都市丽人
COSMO LADY

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

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

都市丽人 世界冠军之选

中国国家花样游泳队官方合作伙伴

2023 Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zheng Yaonan *(Chairman and Chief Executive Officer)*
Mr. Zhang Shengfeng *(Deputy Chairman and Vice President)*
Ms. Wu Xiaoli *(Vice President)*
Mr. Xian Shunxiang *(Vice President)* (appointed on 26 August 2023)
Mr. Zhu Hongbo *(Vice President)* (appointed on 26 August 2023)

Non-executive Directors

Mr. Lin Zonghong
Ms. Kong Xiangying
Mr. Wen Baoma (retired on 2 June 2023)

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Choi Wai Hin

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

Dr. Dai Yiyi *(Chairman)*
Mr. Zhu Hongbo (appointed on 26 August 2023)
Mr. Chen Zhigang
Dr. Lu Hong Te

Nomination Committee

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

Risk Management Committee

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

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

STOCK CODE

Stock Code: 2298

WEBSITE

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

INVESTOR RELATIONS

Cosmo Lady (China) Holdings Company Limited
Email: ir@cosmo-lady.com.cn

AUTHORIZED REPRESENTATIVES

Mr. Zheng Yaonan
Mr. Choi Wai Hin

REGISTERED OFFICE

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

HEAD OFFICE

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

PLACE OF BUSINESS IN HONG KONG

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

SHARE REGISTRAR IN HONG KONG

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

STATEMENT FROM CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Zheng Yaonan
Chairman and Chief Executive Officer

Dear Shareholders,

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

Statement from Chairman and Chief Executive Officer

Building strong brand power with strategy as the guide

(a) We have implemented a multi-brand strategy to position and calibrate our main brands, namely Cosmo Lady, Ordifen brand and Cotton Regions towards target customer group, and built a highly coordinated brand portfolio with high, medium and general end to meet the needs of consumers in different market segments.

(b) The 25th anniversary brand strategy upgrade of Cosmo Lady and the 2024 spring and summer new products conference was successfully completed in Dongguan, Guangdong in August 2023. The new brand strategy of Cosmo Lady was announced in the conference and new series of products were launched. Additionally, in collaboration with Ebang Think Tank, Promostyl, the Intimate Wear Committee of China Textile Commerce Association (中國紡織品商業協會內衣專業委員會), we jointly released the 2023 Women's Intimate Wear Industry Consumption Trend Research Report (2023女性內衣行業消費趨勢研究報告) to provide insights for industry development and solidify the leadership position of Cosmo Lady in the industry.

(c) We continued to optimize brand marketing strategy, including integrating point-of-sales marketing activities to improve overall efficiency and establishing an optimized advertising system for stores. This approach highlighted unique selling points and ensured clear price communication for customers, enhancing their consumption experience. Furthermore, new product promotion content was upgraded, emphasizing product features and accumulating brand assets. Coordination between online mini-programs and offline stores created unified development momentum.

Oriented by consumer demand to create "good and affordable" products

(a) We continued to strengthen market and consumer insight and built a suitable product portfolio according to the needs of different market segments.

(b) We pursued innovative breakthroughs in products, focused on materials, technology, and type innovation, and continuously explored the core competitiveness of products. We cooperated with suppliers on product research and development, fabric intensification, and cost control. This led to reduced product costs and enhanced product competitiveness while safeguarding product quality and becoming more sensitive to market trends.

(c) We continued to create a top-selling product matrix. We cooperated with material suppliers and factories to jointly develop top-selling product materials and promote iterative product upgrades and innovations. In 2023, top-selling products such as Shape-C Cups (塑顏C), Peach Cups (蜜桃杯), Thin Push-up Cups (聚薄杯), High-elasticity Underpants (高彈褲), Tea-series Underpants (茶舒褲), Soft Underpants (舒柔褲), Dust-free Cotton (無塵棉), Soft Series (軟綿綿)，Hot Cocoa (熱可可), and Moisturizing Apparel (潤膚衣) have been launched, and were well received from the market.

(d) We continuously strengthened our supply chain management capabilities, through continuous optimization of material development and innovation, procurement, manufacturing techniques and processes, and supplier management systems. This enabled us to ensure product quality, improve supply chain agility, and reduce costs effectively.

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

(a) The county and town marketing campaigns launched in 2023 have achieved results in strengthening the presence in lower-tier cities. We achieved a notable breakthrough by opening more than 800 new stores, through franchise and cooperative channels, representing a year-on-year increase of more than 70%.

(b) We continued to optimize the channel classification standards to better match products with channels, thereby enhancing overall store efficiency.

(c) We implemented an omni-channel layout strategy, focusing on integrated development both online and offline. We improved in-store services based on membership operations and enhanced the mini-program to meet needs of out-of-store shopping. Additionally, we leveraged platforms such as JD Daojia (京東到家) and Meituan Instashopping (美團閃購), Douyin and video account livestreaming to attract traffic to our stores and enhance the overall customer experience.

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

Promoting digital transformation and improving operational efficiency

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

(a) The establishment of the Universe Consumer Management Platform enables us to leverage the value of over 60 million members. By achieving seamless sharing of member information across various channels and implementing a unified labelling system, we have achieved precise marketing. Combined with the Community Management Platform, this empowers our terminals and provides a strong driving force for continuous performance growth.

