/paid		(185)	200
Net cash flows from operating activities		27,271	53,027

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Net cash flows from operating activities		**27,271**	53,027
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(79,903)**	(94,173)
Proceeds from government acquisition, net		**7,997**	150,172
Advance of loans to third parties		**(25,950)**	—
Repayment of loans from third parties		**25,950**	—
Proceeds from disposal of property, plant and equipment		**56**	531
Additions to other intangible assets		**(30)**	(417)
Proceeds from derecognition of financial assets at fair value through profit or loss		**—**	1,321
Net cash flows (used in)/from investing activities		**(71,880)**	57,434
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**215,200**	475,850
Repayment of bank loans		**(200,650)**	(579,300)
Proceeds from other borrowings		**9,200**	—
Repayment of other borrowings		**(9,200)**	—
Principal portion of lease payments		**(4,039)**	(7,312)
Interest paid		**(5,447)**	(10,480)
Net cash flows from/(used in) financing activities		**5,064**	(121,242)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(39,545)**	(10,781)
Cash and cash equivalents at beginning of year		**48,259**	59,165
Effect of foreign exchange rate changes, net		**(13)**	(125)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**8,701**	48,259
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**8,701**	48,259

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.

On 26 April 2019, the Company achieved a successful listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued shares/ registered share capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Hong Kong Bonny Ltd. ("**Bonny HK**")	Hong Kong 4 September 2017	HKD10 thousand	100	—	Investment holding and trading of brassieres, panties and thermal underwear
Zhejiang Bonny Fashion Holding Group Co., Ltd. ("**Zhejiang Bonny**") *	PRC/Mainland China 21 August 2001	RMB218 million	—	100	Manufacture and trading of brassieres, panties, thermal underwear and functional sportswear
Shanghai Bonny Apparel Co., Ltd. ("**Shanghai Bonny**") *	PRC/Mainland China 29 December 2007	RMB1 million	—	100	Trading of brassieres, panties and thermal underwear
Yiwu Bonny E-Commerce Co., Ltd. ("**Yiwu Bonny**") *	PRC/Mainland China 16 May 2016	RMB12 million	—	70	Trading of brassieres, panties and thermal underwear
Yiwu Leyishang Apparel Co., Ltd. ("**Yiwu Leyishang**") *	PRC/Mainland China 10 March 2016	RMB6 million	—	100	Trading of brassieres, panties and thermal underwear
Zhejiang Bonny Protective Equipment Co., Ltd. ("**Bonny Protective**") */#	PRC/Mainland China 25 May 2017	RMB1 million	—	100	Trading of brassieres, panties and thermal underwear
Yiwu Fayue Apparel Co., Ltd. ("**Yiwu Fayue**") *	PRC/Mainland China 26 May 2017	RMB1 million	—	100	Trading of brassieres, panties and thermal underwear
Hunan Bonny Apparel Co., Ltd. ("**Hunan Bonny**") */##	PRC/Mainland China 4 June 2019	RMB2 million	—	100	Manufacture of brassieres, panties and thermal underwear
Bonny USA Ltd. ("**Bonny USA**")**	USA/New York 15 May 2019	N/A	—	100	Trading of brassieres, panties and thermal underwear
Jiangxi Bonny Apparel Co., Ltd. ("**Jiangxi Bonny**") *	PRC/Mainland China 12 July 2021	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.

Bonny Protective was renamed from Yiwu Bonny Sportswear Co., Ltd. on 28 April 2020.

The entity is deregistered on 22 May 2020.

2.1 BASIS OF PREPARATION

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

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 2021. 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).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and the impact of the revised HKFRS are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

The Group had certain interest-bearing bank and other borrowings denominated in RMB based on the Loan Prime Rate ("**LPR**") as at 31 December 2021. The Group expects that LPR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's LPR-based borrowings. For the LPR-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received COVID-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2,5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2,4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022

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

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to HKAS 1, 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 in October 2020 to align the corresponding wording with no change in conclusion

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

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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

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

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

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

Amendments to HKAS 12 narrow the scope of the initial recognition exception 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 and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

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

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

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

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

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

Impairment of non-financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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

Related parties

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

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

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

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

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

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

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

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill)

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

Patents, licences and trademarks

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

Software

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

Research and development costs

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

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

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

Leases

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

Group as a lessee

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(a) *Right-of-use assets*

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

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

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

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(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.

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.

Transfer of the asset accounted for as a sale

The Group applies the requirements for determining when a performance obligation is satisfied in HKFRS 15 to determine whether the transfer of an asset (government acquisition, note 5) is accounted for as a sale of that asset.

If the transfer of an asset by the seller-lessee satisfies the requirements of HKFRS 15 to be accounted for as a sale of the asset:

(a) the seller-lessee shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, the seller-lessee shall recognise only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

(b) the buyer-lessor shall account for the purchase of the asset applying applicable standards, and for the lease applying the lessor accounting requirements in this standard.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Derecognition of financial assets

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

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

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

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

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

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

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

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 SUMMARY OF SIGNIFICANT 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.

(a) Sale of goods

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) Sale of goods (Continued)

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

Revenue from other sources

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

Other income

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

Contract liabilities

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Pension scheme

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

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

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

Borrowing costs

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

Foreign currencies

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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).

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Provision for expected credit losses on trade receivables and other receivables (Continued)

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.

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 2021, the provision for impairment of property, plant and equipment amounted to RMB13,618,000 (2020: RMB13,505,000).

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 2021 was RMB1,234,000 (2020: RMB1,503,000). The amount of unrecognised tax losses at 31 December 2021 was RMB19,872,000 (2020: RMB19,488,000). 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 2021 was RMB14,070,000 (2020: nil). 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 2021 was nil (2020: RMB927,000). 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 2021	**ODM products** *RMB'000*	**Brand products** *RMB'000*	**Total** *RMB'000*
Segment revenue *(note 5)*			
Sales to external customers	194,320	54,464	248,784
Segment results	33,377	(19,285)	14,092
Other income and gains			34,225
Corporate and other unallocated expenses			(55,276)
Finance costs			(5,101)
Loss before tax			(12,060)

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

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2020	ODM products RMB'000	Brand products RMB'000	Total RMB'000
Segment revenue *(note 5)*			
Sales to external customers	232,582	55,227	287,809
Segment results	79,372	(10,190)	69,182
Other income and gains			76,099
Corporate and other unallocated expenses			(80,153)
Finance costs			(10,686)
Profit before tax			54,442

Year ended 31 December 2020	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	31,698	2,528	34,226
Depreciation and amortisation	16,171	3,837	20,008
Capital expenditure*	93,973	200	94,173

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

Geographic information

(a) Revenue from external customers

	2021 ***RMB'000***	2020 *RMB'000*
Mainland China	**142,709**	190,140
United States of America	**69,078**	56,953
Netherlands	**14,893**	261
Germany	**6,474**	15,997
Japan	**5,292**	5,858
Canada	**3,873**	1,718
Other countries/regions	**6,465**	16,882
	248,784	287,809

The revenue information above is based on the shipment destinations.