(b) The B2B system platform has been further upgraded and optimized. On the basis of the original functions, the product operation and marketing functions have been added, and the functions of livestreaming forecast, reminders, sharing and commodity recommendation and notification have been launched. Additionally, digital reports have been built to support accurate decision-making for product replenishment, resulting in a continued increase in B2B orders.

(c) The Data Management and Data Middle-Office projects have yielded significant results. With the establishment of a management cockpit for commodities, channels, members and retail based on the Data Middle-Office, we have laid a solid foundation for data-driven decision-making and comprehensively improving operational efficiency.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

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

Revenue by sales channel

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

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

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

– Improvement in sales performance on self-managed stores and increase in the number of cooperative stores;

– Termination of consignment sales arrangements in franchisees' stores in the second half of 2022;

– In the second half of 2022, the shift on product ordering system for franchisees from futures basis to spot basis gradually, which reduced the excess stock shipments, alleviated inventory pressure and improved cash flow; and

– The e-commerce business was under restructuring during the year 2023.

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

Gross profit margin

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

Selling and marketing expenses

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

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

General and administrative expenses

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

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

Net reversal of impairment losses on financial assets

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

Finance expenses – net

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

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

Income tax expense

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

FOREIGN CURRENCY RISK

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

USE OF PROCEEDS FOR FUNDS RAISED

Fosun Subscription

Reference is made to the announcements of the Company dated 5 May 2017, 17 May 2017 and 30 June 2022 regarding the issuance of new shares under general mandate (the "Fosun Subscription"). On 17 May 2017, the Company issued 240,000,000 shares at a price of HK$2.50 per share to a wholly-owned subsidiary of Fosun International Limited, raising gross proceeds of HK$600,000,000 and net proceeds of approximately HK$599,000,000. It was set out at the time that the net proceeds from the Fosun Subscription were intended to be used by the Company for financing the reforms in sales and distribution channels of the Group, potential mergers, acquisitions and cooperation opportunities, and general working capital.

On 30 June 2022, the Board had resolved to change the allocation of the unutilized net proceeds from the Fosun Subscription up to 31 May 2022. For further details, please refer to the announcement (the "Change of UoP Announcement") of the Company dated 30 June 2022. For the year ended 31 December 2023, the use of net proceeds was as follows:

Use of net proceeds	Original intended use allocation of net proceeds as stated in the 2021 annual report *HK$*	Net proceeds utilized up to 31 May 2022 *HK$*	Unutilized net proceeds up to 31 May 2022 *HK$*	Revised allocation of unutilized net proceeds as stated in the Change of UoP Announcement *HK$*	Net proceeds utilized up to 31 December 2023 *HK$*	Unutilized net proceeds up to 31 December 2023 *HK$*
Financing the reforms in sales and distributions channels of the Group	39,000,000	39,000,000	–	–	–	–
Potential mergers, acquisitions and cooperation opportunities	30,000,000	–	30,000,000	–	–	–
General working capital	530,000,000	530,000,000	–	30,000,000	30,000,000	–
Total	599,000,000	569,000,000	30,000,000	30,000,000	30,000,000	–

As at 31 December 2023, all the net proceeds from the Fosun Subscription had been utilised, For the year ended 31 December 2023, the net proceeds from the Fosun Subscription had been used according to the purposes as set out in the Change of UoP Announcement, and there was no material change or delay in the use of the net proceeds from the Fosun Subscription.

Windcreek Subscription

Reference is made to the announcements by the Company dated 26 April 2018 and 25 May 2018 and 30 June 2022 regarding the issuance of new shares under general mandate (the "Windcreek Subscription"). On 25 May 2018, the Company issued an aggregate of 121,443,213 shares at a price of HK$4.20 per share to Windcreek Limited (an indirect wholly-owned subsidiary of JD.com, Inc.), Image Frame Investment (HK) Limited (a wholly-owned subsidiary of Tencent Holdings Limited), Vipshop International Holdings Limited (a wholly-owned subsidiary of Vipshop Holdings Limited) and Quick Returns Global Limited, raising gross proceeds of approximately HK$510,061,000 and net proceeds of approximately HK$509,000,000. It was set out at the time that the net proceeds from the Windcreek Subscription were intended to be used by the Company for financing the reforms in sales and distribution channels of the Group, potential mergers, acquisitions and cooperation opportunities, and general working capital.

On 30 June 2022, the Board had resolved to change the allocation of the unutilized net proceeds from the Windcreek Subscription up to 31 May 2022. For further details, please also refer to the Change of UoP Announcement. For the year ended 31 December 2023, the use of the net proceeds was as follows:

Use of net proceeds	Original intended use allocation of net proceeds as stated in the 2021 annual report *HK$*	Net proceeds utilized up to 31 May 2022 *HK$*	Unutilized net proceeds up to 31 May 2022 *HK$*	Revised allocation of unutilized net proceeds as stated in the Change of UoP Announcement *HK$*	Net proceeds utilized up to 31 December 2023 *HK$*	Unutilized net proceeds up to 31 December 2023 *HK$*	Expected timeline of full utilization of said unutilized balance *(Note)*
Financing the reforms in sales and distributions channels of the Group	239,000,000	50,601,000	188,399,000	88,399,000	88,399,000	–	N/A
Potential mergers, acquisitions and cooperation opportunities	70,000,000	–	70,000,000	–	–	–	N/A
General working capital	200,000,000	25,555,000	174,445,000	344,445,000	127,955,000	216,490,000	Before the end of 2025
Total	509,000,000	76,156,000	432,844,000	432,844,000	216,354,000	216,490,000	

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

For the year ended 31 December 2023, the net proceeds from the Windcreek Subscription had been utilised in accordance with the purposes as set out in the Change of UoP Announcement, and there was no material change or delay in the use of the net proceeds from the Windcreek Subscription. The net proceeds from the Windcreek Subscription have been deposited with certain licensed banks.

CAPITAL EXPENDITURE ON PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

PLEDGE OF ASSETS

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

CONTINGENT LIABILITIES

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

HUMAN RESOURCES AND MANAGEMENT

The Group had approximately 2,600 full-time employees as at 31 December 2023 (31 December 2022: 3,000). The Group's remuneration package is determined with reference to the experience and qualifications of the individual employees and general market conditions. Bonus is linked to the Group's operating results as well as individual performance. The Company believes that the ability to recruit and retain experienced and skilled labor is crucial to the Group's growth and development. The Group provides training to its new employees to familiarize them with the working environment and work culture. The Group also provides on-the-job training to the employees, which aims at developing their skills so as to meet the strategic goals and customer requirements. In addition to providing the Group's staff with the opportunities to receive on-the-job trainings, the Group strives to create a harmonious and warm working and living environment for the staff.

ENVIRONMENTAL MANAGEMENT

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Set forth below are the biographies of the Directors and senior management of the Company as at the date of this annual report:

EXECUTIVE DIRECTORS

Mr. Zheng Yaonan, aged 48, is the chairman of the Board, an executive Director, a member of the nomination committee of the Company. He is the chief executive officer of the Company from 30 November 2021 onwards. He holds positions as the executive directors and concurrently as the general manager of a number of the Company's subsidiaries, and is also one of the founders of the Group. From 30 January 2014 to 19 August 2019, Mr. Zheng was the chief executive officer of the Company as well. With approximately 24 years of experience in the intimate wear manufacturing and sales industry, Mr. Zheng has been the key driver of the business strategies and achievements to date of the Group. He is primarily responsible for the strategic planning, business development, corporate management and overall performance of the Group. Mr. Zheng has been serving the Group since September 2009.

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

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

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

Mr. Zhang Shengfeng, aged 55, is the deputy chairman of the Board, an executive Director and a vice president of the Company. He also holds positions as an executive director and concurrently as the general manager of a number of the Company's subsidiaries. Mr. Zhang is also one of the founders of the Group, and he is primarily responsible for the supply chain management of the Group. Mr. Zhang has been serving the Group since September 2009.

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

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

Ms. Wu Xiaoli, aged 50, is an executive Director and a vice president of the Company. Ms. Wu is primarily responsible for the finance and administration management of the Group. Ms. Wu has been serving the Group since September 2009.

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

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

Mr. Xian Shunxiang, aged 59, is an executive Director and a chief operating officer of the Group. Mr. Xian joined the Group in December 2021. Mr. Xian is mainly responsible for sales operation in various channels. Mr. Xian was a vice president responsible for retail operations of the Group from 2011 to 2016.

Prior to joining the Group, Mr. Xian was the operation director of Best Food Holding Company Limited, the issued shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 1488). He was also previously the operation director of McDonald (Shenzhen) Limited and Real Kung Fu Catering Management Co., Ltd. Mr. Xian graduated from China Europe International Business School, upon completing the China Europe Leadership Development of Senior Level Programme in 2010. He obtained a college degree in Chinese from Shenzhen Institute of Education, Shenzhen, Guangdong Province in 1988.

Mr. Zhu Hongbo, aged 61, is an executive Director, a vice president of the Group and a member of the remuneration committee of the Company. Mr. Zhu joined the Group in December 2019. Mr. Zhu is mainly responsible for human resources, legal and risk management of the Group.

Prior to joining the Group, Mr. Zhu served as the chief executive officer of a food company and was responsible for the execution of the company's business strategies and coordination of overall business operations. He previously held senior management positions in a number of listed companies and has extensive experience in corporate development planning, investment business, marketing and corporate management. Mr. Zhu graduated from Tianjin Normal University in 1984.

NON-EXECUTIVE DIRECTORS

Mr. Lin Zonghong, aged 55, is a non-executive Director from 19 August 2019. He was a deputy chairman of the Board and an executive Director from 30 January 2014 to 19 August 2019. Mr. Lin is one of the founders of the Group and he is primarily responsible for giving strategic advice and making recommendations on the operations and management of the Group. Mr. Lin has been serving the Group since September 2009.

Mr. Lin graduated from China Europe International Business School, Shanghai, upon finishing the study of the Advanced Management Program in 2013.

Ms. Kong Xiangying, aged 37, is a non-executive Director. Ms. Kong is mainly responsible for giving strategic advice and making recommendations on the operations and management of the Group. She has been serving the Group since December 2022.

Ms. Kong is currently a vice president of JD.com, Inc. ("JD.com"), a company listed on the Main Board of the Stock Exchange (stock code: 9618) and the Nasdaq Stock Market (NASDAQ: JD). Ms. Kong is also the head of JD Retails Fashion Business Department. Ms. Kong joined JD.com in July 2012, and served as the head of the JD Retail Platform Ecosystem Department. She has rich business experience and platform ecosystem construction experience.

Ms. Kong graduated from Harbin Institute of Technology in July 2012 with a master's degree in Enterprise Management.