4. OPERATING SEGMENT INFORMATION (Continued)

Geographic information (Continued)

(b) Non-current assets

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

Information about major customers

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

	2021 *RMB'000*	2020 *RMB'000*
Customer 1	44,840	39,346
Customer 2	41,723	N/A*
Customer 3	28,847	N/A*
Customer 4	N/A*	87,133
	115,410	126,479

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

An analysis of revenue is as follows:

	2021 *RMB'000*	2020 *RMB'000*
Revenue from contracts with customers	248,784	287,809

5. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

(a) Disaggregated revenue information

	2021 *RMB'000*	2020 *RMB'000*
Timing of revenue recognition		
Goods transferred at a point in time	248,784	287,809

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:

	2021 *RMB'000*	2020 *RMB'000*
Sale of goods	11,790	6,092

(b) Performance obligations

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

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

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

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

At 31 December 2021, the remaining performance obligations (unsatisfied or partially unsatisfied) were expected to be recognised within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts are not disclosed.

5. REVENUE, OTHER INCOME AND GAINS (Continued)

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

	Note	2021 RMB'000	2020 RMB'000
Other income			
Bank interest income		49	188
Other interest income		—	986
Government grants *(a)*		2,951	6,240
Gross rental income from investment property operating leases		715	243
Others		1,039	975
		4,754	8,632
Gains			
Gain on Government Acquisition *(b)*		29,471	65,677
Foreign exchange gains, net		—	170
Fair value gains on an investment property	*14*	—	1,620
		29,471	67,467
		34,225	76,099

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

(b) Zhejiang Bonny entered into a disposal agreement of land and building (the "**Disposal Agreement**") with the People's Government of Suxi, Yiwu, Zhejinag Province, the PRC (the "**Local Government**") and Yiwu Fotang Town Industrial Asset Management Co., Ltd. ("**Yiwu Fotang**") on 31 December 2020, pursuant to which Zhejiang Bonny sold a parcel of land of approximately 40,000 square metres situated at 168 Haopai Road, Suxi, the PRC (the "**Land**") with a carrying amount of RMB3,518,000 (note 15) together with the buildings to the local goverment (the "**Government Acquisition**") for an aggregate compensation of RMB163,719,000 to be settled by cash. As at 31 December 2020, the Group has received RMB150,172,000 from the Local Government, and the remaining RMB13,547,000 was received after the completion of relocation during the year ended 31 December 2021.

As at 31 December 2020, Zhejiang Bonny has completed the cancellation of ownership of the Land, the ownership of the Land has been transferred to the government, and the gain on the disposal of the Land with RMB65,677,000 was recognised. Since the relocation of the factory has not been completed, the buildings and other fixed assets with a carrying amount of RMB59,503,000 (note 17) were transferred to assets held for sale and the relevant receipt from the government with RMB80,977,000 was recognised as deferred revenue (note 23) as at 31 December 2020.

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

6. (LOSS)/PROFIT BEFORE TAX

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

	Notes	2021 RMB'000	2020 RMB'000
Cost of inventories sold*		**183,125**	170,093
Depreciation of property, plant and equipment	*13*	**12,059**	15,198
Depreciation of right-of-use assets	*15*	**3,611**	4,789
Amortisation of intangible assets	*16*	**417**	654
Research and development costs**		**25,702**	20,707
Lease payments not included in the measurement of lease liabilities	*15(c)*	**330**	761
Government grants		**(2,951)**	(6,240)
Auditors' remuneration		**2,033**	2,064
Outsourced manufacturers		**27,843**	37,825
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):			
Wages and salaries		**54,416**	42,254
Pension scheme contributions***		**5,853**	2,774
Staff welfare expenses		**1,832**	425
		62,101	45,453
Concession fees		**7,985**	8,235
Foreign exchange differences, net		**32**	(170)
Impairment of inventories, net	*18*	**4,502**	2,988
(Reversal of impairment)/impairment of trade receivables, net	*19*	**(3,885)**	2,605
Impairment of other receivables and prepayments	*20*	**—**	15,128
Impairment of property, plant and equipment	*13*	**113**	13,505
Changes in fair value of investment properties	*14*	**10**	(1,620)
Rental income		**(715)**	(243)
Bank interest income		**(49)**	(188)
Other interest income		**—**	(986)
Gain on Government Acquisition *(note 5)*		**(29,471)**	(65,677)
Loss on disposal of items of property, plant and equipment		**2,219**	79

* The cost of inventories sold includes RMB36,563,000 (2020: RMB33,915,000) 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 2021, which are also included in the respective total amounts disclosed above for each type of expenses.

** The research and development costs include RMB11,201,000 (2020: RMB9,587,000) relating to staff cost, depreciation of property, plant and equipment and amortisation of intangible assets for the year ended 31 December 2021, which are also included in the respective total amounts disclosed above for each type of expenses.

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 *RMB'000*	2020 *RMB'000*
Interest on bank loans	**6,068**	10,317
Interest on lease liabilities	**175**	369
	6,243	10,686
Less: Interest capitalised	**(1,142)**	—
	5,101	10,686

8. DIRECTORS' AND EXECUTIVE'S REMUNERATION

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

	2021 *RMB'000*	2020 *RMB'000*
Fees	**300**	253
Other emoluments:		
Salaries, allowances and benefits in kind	**987**	756
Performance related bonuses	**24**	—
Pension scheme contributions	**66**	10
	1,077	766
	1,377	1,019

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

(a) Independent non-executive directors

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

	2021	2020
	RMB'000	*RMB'000*
Mr. Li Youxing*	**10**	60
Mr. Chow Chi Hang Tony*	**90**	—
Mr. Zhang Senquan**	**—**	53
Mr. Chan Yin Tsung***	**147**	80
Dr. Wei Zhongzhe****	**3**	—
Mr. Wang Jian****	**50**	60
	300	253

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

** Mr. Zhang Senquan resigned as an independent non-executive director of the Company on 19 June 2020.

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

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

There are no other emoluments payable to the independent non-executive directors during the year (2020: nil).