Biographies of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yau Chi Ming, aged 56, is an independent non-executive Director, the chairman of the audit committee and a member of the nomination committee and risk management committee of the Company. Mr. Yau is mainly responsible for giving strategic advice and making recommendations on the operations and management of the Group. He has been serving the Group since 2014.

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

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

Dr. Dai Yiyi, aged 56, is an independent non-executive Director, the chairman of the remuneration committee and a member of the audit committee and risk management committee of the Company. Dr. Dai is mainly responsible for supervising the activities and decisions of the remuneration committee of the Company, giving strategic advice and making recommendations on the operations and management of the Group. He has been serving the Group since 2014.

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

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

Company	Duration of tenure	Stock exchange
C&D International Investment Group Limited	From April 2023 to present	Stock Exchange
China SCE Property Holdings Limited	From January 2010 to present	Stock Exchange
Xiamen ITG Group Co., Ltd.	From May 2020 to present	Shanghai Stock Exchange
Xiamen Bank Co., Ltd.	From January 2021 to present	Shanghai Stock Exchange

Dr. Dai had previously been an independent director/independent non-executive director of the following companies:

Company	Duration of tenure	Stock exchange
Fujian Septwolves Industry Co., Ltd.	From July 2016 to June 2022	Shenzhen Stock Exchange
GuangDong – Hong Kong Greater Bay Area Holdings Limited	From March 2021 to April 2023	Stock Exchange
Xiamen C&D Inc.	From July 2016 to May 2022	Shanghai Stock Exchange

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

Mr. Chen Zhigang, aged 51, is an independent non-executive Director, the chairman of the risk management committee of the Company and a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Chen is mainly responsible for giving strategic advice and making recommendations on the operations and management of the Group. He has been serving the Group since 2014.

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

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

Dr. Lu Hong Te, aged 63, is an independent non-executive Director, the chairman of the nomination committee of the Company and a member of the audit committee, the remuneration committee and the risk management committee of the Company. Dr. Lu is mainly responsible for giving strategic advice and making recommendations on the operations and management of the Group. He has been serving the Group since 2017.

Dr. Lu is an independent director of Lanner Electronics Inc., the shares of which are traded in Taipei Exchange. Dr. Lu is currently an adjunct professor at the department of business administration of Chung Yuan Christian University in Taiwan. Dr. Lu was appointed as an independent non-executive director of ANTA Sports Products Limited from 26 February 2007 to 1 March 2019. Dr. Lu has resigned an independent non-executive director of China SCE Group Holdings Limited on May 2023, resigned an independent director of Firich Enterprises Co., Ltd. on June 2023 and resigned an independent non-executive director of China Lilang Limited on February 2024.

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

Biographies of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Mao Yu-in, aged 59, joined the Group in July 2017. He is a vice president of the Group. He is mainly responsible for developing the Group's business in shopping malls.

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

Mr. Choi Wai Hin, aged 44, has been appointed as a vice president, the chief financial officer, company secretary and authorized representative of the Company since 21 November 2022. Mr. Choi is primarily responsible for the group's investors' relationship, company secretarial matters, financial reporting and corporate finance. Mr. Choi has 20 years of experience in relation to accounting, budgeting and controlling, corporate finance and regulatory requirements of the capital market in Hong Kong. He served as a chief financial officer of Weiye Holdings Limited, the issued shares of which are listed on the Stock Exchange (stock code: 1570) from December 2019 to November 2022 and served as the chief financial officer of Karrie International Holdings Limited, the issued shares of which are listed on the Stock Exchange (stock code: 1050) from August 2014 to December 2019. He also worked in KPMG from March 2004 to August 2014.

Mr. Choi is a Fellow of the Hong Kong Institute of Certified Public Accountants. He obtained a bachelor's degree in Accountancy from The Hong Kong Polytechnic University in 2002.

Mr. Xiao Wei, aged 45, joined the Group in July 2017. He is mainly responsible for the supply chain management of the Group.

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

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

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

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

THE BOARD

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

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

Executive Directors

Mr. Zheng Yaonan *(Chairman and Chief Executive Officer)*
Mr. Zhang Shengfeng *(Deputy Chairman and Vice President)*
Ms. Wu Xiaoli *(Vice President)*
Mr. Xian Shunxiang *(Vice President)* (appointed on 26 August 2023)
Mr. Zhu Hongbo *(Vice President)* (appointed on 26 August 2023)

Non-executive Directors

Mr. Lin Zonghong
Ms. Kong Xiangying

Independent Non-executive Directors

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

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

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

The nomination committee of the Board (the "Nomination Committee") has been delegated the authority to review and assess the diversity of the Board, with the objective of maintaining a balance of skills, knowledge, experience and diversity of perspectives on the Board which are appropriate to the requirements of the Company's business. When identifying and selecting suitably qualified candidates for recommendation to the Board, the Nomination Committee will give consideration to the Board Diversity Policy whereby selection of candidates will be based on merit against objective criteria and with due regard to the benefits of diversity on the Board. The Nomination Committee reviews and monitors the implementation of the Board Diversity Policy to ensure its continued effectiveness and the Company will review the implementation and effectiveness of the Board Diversity Policy on an annual basis. The Board has reviewed the implementation and effectiveness of the Board Diversity Policy of the Company for the year ended 31 December 2023 and considers it to be effective.

Based on the current composition of the Board, the Company is of the view that the Board has achieved gender diversity. Among the workforce, the gender ratio is 618 male employees (including senior management) to 1,989 female employees (including senior management). Accordingly, the Company considers that gender diversity is also achieved in its workforce generally.

The followings are the measurable objectives set up by the Company for achieving gender diversity and any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant:

- The Nomination Committee will discuss and agree annually any applicable measurable objectives for implementing diversity on the Board and recommend them to the Board for adoption.

- Selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

In compliance with Rule 3.10 of the Listing Rules, the Company has appointed four independent non-executive Directors which represent at least one-third of the Board, and complied with the requirement that at least one of them has appropriate professional qualifications of accounting or related financial management expertise. To the best knowledge and information of the Board having made reasonable enquiries, the independence criteria under Rule 3.13 of the Listing Rules remain satisfied by each of the independent non-executive Directors. Therefore, the Company considers that the independent non-executive Directors remain to be independent.

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

The Board meetings are held regularly and are also held on an ad hoc basis as required by business needs. All Directors are consulted as to whether to include any matters in the agenda. Notice of at least 14 days are given to all Directors before the date of regular Board meeting. Agenda and accompanying board papers are given to all Directors in a timely manner before the date of each regular Board meeting. During the year of 2023, four regular meetings at approximately quarterly intervals were held by the Board and the chairman of the Board had an annual meeting with the independent non-executive Directors without the presence of the other Directors. For other Board and Committee meetings, reasonable notice is generally given in the circumstances. The company secretary of the Company is responsible for taking and keeping minutes of all Board meetings and committee meetings. Minutes of the Board meetings and Committee meetings are recorded in sufficient details in respect of matters considered by the Board and Committees and the decisions reached, with copies circulated to all Directors or Board committee members for information and records within a reasonable time after the date of the meeting. Final version of these minutes are available for inspection by Directors. Directors who have conflicts of interest in a resolution are required to abstain from voting.

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

The Board has assigned the powers and responsibilities of the Group's daily operations, management and administration to the senior management of the Company. The Board regularly reviews the functions and powers delegated to ensure that the assignments are still appropriate. To oversee specific aspects of the Company's affairs, the Board has also assigned responsibilities to the Board committees in accordance with their respective scopes of powers and functions and delegated its responsibility for performing the corporate governance duties. With delegated responsibility, the management is responsible for the day-to-day management, administration and operation of the Group, implementing the strategies and plans adopted by the Board and the Committees and assumes full accountabilities to the Board for the operation of the Group. Both the Board and the management have clearly defined authorities and responsibilities under various risk management, internal control and check-and-balance mechanisms. The Board has agreed on procedures to enable the Directors to seek independent professional advice whenever deemed necessary, at the Company's expense, to assist them to perform their duties.

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

BOARD INDEPENDENCE MECHANISM

The Company recognizes that Board independence is pivotal in good corporate governance and Board effectiveness. The Board has established mechanisms (the "Board Independence Mechanism") to ensure independent views and input from any Director of the Company are conveyed to the Board for enhancing an objective and effective decision making.

The governance framework and the following mechanisms are reviewed annually by the Board, to ensure their effectiveness:

1. Four out of the eleven Directors are independent non-executive Directors, which meets the requirements of the Listing Rules that the Board must have at least three independent non-executive Directors and must appoint independent non-executive Directors representing at least one-third of the Board.

2. The Nomination Committee will assess the independence of a candidate who is nominated to be a new independent non-executive Director and the contribution to the diversity of the Board according to the board diversity policy adopted by the Company from time to time before appointment and also the continued independence of existing independent non-executive Directors and their time commitments annually. On an annual basis, all independent non-executive Directors are required to confirm in writing their compliance of independence requirements pursuant to Rule 3.13 of the Listing Rules, and to disclose the number and nature of offices held by them in public companies or organisations and other significant commitments.

3. External independent professional advice is available as and when required by individual Directors.

4. All Directors are encouraged to express freely their independent views and constructive challenges during the Board/ Committee meetings.

5. No equity-based remuneration with performance-related elements will be granted to independent non-executive Directors.

6. A Director (including independent non-executive Director) who has a material interest in a contract, arrangement or other proposal shall not vote or be counted in the quorum on any Board resolution approving the same.

7. The chairperson of the Board meets with independent non-executive Directors annually without the presence of the executive Director and non-executive Directors.

The Board has reviewed the implementation and effectiveness of the Board Independence Mechanism for the year ended 31 December 2023, and considers it to be adequate and effective.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the duties on corporate governance functions set out below:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Board has reviewed the Company's corporate governance policies and practices, Directors' and senior management's training and continuing professional development, the Company's policies and practices in complying with legal and regulatory requirements, compliance with the Model Code, and the Company's compliance with the CG Code and its disclosure in the corporate governance report.

Audit Committee

The audit committee of the Board (the "Audit Committee") was established by the Board in June 2014 in accordance with Rule 3.21 of the Listing Rules with specific written terms of reference in compliance with paragraph D.3.3 of the CG Code adopted. The Audit Committee is composed of all the independent non-executive Directors, namely Mr. Yau Chi Ming, Dr. Dai Yiyi, Mr. Chen Zhigang and Dr. Lu Hong Te. Mr. Yau Chi Ming who possesses appropriate professional qualifications as required by the Listing Rules is the chairman of the Audit Committee.