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

(b) Executive directors and non-executive directors

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

2020	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	232	—	6	238
Mr. Zhao Hui	328	—	—	328
	560	—	6	566
Non-executive directors:				
Ms. Gong Lijin	179	—	4	183
Ms. Huang Jingyi#	17	—	—	17
Mr. Luo Weixing#	—	—	—	—
	196	—	4	200
	756	—	10	766

Mr. Luo Weixing resigned as a non-executive director of the Company and Ms. Huang Jingyi was appointed as a non-executive director of the Company on 1 November 2020.

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 (2020: one executive director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2020: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021	2020
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**2,364**	2,504
Performance related bonuses	**69**	—
Pension scheme contributions	**27**	5
	2,460	2,509

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

	Number of employees	
	2021	2020
Nil to HK$1,000,000	**2**	3
HK$1,500,001 to HK$2,000,000	**1**	1
	3	4

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% (2020:16.5%) on the estimated assessable profits arising in Hong Kong during the year. The subsidiary of the Group is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2020: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%).

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

10. INCOME TAX (Continued)

Zhejiang Bonny is qualified as a High and New Technology Enterprise and was entitled to a preferential income tax rate of 15% (2020:15%) during the year.

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

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

	2021 *RMB'000*	2020 *RMB'000*
Current — Mainland China		
Charge for the year	—	25
Overprovision in prior years	—	(255)
Deferred *(note 26)*	(5,503)	6,398
Total tax (credit)/charge for the year	(5,503)	6,168

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	2021 *RMB'000*	%	2020 *RMB'000*	%
(Loss)/profit before tax	(12,060)		54,442	
Tax at the statutory tax rate	(3,015)	25.0	13,611	25.0
Preferential income tax rate applicable to a subsidiary	1,126	(9.3)	(5,514)	(10.1)
Additional deductible allowance for research and development expenses	(3,841)	31.8	(2,250)	(4.1)
Income not subject to tax	(66)	0.5	(145)	(0.3)
Expenses not deductible for tax	202	(1.7)	58	0.1
Adjustments in respect of current tax of previous periods	—	—	(255)	(0.5)
Tax losses utilised from previous periods	(154)	1.3	(143)	(0.3)
Tax losses not recognised	245	(2.0)	806	1.5
Tax (credit)/charge at the Group's effective rate	(5,503)	45.6	6,168	11.3

11. DIVIDENDS

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

12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,200,000,000 (2020: 1,200,000,000) in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

The calculation of basic (loss)/earnings per share is based on:

	2021 *RMB'000*	2020 *RMB'000*
Earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation	(6,548)	48,281

	Number of shares	
	2021	2020
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 2021							
At 1 January 2021:							
Cost	179,485	14,627	160,672	1,633	7,141	9,384	372,942
Accumulated depreciation	(5,491)	(12,936)	(112,240)	(751)	(5,340)	—	(136,758)
Impairment	—	—	(13,505)	—	—	—	(13,505)
Net carrying amount	173,994	1,691	34,927	882	1,801	9,384	222,679
At 1 January 2021, net of accumulated depreciation	173,994	1,691	34,927	882	1,801	9,384	222,679
Additions	4,017	2,329	3,359	487	1,295	76,540	88,027
Transfer to investment properties *(note 14)*	(5,933)	—	—	—	—	—	(5,933)
Transfers	10,341	—	—	—	—	(10,341)	—
Disposals	(2,095)	—	(174)	—	(6)	—	(2,275)
Depreciation provided during the year	(5,639)	(1,886)	(3,761)	(297)	(476)	—	(12,059)
Impairment *(note 6)*	—	—	(113)	—	—	—	(113)
At 31 December 2021, net of accumulated depreciation and impairment	174,685	2,134	34,238	1,072	2,614	75,583	290,326
At 31 December 2021:							
Cost	185,658	16,956	162,835	2,120	8,286	75,583	451,438
Accumulated depreciation	(10,973)	(14,822)	(114,979)	(1,048)	(5,672)	—	(147,494)
Impairment	—	—	(13,618)	—	—	—	(13,618)
Net carrying amount	174,685	2,134	34,238	1,072	2,614	75,583	290,326

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 2020							
At 1 January 2020:							
Cost	113,786	13,341	132,570	2,535	12,044	56,858	331,134
Accumulated depreciation	(32,528)	(9,611)	(106,046)	(1,328)	(9,445)	—	(158,958)
Net carrying mount	81,258	3,730	26,524	1,207	2,599	56,858	172,176
At 1 January 2020, net of accumulated depreciation	81,258	3,730	26,524	1,207	2,599	56,858	172,176
Additions	—	1,295	19,251	—	471	62,334	83,351
Transfer from investment properties *(note 14)*	48,130	—	—	—	—	—	48,130
Transfer from right-of-use assets *(note 15)*	—	—	7,839	—	—	—	7,839
Transfer to assets held for sale *(note 17)*	(58,754)	—	(79)	—	(670)	—	(59,503)
Transfers	109,471	—	337	—	—	(109,808)	—
Disposals	—	—	(440)	(71)	(99)	—	(610)
Depreciation provided during the year	(6,111)	(3,333)	(5,000)	(254)	(500)	—	(15,198)
Impairment *(note 6)*	—	—	(13,505)	—	—	—	(13,505)
Exchange realignment	—	(1)	—	—	—	—	(1)
At 31 December 2020, net of accumulated depreciation and impairment	173,994	1,691	34,927	882	1,801	9,384	222,679
At 31 December 2020:							
Cost	179,485	14,627	160,672	1,633	7,141	9,384	372,942
Accumulated depreciation	(5,491)	(12,936)	(112,240)	(751)	(5,340)	—	(136,758)
Impairment	—	—	(13,505)	—	—	—	(13,505)
Net carrying amount	173,994	1,691	34,927	882	1,801	9,384	222,679

At 31 December 2021, certain of the Group's buildings and machinery and equipment with a net carrying amount of approximately RMB100,610,000 (2020: RMB106,121,000) were pledged to secure general banking facilities granted to the Group (note 24).

At 31 December 2021, certain of the Group's machinery and equipment with a net carrying amount of RMB15,907,000 (2020: RMB17,586,000) were pledged to secure the property preservation applied by A Barcs & Co. Nominees Pty. Ltd. ("**BARCS**") who has a legal arbitration of contract dispute with the Group.