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

During the year ended 31 December 2023, the Audit Committee held three meetings. The Audit Committee reviewed the interim and annual financial statements, interim and annual report as well as the accounting policies and practices adopted by the Group, discussed on auditing and financial reporting matters and major internal audit issues, evaluated the overall effectiveness of the internal control system of the Group and the significant risks faced by the Group, reviewed the continuing connected transaction entered into by the Group, reviewed and monitored the effectiveness and resource adequacy of the risk management, internal control systems and internal audit function of the Group, reviewed the arrangements for raising concerns about improprieties and considered the audit scope and fees for the year ended 31 December 2023. The Audit Committee also reviewed the remuneration of the auditor for the year ended 31 December 2023.

The Audit Committee has discussed with the external auditor of the Company, Pricewaterhouse Coopers, and reviewed the annual financial results and report, major internal audit issues, re-appointment of external auditors, and the effectiveness of the risk management and internal control systems of the Group.

The Audit Committee has reviewed the remuneration of the auditor for the year ended 31 December 2023 and has recommended the Board to re-appoint Pricewaterhouse Coopers as the auditor of the Company for the year ending 31 December 2024, subject to approval by the Shareholders at the upcoming annual general meeting of the Company.

The Audit Committee held a meeting in March 2024, among other things, to review the consolidated financial statements of the Group for 2023. On the recommendation of the Audit Committee, the Board resolved, among other things, to submit the Group's consolidated financial statements for 2023 for approval by the shareholders at the annual general meeting of the Company to be held in 2024.

Nomination Committee

The Nomination Committee was established by the Board in June 2014 in compliance with Rule 3.27A of the Listing Rules with specific written terms of reference in compliance with paragraph B.3.1 of the CG Code adopted. The Nomination Committee comprises four members, including Mr. Zheng Yaonan, chairman of the Board, together with three independent non-executive Directors, namely Mr. Yau Chi Ming, Mr. Chen Zhigang and Dr. Lu Hong Te. Dr. Lu Hong Te is the chairman of the Nomination Committee.

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

During the year ended 31 December 2023, the Nomination Committee held two meetings. The Nomination Committee reviewed the Board structure, size and composition, nomination policy, the Board diversity and the Board Diversity Policy, and recommended the appointment of each of Mr. Xian Shunxiang and Mr. Zhu Hongbo as an executive Director to the Board for approval.

Remuneration Committee

A remuneration committee (the "Remuneration Committee") was established by the Board in June 2014 in compliance with Rule 3.25 of the Listing Rules with specific written terms of reference in compliance with paragraph E.1.2 of the CG Code adopted. The Remuneration Committee comprises four members, including an executive Director, Mr. Zhu Hongbo, and three independent non-executive Directors, namely Dr. Dai Yiyi, Mr. Chen Zhigang and Dr. Lu Hong Te. Dr. Dai Yiyi is the chairman of the Remuneration Committee.

Under its terms of reference, the primary responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all Directors and senior management's remuneration and the remuneration packages of individual executive directors and senior management, make recommendations to the Board on the remuneration of individual executive Directors, senior management and non-executive Directors, and review and/or approve matters relating to the share schemes under Chapter 17 of the Listing Rules and to ensure that none of the Directors determine their own remuneration. The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

The remuneration is recommended or determined based on each Director's and senior management personnel's qualification, position and seniority. Details of the remuneration of the Directors and the five highest paid individuals are set out in note 11 to the consolidated financial statements in this annual report.

Two meetings of the Remuneration Committee were held during 2023 for considering and making recommendations to the Board for determining the remuneration of the Directors and senior management, for an annual review of remuneration policy and remuneration packages for all the Directors and senior management, assessing the performance of executive Directors, approving the terms of executive directors' service contracts and reviewing and approving matters relating to share schemes under Chapter 17 of the Listing Rules. Details of emoluments paid to the Directors and senior management for the year ended 31 December 2023 are set out in Note 11 to the consolidated financial statements.

Risk Management Committee

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

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

During the year ended 31 December 2023, the Risk Management Committee held two meetings to review the risk management framework, internal audit program, including its program status and internal audit findings, and the risk associated with Group's strategies.

Attendance Records at Meetings

The attendance of individual Directors at general meeting, regular meetings of the Board and meetings of the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee held during the year ended 31 December 2023 is set out below:

	Number of meetings attended/held					
Name of directors	Annual general meeting	Board	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee
Executive Directors						
Mr. Zheng Yaonan	1/1	4/4	N/A	2/2	N/A	N/A
Mr. Zhang Shengfeng	1/1	4/4	N/A	N/A	1/1	N/A
Ms. Wu Xiaoli	1/1	4/4	N/A	N/A	N/A	N/A
Mr. Xian Shunxiang *(Note (1))*	N/A	2/2	N/A	N/A	N/A	N/A
Mr. Zhu Hongbo *(Note (2))*	N/A	2/2	N/A	N/A	1/1	N/A
Non-executive Directors						
Mr. Lin Zonghong	1/1	4/4	N/A	N/A	N/A	N/A
Mr. Wen Baoma *(Note (3))*	1/1	1/1	N/A	N/A	N/A	N/A
Ms. Kong Xiangying	1/1	4/4	N/A	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. Yau Chi Ming	1/1	4/4	3/3	2/2	N/A	2/2
Dr. Dai Yiyi	1/1	4/4	3/3	N/A	2/2	2/2
Mr. Chen Zhigang	1/1	4/4	3/3	2/2	2/2	2/2
Dr. Lu Hong Te	1/1	4/4	3/3	2/2	2/2	2/2

Notes:

(1) Mr. Xian Shunxiang was appointed on 26 August 2023.