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

As the decline of face mask price and orders, the Group performed impairment test for the face mask cash-generating unit ("**CGU**"), which consists of machines. The recoverable amount of the face mask CGU was determined as the fair value less costs of disposal based on valuation performed by an external professional valuer using the market approach. Among the assets of the face mask CGU, the recoverable amount of certain machines was RMB3,691,000, which was lower than their carrying amount of RMB3,804,000 and therefore the provision for impairment of RMB113,000 (2020: RMB13,505,000) was made for those face mask machines during the year ended 31 December 2021.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's face mask machines:

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

As at 31 December 2020	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Face mask machines	—	—	7,694	7,694

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 (2020: nil).

14. INVESTMENT PROPERTIES

	2021 *RMB'000*	2020 *RMB'000*
Carrying amount at 1 January	—	46,510
Transfer from property, plant and equipment *(note 13)*	5,933	—
Gains on revaluation upon reclassification to an investment property	8,147	—
Net gain from a fair value adjustment recognised in profit or loss	(10)	1,620
Transfer to property, plant and equipment *(note 13)*	—	(48,130)
Carrying amount at 31 December	14,070	—

The Group's investment properties consist of industrial properties in Mainland China. The Group's own-occupied properties was transferred to investment properties on 12 May 2021 and the fair value amounting to RMB14,080,000 was based on valuations performed by AVISTA Valuation Advisory Limited ("**AVISTA**"), an independent firm of professionally qualified valuers.

Fair value hierarchy

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

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

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

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 2021:

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

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

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

15. LEASES

The Group as a lessee

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

(a) Right-of-use assets

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

	Leasehold land *RMB'000*	**Machinery and equipment** *RMB'000*	**Retail shops and office properties** *RMB'000*	**Total** *RMB'000*
As at 1 January 2020	27,155	8,695	4,178	40,028
Additions	—	—	2,371	2,371
Depreciation charge	(633)	(856)	(3,300)	(4,789)
Transfer to property, plant and equipment *(note 13)*	—	(7,839)	—	(7,839)
Government Acquisition *(note 5)*	(3,518)	—	—	(3,518)
Derecognition	—	—	(641)	(641)
Exchange realignment	—	—	(46)	(46)
As at 31 December 2020 and 1 January 2021	**23,004**	**—**	**2,562**	**25,566**
Additions	**—**	**—**	**9,905**	**9,905**
Depreciation charge	**(532)**	**—**	**(3,079)**	**(3,611)**
Exchange realignment	**—**	**—**	**(32)**	**(32)**
As at 31 December 2021	**22,472**	**—**	**9,356**	**31,828**

At 31 December 2021, the Group's leasehold land with a net carrying amount of RMB21,741,000 (2020: RMB21,740,000) was pledged to secure general banking facilities granted to the Group (note 24).

15. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

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

	2021 *RMB'000*	2020 *RMB'000*
Carrying amount at 1 January	2,868	8,685
New leases	9,905	2,371
Accretion of interest recognised during the year	175	369
Payment	(4,214)	(7,681)
Covid-19-related rent concessions from lessors	—	(95)
Gain on derecognition of lease liabilities	—	(720)
Exchange realignment	(140)	(61)
Carrying amount at 31 December	8,594	2,868

The maturity analysis of lease liabilities is disclosed in note 24 to the financial statements.

The Group has applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain plant and equipment during the year.

15. LEASES (Continued)

The Group as a lessee (Continued)

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

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	175	369
Depreciation charge of right-of-use assets	3,611	4,789
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2021	330	761
Covid-19-related rent concessions from lessors	—	(95)
Gain on derecognition of right-of-use assets	—	(79)
Exchange realignment	(140)	(61)
Total amount recognised in profit or loss	3,976	5,684

The Group as a lessor

The Group leases its investment properties (note 14) consisting of industrial properties in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB715,000 (2020: RMB243,000), details of which are included in note 5 to the financial statements.

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	—	—

16. INTANGIBLE ASSETS

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

	Trademarks *RMB'000*	Patents and licences *RMB'000*	Software *RMB'000*	Total *RMB'000*
31 December 2020				
Cost at 1 January 2020, net of accumulated amortisation	44	212	918	1,174
Additions	—	—	417	417
Amortisation provided during the year	(15)	(58)	(581)	(654)
At 31 December 2020	29	154	754	937
At 31 December 2020:				
Cost	252	580	6,487	7,319
Accumulated amortisation	(223)	(426)	(5,733)	(6,382)
Net carrying amount	29	154	754	937

16. INTANGIBLE ASSETS (Continued)

At 31 December 2021, certain of the Group's trademarks with a net carrying amount of nil (2020: RMB11,000) were pledged to secure general banking facilities granted to the Group (note 24).

17. ASSETS HELD FOR SALE

	Buildings *RMB'000*	Machinery and equipment *RMB'000*	Computer and office equipment *RMB'000*	Total *RMB'000*
Transferred from property, plant and equipment and as at 31 December 2020 *(note 13)*	58,754	79	670	59,503

Zhejiang Bonny entered into the Disposal Agreement with the Local Government and Yiwu Fotang on 31 December 2020, pursuant to which Zhejiang Bonny sold the Land together with the buildings to the Local Government for an aggregate compensation of RMB163,719,000 to be settled by cash. Since the relocation of the factory has not been completed, the buildings and other fixed assets with the carrying amount of RMB59,503,000 were transferred to assets held for sale as at 31 December 2020. As the relocation of the factory has completed during the year ended 31 December 2021, the buildings and other fixed assets were disposed and no assets held for sale was recognised as at 31 December 2021. For further details, please refer to note 5.

18. INVENTORIES

	2021 ***RMB'000***	2020 *RMB'000*
Raw materials	**24,074**	30,109
Work in progress	**21,168**	23,210
Finished goods	**121,838**	127,664
	167,080	180,983
Impairment	**(16,713)**	(12,211)
	150,367	168,772

18. INVENTORIES (Continued)

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

	2021 RMB'000	2020 RMB'000
At beginning of year	12,211	9,223
Impairment losses recognised, net	4,502	2,988
At end of year	16,713	12,211

19. TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	68,719	78,327
Impairment	(3,661)	(7,546)
	65,058	70,781

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 nine 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.

19. TRADE RECEIVABLES (Continued)

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

	2021 RMB'000	2020 RMB'000
Within 3 months	62,795	37,769
3 to 6 months	649	4,309
6 to 12 months	560	9,648
1 to 2 years	988	18,973
2 to 3 years	66	82
	65,058	70,781

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

	2021 RMB'000	2020 RMB'000
At beginning of year	7,546	4,942
(Reversal of impairment losses)/impairment losses, net *(note 6)*	(3,885)	2,605
Exchange realignment	—	(1)
At end of year	3,661	7,546

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.

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:

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

19. TRADE RECEIVABLES (Continued)

	As at 31 December 2020		
	Amount *RMB'000*	Expected credit loss rate	Impairment *RMB'000*
ODM customers and E-commerce platform			
Within 1 year	36,412	0.30%	111
1 to 2 years	3,589	4.28%	154
2 to 3 years	60	56.10%	34
Over 3 years	62	100.00%	62
Self-operated stores and counters and franchised outlets			
Within 1 year	10,747	4.40%	473
1 to 2 years	1,291	62.70%	809
2 to 3 years	275	83.60%	230
Over 3 years	1,588	100.00%	1,588
Others			
Within 1 year	5,328	3.30%	177
1 to 2 years	18,519	18.70%	3,463
2 to 3 years	73	85.80%	62
Over 3 years	224	100.00%	224
	78,168		7,387
Individually identified as high expected credit loss rate while the ageing is less than three years	159	100.00%	159
	78,327		7,546

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 *RMB'000*	2020 *RMB'000*
Prepayments	**3,795**	12,642
Prepaid expenses	**4,328**	12,438
Deposits and other receivables	**16,679**	18,494
Tax recoverable	**24**	—
	24,826	43,574
Impairment losses recognised:		
Prepayments	**(1,072)**	(2,504)
Deposits and other receivables	**(12,624)**	(12,624)
	11,130	28,446

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

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

	2021 RMB'000	2020 RMB'000
At beginning of year	15,128	—
Impairment losses recognised	—	15,128
Amount written off as uncollectible	(1,432)	—
At end of year	13,696	15,128

During the year ended 31 December 2021, due to the delay in delivery of face mask machines and decline in the purchase price, the Group requested the suppliers to refund the advance payment and credit loss allowance of RMB12,624,000 were recorded for those suppliers with poor financial position and credit history. Provisions for prepayments of raw materials of RMB1,072,000 (2020: RMB2,504,000) were recorded due to the decline of face mask orders.

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Note	2021 RMB'000	2020 RMB'000
Cash and bank balances		8,701	48,259
Time deposits		—	1,542
		8,701	49,801
Less:			
Pledged for bills payable	22	—	(488)
Frozen deposits*		—	(1,054)
Cash and cash equivalents		8,701	48,259
Denominated in RMB		8,184	46,893
Denominated in United States dollars ("**USD**")		481	—
Denominated in European dollars ("**EUR**")		10	1,285
Denominated in Hong Kong dollars ("**HKD**")		26	81
Cash and cash equivalents		8,701	48,259

* The Group's deposits with a net carrying amount of nil (2020: RMB1,054,000) were frozen to secure the property preservation applied by E&B Trading Company Limited who has a legal dispute with a subsidiary of the Group.

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (Continued)

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

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

22. TRADE AND BILLS PAYABLES

	2021 ***RMB'000***	2020 *RMB'000*
Trade payables	**38,189**	34,498
Bills payables	**—**	488
	38,189	34,986

As at 31 December 2020, the bills payables were secured by the pledge of the Group's deposits of RMB488,000 (note 21).

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

	2021 ***RMB'000***	2020 *RMB'000*
Within 3 months	**20,311**	17,214
3 to 6 months	**12,149**	8,515
6 to 12 months	**3,797**	7,832
Over 12 months	**1,932**	1,425
	38,189	34,986

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

23. ADVANCES FROM CUSTOMERS, OTHER PAYABLES AND ACCRUALS

	Notes	2021 RMB'000	2020 RMB'000
Deferred revenue *(note 5)*		—	80,977
Contract liabilities	*(a)*	6,184	11,790
Advances from a customer		15,582	15,947
Payroll payables		11,912	3,630
Tax payable other than income tax		5,883	9,923
Accruals		559	559
Payable for property, plant and equipment and other intangible assets		13,290	9,774
Interest payable		224	570
Other payables	*(b)*	10,486	14,155
		64,120	147,325

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000	1 January 2020 RMB'000
Short-term advances received from customers			
Sale of goods	6,184	11,790	6,092

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 2021, no contract liabilities were resulted from the loyalty points programme (2020: 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

	31 December 2021			31 December 2020		
	Effective interest rate (%)	Maturity	*RMB'000*	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Lease liabilities *(note 15(b))*	4.75	2022	3,366	4.75	2021	2,502
Bank loans — secured	4.35–5.60	2022	56,200	4.15–5.20	2021	121,650
			59,566			124,152
Non-current						
Lease liabilities *(note 15(b))*	4.75	2023–2027	5,228	4.75	2022	366
Bank loans — secured	6.00	2024–2029	80,000			—
			85,228			366
			144,794			124,518

	2021 *RMB'000*	2020 *RMB'000*
Analysed into：		
Bank loans repayable:		
Within one year or on demand	56,200	121,650
In the third to fifth years, inclusive	54,000	—
Beyond five years	26,000	—
	136,200	121,650
Other borrowings repayable:		
Within one year	3,366	2,502
In the second year	2,391	366
In the third to fifth years, inclusive	2,837	—
	8,594	2,868
	144,794	124,518

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

Notes:

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

(i) the Group's buildings and machinery and equipment situated in Mainland China, which had a net carrying value of RMB100,610,000 as at 31 December 2021 (2020: RMB106,121,000) (note 13);

(ii) the Group's leasehold land situated in Mainland China, which had a net carrying value of RMB21,741,000 as at 31 December 2021 (2020: RMB21,740,000) (note 15); and

(iii) the Group's trademarks, which had a net carrying value of nil as at 31 December 2021 (2020: RMB11,000) (note 16).

(b) Bode Holding Group Co., Ltd. ("**Bode Holding**"), an entity controlled by the ultimate controlling shareholder's sister, has guaranteed certain of the Group's bank loans of up to nil as at 31 December 2021 (2020: RMB83,100,000).

(c) Mr. Jin Guojun, the Chairman, has guaranteed certain of the Group's bank loans of up to RMB143,020,000 as at 31 December 2021 (2020: RMB316,020,000).

(d) Ms. Gong Lijin, a shareholder and the wife of the Chairman, has guaranteed certain of the Group's bank loans of up to RMB143,020,000 as at 31 December 2021 (2020: RMB316,020,000).