(2) Mr. Zhu Hongbo was appointed on 26 August 2023.

(3) Mr. Wen Baoma retired on 2 June 2023.

Appointment and Re-election of Directors

In accordance with article 112 of the Memorandum and Articles of Association of the Company, Mr. Xian Shunxiang and Mr. Zhu Hongbo were appointed as executive Directors on 26 August 2023. They will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

In accordance with article 108 of the Memorandum and Articles of Association of the Company and Code Provision B.2.2 in Appendix C1 to the Listing Rules, Mr. Zhang Shengfeng, Mr. Yau Chi Ming and Dr. Lu Hong Te will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

Nomination Policy

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

The Company has established a nomination policy which sets out the selection criteria and nomination procedures for the appointment of Directors. The Nomination Committee shall consider, among other things, the following key factors in assessing the suitability of a proposed candidate:

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

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

(c) reputation for integrity;

(d) independence of candidate; and

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

The nomination procedure is as follows:

1. The Nomination Committee has discretion to nominate any person, as it considers appropriate. For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

2. Proposed candidates will be asked to submit the relevant and necessary documents and information (including personal information) for the Nomination Committee's consideration and assessment, together with their written consent to be appointed as Directors and to the public disclosure of their personal data on any documents or relevant websites in connection with their nomination. The Nomination Committee shall, 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.

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

4. The Nomination Committee shall then recommend to appoint the appropriate candidate for directorship. The Board shall have the ultimate responsibility for selection and appointment of Directors.

5. For any person that is nominated by a shareholder for election as a director at the general meeting of the Company pursuant to its constitutional documents, the Nomination Committee shall evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make recommendation to shareholders in respect of the proposed election of director at the general meeting.

The Nomination Committee has reviewed the Board Diversity Policy, the structure, size and composition of the Board, assessed the independence of independent non-executive Directors, considered the nomination policy and made recommendation to the Board on the appointment of new Director.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

A summary of the continuous professional development in which Directors participated during the year ended 31 December 2023 is as follows:

Name of Directors	Types*(Notes)*
Executive Directors	
Mr. Zheng Yaonan	A, C
Mr. Zhang Shengfeng	A, C
Ms. Wu Xiaoli	A, C
Mr. Xian Shunxiang (appointed on 26 August 2023)	A, C
Mr. Zhu Hongbo (appointed on 26 August 2023)	A, C
Non-executive Directors	
Mr. Lin Zonghong	A, C
Mr. Wen Baoma (retired on 2 June 2023)	C
Ms. Kong Xiangying	A, C
Independent Non-executive Directors	
Mr. Yau Chi Ming	A, C
Dr. Dai Yiyi	A, B, C
Mr. Chen Zhigang	A, C
Dr. Lu Hong Te	A, B, C

Notes:

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

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

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. The Company has made specific enquiry with all of the Directors, and all Directors confirmed that they had complied with the required standard as set out in the Model Code for the year ended 31 December 2023.

ACCOUNTABILITY AND AUDIT

Directors' and Auditors' Responsibilities for the Financial Statements

The Directors acknowledge their responsibilities for preparing all information and representations contained in the consolidated financial statements for the year ended 31 December 2023 as disclosed in this report. The Directors have selected suitable accounting policies and applied them consistently, have made judgements and estimates that were prudent and reasonable and have prepared the consolidated financial statements on a going concern basis.

The statement of the Company's auditor regarding its responsibilities for the consolidated financial statements is set out under the section headed "Independent Auditor's Report" on pages 77 to 81 of this report.

Risk Management and Internal Control

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

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

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

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

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

The Board is responsible for the risk management and internal control systems of the Group, and had authorized the Audit Committee and Risk Management Committee to review the effectiveness of the risk management and internal control systems. Information about the two Committees, including their work in 2023, is set out under the sections headed "Audit Committee" on page 25 and "Risk Management Committee" on page 26 of this report.

The Board has conducted a review of the effectiveness the systems of risk management and internal control for the year ended 31 December 2023. Such review is conducted annually. The Board, through the review of the systems of risk management and internal control by the Audit Committee and Risk Management Committee, was not aware of any areas of concern that would have a material impact on the Group's financial position or result of operations, and considered that the Group's risk management and internal control systems were adequate and effective for the year ended 31 December 2023. The Group had complied with the provisions on risk management and internal control as set out in the CG Code during the year ended 31 December 2023.

MAIN FEATURES OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Highlights of the Group's internal control measures include the following:

- the Group has improved the existing internal control framework by adopting a set of internal control manual and policies, which cover corporate governance, risk management, operation and legal matters;

- the Directors have received trainings conducted by the Company's legal advisor as to Hong Kong laws on the continuing obligations, duties and responsibilities of directors of publicly listed companies under the applicable laws of Hong Kong;

- each of the Directors is aware of the fiduciary duties as a director which require, among other things, that he or she must act for the benefit and in the best interest of the Company and must not allow any conflict between his duties as a director and his personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Company and Directors or their respective associates, any interested Director will be abstained from voting at the relevant meeting of the Board in respect of such transaction and shall not be counted in the quorum;

- the Group has adopted various policies to ensure compliance with the Listing Rules, including those in relation to risk management and information disclosure;

- the Group has appointed external legal advisor to advise on the compliance requirements of the Listing Rules and ensure the compliance with relevant regulatory requirements and applicable laws, where necessary;

- the Group will assess and monitor the implementation of the internal control manual and policies by the relevant departments and companies in the Group through regular audits and inspections;

- the Group will provide internal training to employees as appropriate in order to enable them to follow the internal control and corporate governance procedures;

- the Group will provide anti-corruption and anti-bribery compliance policies in the manual and implement a whistle-blowing program under which the employees are encouraged to report instances of briberies directly to the Board and/or the senior management, as appropriate; and

- the Group will keep implementing updated policies to the extent necessary to ensure future compliance with applicable laws and regulations.