(e) Mr. Jin Guojun and Ms. Gong Lijin have guaranteed certain of the Group's bank loans of up to RMB208,700,000 as at 31 December 2021 (2020: RMB117,100,000).

(f) Mr. Ren Chengxiu and Ms. Jin Qiumei, independent third parties, have guaranteed certain of the Group's bank loans of up to RMB8,700,000 as at 31 December 2021 (2020: RMB8,700,000).

(g) Zhejiang Aolai Textile Co., Ltd., an independent third party, has guaranteed certain of the Group's bank loans of up to RMB8,700,000 as at 31 December 2021 (2020: RMB8,700,000).

(h) Yiwu Furuiduo Ecological Technology Co., Ltd., an independent third party, has guaranteed certain of the Group's bank loans of up to RMB17,040,000 as at 31 December 2021 (2020: RMB33,040,000).

25. PROVISION

	Legal arbitration RMB'000
At 1 January 2021	927
Amounts utilised during the year	(310)
Reversal of unutilised amounts	(617)
At 31 December 2021	—

A provision for legal claim of RMB927,000 was recognised at 31 December 2020. The claim was subject to legal arbitration and was finalised during the year ended 31 December 2021.

26. DEFERRED TAX

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

Deferred tax assets

	2021					
	Impairment of financial assets RMB'000	Impairment of inventories and fixed assets RMB'000	Accruals RMB'000	Lease liabilities RMB'000	Loss available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2021	3,384	3,858	791	430	1,503	9,966
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 10)*	(798)	692	(601)	892	(269)	(84)
Gross deferred tax assets as at 31 December 2021	2,586	4,550	190	1,322	1,234	9,882

	2020					
	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 2020	738	1,383	527	627	3,237	6,512
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 10)*	2,646	2,475	264	(197)	(1,734)	3,454
Gross deferred tax assets as at 31 December 2020	3,384	3,858	791	430	1,503	9,966

26. DEFERRED TAX (Continued)

Deferred tax liabilities

	2021			
	Right-of-use assets *RMB'000*	Government Acquisition *RMB'000*	Revaluation of investment properties *RMB'000*	Total *RMB'000*
At 1 January 2021	384	9,852	3,710	13,946
Deferred tax charged/ (credited) to the statement of profit or loss during the year *(note 10)*	4,410	(9,852)	(145)	(5,587)
Deferred tax charged to the other comprehensive income during the year	—	—	1,222	1,222
Gross deferred tax liabilities at 31 December 2021	4,794	—	4,787	9,581

	2020			
	Right-of-use assets *RMB'000*	Government Acquisition *RMB'000*	Revaluation of investment properties *RMB'000*	Total *RMB'000*
At 1 January 2020	627	—	3,467	4,094
Deferred tax charged/ (credited) to the statement of profit or loss during the year *(note 10)*	(243)	9,852	243	9,852
Gross deferred tax liabilities at 31 December 2020	384	9,852	3,710	13,946

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:

	2021 *RMB'000*	2020 *RMB'000*
Net deferred tax assets/(liabilities) recognised in the consolidated statement of financial position	301	(3,980)

26. DEFERRED TAX (Continued)

Deferred tax liabilities (Continued)

The Group has tax losses arising in Mainland China of RMB38,665,000 (2020: RMB26,366,000) that will expire in one to five 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 (2020: RMB766,000) 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 the following item:

	2021	2020
	RMB'000	*RMB'000*
Tax losses	**19,872**	19,488

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

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributable by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB52,949,000 at 31 December 2021 (2020: RMB59,118,000).

27. SHARE CAPITAL

Shares

	2021 RMB'000	2020 RMB'000
Issued and fully paid:		
1,200,000,000 (2020: 1,200,000,000) ordinary shares	80,827	80,827

A summary of movement in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000	Share premium RMB'000
At 1 January 2020 and 31 December 2020 and 31 December 2021	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 page 104 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.

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, the Group had non-cash additions to right-of-use assets of RMB9,905,000 (2020: RMB2,371,000) and non-cash additions to lease liabilities of RMB9,905,000 (2020: RMB2,371,000), respectively, in respect of lease arrangements.

During the year, the Group endorsed bills receivable of nil from Zhejiang Deshipu New Material Technology Co., Ltd. ("**Deshipu New Material**") to the independent third-party suppliers (2020: RMB2,200,000).

(b) Changes in liabilities arising from financing activities

2021

	Bank and other loans *RMB'000*	Lease liabilities *RMB'000*	Interest payable *RMB'000*
At 1 January 2021	121,650	2,868	570
Changes from financing cash flows	14,550	(4,214)	(5,272)
New leases	—	9,905	—
Interest expense	—	175	4,926
Exchange realignment	—	(140)	—
At 31 December 2021	136,200	8,594	224

2020

	Bank and other loans *RMB'000*	Lease liabilities *RMB'000*	Interest payable *RMB'000*
At 1 January 2020	225,100	8,685	364
Changes from financing cash flows	(103,450)	(7,681)	(10,111)
New leases	—	2,371	—
Interest expense	—	369	10,317
Derecognition of right-of-use assets	—	(720)	—
Lease payment concession from lessors	—	(95)	—
Exchange realignment	—	(61)	—
At 31 December 2020	121,650	2,868	570

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 *RMB'000*	2020 *RMB'000*
Within operating activities	330	761
Within financing activities	4,214	7,681
	4,544	8,442

30. CONTINGENT LIABILITY

As at 31 December 2021, the Group has contingent liability due to the following lawsuits:

(a) Subsidiary of the Group is currently a defendant in a lawsuit brought by BARCS that alleged that the subsidiary breached a contract to deliver face masks and BARCS asked the subsidiary to pay the interest of advance payments and the losses generated from transportation, warehousing and delayed delivery amounting to AUD3,100,000 and USD48,000, respectively. The directors, based on the advice from the Group's legal counsel, believe that the subsidiary has a valid defence against the allegation and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs. Besides, the Group also countersued and demanded BARCS to continue to carry out the contract.

31. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans, for legal arbitration of contract dispute, and for bills payables granted to major suppliers are included in notes 13, 15, 16, 21, 22 and 24, respectively, to the financial statements.

32. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2021 *RMB'000*	2020 *RMB'000*
Contracted, but not provided for:		
Buildings	58,508	93,831

33. RELATED PARTY TRANSACTIONS

The Group's principal related parties are as follows:

Name	Relationship with the Company
Bode Holding*	An entity controlled by the ultimate controlling shareholder's sister
Deshipu New Material**	An entity controlled by the ultimate controlling shareholder's sister
Mr. Jin Guojun	Chairman and a director
Ms. Gong Lijin	Shareholder, wife of the Chairman and a director

* Renamed from Bonny Holding Co., Ltd.

** Renamed from Zhejiang Bonny Nylon Technology Co., Ltd.

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2021 RMB'000	2020 RMB'000
Loans granted to:			
Bode Holding	*(iii)*	—	433
Prepayments to:			
Deshipu New Material	*(ii)*	—	80,875
Interest income from:			
Deshipu New Material	*(i)*	—	374
Purchase of materials from:			
Deshipu New Material	*(iv)*	5,128	17,773
Sales of products to:			
Deshipu New Material	*(iv)*	—	418
Bode Holding	*(iv)*	—	179
		—	597

33. RELATED PARTY TRANSACTIONS (Continued)

a) (Continued)

Notes:

(i) The loans granted to Deshipu New Material in prior years were unsecured, repayable on demand and bore interest at the corresponding bank borrowing rate.

(ii) During the year ended 31 December 2020, the Group entered into procurement agreements with Deshipu New Material with an amount of RMB81,030,000. Pursuant to the terms and conditions of the procurement agreements, the Group prepaid RMB80,875,000 upon the signing of the procurement agreements. Part of the procurement agreements were subsequently cancelled, and Deshipu New Material refunded the amount of RMB60,000,000 accordingly and the remaining amounts were treated as payments for the goods purchased. The number of days from the date of a procurement agreement to the receipt of the refund ranged from 0 to 110 days with a weighted average of 53 days. Deshipu New Material agreed to pay interest of RMB374,000 during the period between the payment date of the prepayment and the date of refund at the corresponding bank borrowing rate.

(iii) The loans granted to Bode Holding are unsecured, non-interest-bearing and repayable on demand.

(iv) The purchase of materials from a related party and sales of products to the related parties were made according to the published prices and conditions offered by the related parties to their major customers, respectively.

(b) Other transactions with related parties:

(i) Bode Holding, an entity controlled by the ultimate controlling shareholder's sister, has guaranteed certain of the Group's bank loans of up to nil as at 31 December 2021 (2020: RMB83,100,000).

(ii) Mr. Jin Guojun, the Chairman, has guaranteed certain of the Group's bank loans of up to RMB143,020,000 as at 31 December 2021 (2020: RMB316,020,000).

(iii) Ms. Gong Lijin, a shareholder and the wife of the Chairman, has guaranteed certain of the Group's bank loans of up to RMB143,020,000 as at 31 December 2021 (2020: RMB316,020,000).

(iv) Mr. Jin Guojun and Ms. Gong Lijin have guaranteed certain of the Group's bank loans of up to RMB208,700,000 as at 31 December 2021 (2020: RMB117,100,000).

33. RELATED PARTY TRANSACTIONS (Continued)

(c) Outstanding balances with related parties:

	2021 *RMB'000*	2020 *RMB'000*
Due from related parties		
Deshipu New Material	2,384	8,437
Trade *(i)*	125	6,178
Non-trade *(ii)*	2,259	2,259
Bode Holding *(ii)*	276	273
	2,660	8,710

The balances with related parties are unsecured, interest-free and repayable on demand.

(i) The balances with related parties above are trade in nature.

(ii) The balances with related parties above are non-trade in nature and represented interest receivables.

(d) Compensation of key management personnel of the Group:

	2021 *RMB'000*	2020 *RMB'000*
Salaries, allowances and benefits in kind	1,849	1,859
Performance related bonuses	25	—
Pension scheme contributions	108	13
Total compensation paid to key management personnel	1,982	1,872

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

34. 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:

2021

Financial assets

	Financial assets at amortised cost *RMB'000*
Trade receivables	65,058
Financial assets included in prepayments, other receivables and other assets	4,055
Due from related parties	2,660
Cash and cash equivalents	8,701
	80,474

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade and bills payables	38,189
Financial liabilities included in other payables and accruals	24,559
Interest-bearing bank and other borrowings	144,794
	207,542

34. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2020

Financial assets

	Financial assets at amortised cost *RMB'000*
Trade receivables	70,781
Financial assets included in prepayments, other receivables and other assets	5,870
Due from related parties	8,710
Pledged deposits	1,542
Cash and cash equivalents	48,259
	135,162

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade and bills payables	34,986
Financial liabilities included in other payables and accruals	25,058
Interest-bearing bank and other borrowings	124,518
	184,562

35. 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 and bills payables, financial liabilities included in other payables and accruals, current interest-bearing bank and other borrowings and amounts due from 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.

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of non-current interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2021 were assessed to be insignificant.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, amounts due from 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 and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, 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 or purchases by operating units in currencies other than the units' functional currencies. Approximately 37% (2020: 25%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 0% (2020: 1%) of costs was denominated in the units' functional currencies. 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/(loss) before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

	Increase/ (decrease) in USD/HKD rate %	Increase/ (decrease) in profit/(loss) before tax RMB'000	Increase/ (decrease) in equity RMB'000
2021			
If RMB weakens against USD	**5**	**1,686**	**1,433**
If RMB strengthens against USD	**(5)**	**(1,686)**	**(1,433)**
If RMB weakens against HKD	**5**	**2**	**2**
If RMB strengthens against HKD	**(5)**	**(2)**	**(2)**
2020			
If RMB weakens against USD	5	976	830
If RMB strengthens against USD	(5)	(976)	(830)
If RMB weakens against HKD	5	3	3
If RMB strengthens against HKD	(5)	(3)	(3)

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.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade receivables*	—	—	—	68,719	68,719
Financial assets included in prepayments, other receivables and other assets					
— Normal**	4,055	—	—	—	4,055
— Doubtful**	—	—	12,624	—	12,624
Due from related parties	2,660	—	—	—	2,660
Cash and cash equivalents					
— Not yet past due	8,701	—	—	—	8,701
	15,416	—	12,624	68,719	96,759

As at 31 December 2020

	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*	—	—	—	78,327	78,327
Financial assets included in prepayments, other receivables and other assets					
— Normal**	5,870	—	—	—	5,870
— Doubtful**	—	—	12,624	—	12,624
Due from related parties	8,710	—	—	—	8,710
Pledged deposits					
— Not yet past due	1,542	—	—	—	1,542
Cash and cash equivalents					
— Not yet past due	48,259	—	—	—	48,259
	64,381	—	12,624	78,327	155,332

* 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".

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

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.

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

	2021					
	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to less than 12 months *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Lease liabilities	—	786	2,882	5,572	—	9,240
Interest-bearing bank and other borrowings (excluding lease liabilities)	—	8,980	52,973	12,866	82,698	157,517
Trade and bills payables	17,878	20,311	—	—	—	38,189
Other payables	16,591	7,968	—	—	—	24,559
	34,469	38,045	55,855	18,438	82,698	229,505

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Group (Continued)

	2020					
	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	—	688	1,853	372	—	2,913
Interest-bearing bank and other borrowings (excluding lease liabilities)	—	2,059	121,925	—	—	123,984
Trade and bills payables	17,772	17,214	—	—	—	34,986
Other payables	10,022	15,036	—	—	—	25,058
	27,794	34,997	123,778	372	—	186,941

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 2021 and 31 December 2020.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and bills payables, and certain other payables and accruals, less cash and cash equivalents, and pledged time deposits. Total capital represents equity attributable to the owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Interest-bearing bank and other borrowings	144,794	124,518
Trade and bills payables	38,189	34,986
Other payables and accruals excluding deferred revenue	64,120	66,348
Less: Cash and cash equivalents	(8,701)	(48,259)
Pledged time deposits	—	(1,542)
Net debt	238,402	176,051
Equity attributable to owners of the parent	344,662	344,647
Total capital and net debt	583,064	520,698
Gearing ratio	41%	34%

37. 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:

	2021 *RMB'000*	2020 *RMB'000*
NON-CURRENT ASSETS		
Right-of-use assets	1,688	588
Investment in a subsidiary	8	8
Total non-current assets	1,696	596
CURRENT ASSETS		
Cash and cash equivalents	13	19
Prepayments, other receivables and other assets	244	491
Due from a subsidiary	292,873	290,583
Total current assets	293,130	291,093
CURRENT LIABILITIES		
Lease liabilities	675	871
Other payables and accruals	216	795
Due to a subsidiary	12,368	12,366
Due to a related party	374	385
Total current liabilities	13,633	14,417
NET CURRENT ASSETS	279,497	276,676
TOTAL ASSETS LESS CURRENT LIABILITIES	281,193	277,272
NON-CURRENT LIABILITIES		
Lease liabilities	1,122	—
Net assets	280,071	277,272
EQUITY		
Share capital	80,827	80,827
Share premium	205,242	205,242
Other reserves *(note)*	(5,998)	(8,797)
Total equity	280,071	277,272

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Exchange fluctuation reserves *RMB'000*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*
At 1 January 2020	6,231	(1,823)	4,408
Loss for the year	—	(550)	(550)
Exchange differences on translation from functional currency to presentation currency	(12,655)	—	(12,655)
At 31 December 2020 and 1 January 2021	**(6,424)**	**(2,373)**	**(8,797)**
Loss for the year	**—**	**(312)**	**(312)**
Exchange differences on translation from functional currency to presentation currency	**3,111**	**—**	**3,111**
At 31 December 2021	**(3,313)**	**(2,685)**	**(5,998)**

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2022.

A summary of the results of the assets and liabilities of the Group for the last five financial years is set out below:

	2017 *RMB'000*	2018 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*	**2021** ***RMB'000***
NON-CURRENT ASSETS					
Property, plant and equipment	141,158	133,495	172,176	222,679	**290,326**
Advance payments for property, plant and equipment	1,127	19,675	22,617	18,178	**13,570**
Investment properties	18,262	42,750	46,510	—	**14,070**
Right-of-use assets	—	—	40,028	25,566	**31,828**
Prepaid land lease payments	27,788	27,155	—	—	**—**
Intangible assets	2,277	1,764	1,174	937	**550**
Deferred tax assets	1,791	—	2,418	—	**301**
Other non-current assets	5,170	5,170	5,170	5,170	**5,170**
Total non-current assets	197,573	230,009	290,093	272,530	**355,815**
CURRENT ASSETS					
Inventories	113,119	132,819	136,053	168,772	**150,367**
Trade receivables	96,325	93,694	88,776	70,781	**65,058**
Prepayments, other receivables and other assets	23,163	26,319	34,782	28,446	**11,130**
Financial assets at fair value through profit or loss	—	—	1,321	59,503	**—**
Due from a director	300	—	—	—	**—**
Due from related parties	15,328	11,844	375	8,710	**2,660**
Time deposits with original maturity of over three months	—	—	—	—	**—**
Pledged deposits	13,598	16,876	9,629	1,542	**—**
Cash and cash equivalents	28,770	25,438	59,165	48,259	**8,701**
Total current assets	290,603	306,990	330,101	386,013	**237,916**
CURRENT LIABILITIES					
Trade and bills payables	57,666	63,747	43,676	34,986	**38,189**
Advances from customers, other payables and accruals	98,277	44,703	43,369	147,325	**64,120**
Interest-bearing bank and other borrowings	248,662	248,680	232,397	124,152	**59,566**
Due to related parties	100,895	46	232	—	**—**
Due to a director	2,311	—	—	—	**—**
Tax payable	2,462	3,293	1,035	1,080	**895**
Provision	—	—	267	—	**—**
Total current liabilities	510,273	360,469	320,976	307,543	**162,770**

	2017 *RMB'000*	2018 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*	**2021** ***RMB'000***
NET CURRENT ASSETS/ (LIABILITIES)	(219,670)	(53,479)	9,125	78,470	**75,146**
TOTAL ASSETS LESS CURRENT LIABILITIES	(22,097)	176,530	299,218	351,000	**430,961**
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	—	4,413	1,388	366	**85,228**
Provision	—	—	—	927	**—**
Deferred tax liabilities	—	910	—	3,980	**—**
Total non-current liabilities	—	5,323	1,388	5,273	**85,228**
Net assets/(liabilities)	(22,097)	171,207	297,830	345,727	**345,733**
EQUITY					
Equity attributable to owners of the parent					
Share capital	337	400	80,827	80,827	**80,827**
Share premium	—	147,602	205,242	205,242	**205,242**
Other reserves	(23,668)	22,278	10,997	58,578	**58,593**
	(23,331)	170,280	297,066	344,647	**344,662**
Non-controlling interests	1,234	927	764	1,080	**1,071**
Total equity/(deficit)	(22,097)	171,207	297,830	345,727	**345,733**