The process used to identify, evaluate and manage significant risks

The Company has established a risk management system consisting of relevant policies and procedures that the Company believes are appropriate for our business operations. Pursuant to the Company's risk management policy, the key risk management objectives include: (i) identifying different types of risks; (ii) assessing and prioritizing the identified risks; (iii) developing appropriate risk management strategies for different types of risks; (iv) identifying, monitoring and managing risks and risk tolerance level; and (v) execution of risk response measures.

Internal audit function

For the year ended 31 December 2023, the internal audit department has carried out an overview on the effectiveness of the risk management and internal control systems of the Group. Based on the risk-based approach, the internal audit department continuously review and monitor the adequacy and effectiveness of the risk control measures of every business unit of the Group and to examine if relevant measures have been implemented. The senior executives of the internal audit function attended the Risk Management Committee meeting to explain the results of the internal audit and responded to the questions of the members of the Risk Management Committee. The Company considers its risk management and internal control systems to be effective and adequate.

Handling and dissemination of inside information

The Group regulates the handling and dissemination of inside information according to the inside information policy of the Company and the "Guidelines on Disclosure of Inside Information" published by the Securities and Future Commission in June 2012 to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information. Also, the Company keeps Directors, senior management and employees appraised of the latest regulatory updates. The Company shall prepare or update appropriate guidelines or policies to ensure the compliance with regulatory requirements.

Auditor's Remuneration

The Company engages PricewaterhouseCoopers as external auditor and has received a written confirmation from PricewaterhouseCoopers confirming that they are independent and that there are no relationships between PricewaterhouseCoopers and the Company that are likely to impair its independence. The roles and responsibilities of our external auditor are stated under the section headed "Independent Auditor's Report" on pages 77 to 81. During the year ended 31 December 2023, the following services were provided to the Group:

Service rendered	*RMB'000*
Audit services	
Annual audit and interim review	3,900
Non-audit services	
Corporate advisory services *(Note)*	1,809
Total	5,709

Note: Corporate advisory services were provided by affiliate of PricewaterhouseCoopers.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

Shareholders' Enquiries

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

Corporate Communication

- corporate communication is published in plain language and in both English and Chinese versions on the Company's website and the Stock Exchange's website to facilitate shareholders' understanding; and
- shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communication (in hard copy or through electronic means).

Corporate Website

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

Shareholders' Meetings

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

Investment Market Communications

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

Having considered and reviewed the various existing channels of communication, the Company considers that the Shareholders' communication policy has been properly implemented and effective for the year ended 31 December 2023.

SHAREHOLDERS' RIGHTS

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

(a) Any shareholder(s) holding, at the date of deposit of the requisition, not less than 10% of the paid up capital of the Company may request the Board to convene an extraordinary general meeting. The requisition of the shareholder(s) concerned must clearly state the purposes and transaction of business of the meeting and must be deposited at the Hong Kong office of the Company at Unit 909, 9/F., China Merchants Tower, Shun Tak Centre, Nos. 168–200 Connaught Central, Hong Kong for the attention of the Board or the company secretary. Such meeting shall be held within two months after the deposit of such requisition.

 If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. The Company would take appropriate actions and make necessary arrangements in accordance with the requirements under article 64 of the Memorandum and Articles of Association once a valid requisition is received.

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

Procedures for Putting Forward Enquiries to the Board

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

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

CHANGES IN CONSTITUTIONAL DOCUMENTS

There was no change in the memorandum and articles of the Company during the year ended 31 December 2023.

COMPANY SECRETARY

Mr. Choi Wai Hin was appointed as the company secretary of the Company on 21 November 2022. Mr. Choi Wai Hin is a Fellow of the Hong Kong Institute of Certified Public Accountants. He obtained a bachelor's degree in Accountancy from The Hong Kong Polytechnic University in 2002.

For the year ended 31 December 2023, Mr. Choi Wai Hin has taken more than 15 hours of relevant professional training according to Rule 3.29 of the Listing Rules.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MESSAGE FROM THE BOARD

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

The Group has incorporated this concept into its business, actively responding to the goal of "China's Carbon Neutral by 2060" and is in compliance with regulations including the "Environmental Protection Law of the People's Republic of China" and regulations set by the Environmental Protection Bureau of local governments. At the same time, in pursuit of a successful and sustainable business model, the Group is committed to promoting a culture of environmental and social sustainability among all employees and stakeholders. This culture enables the Group to develop appropriate ESG policies and procedures from a day-to-day operational and governance perspective, to monitor and measure the progress of ESG efforts, and to report its performance to investors and key stakeholders.

The Group takes a top-down approach to the management of its ESG issues. The board of directors of the Company (the "Board") is responsible for the supervision of the Group's ESG performance, with topics including the development of ESG approach, strategies and policies and at least once a year reviews the progress of the significant ESG issues identified. The Board is also responsible for ensuring the effectiveness of the Group's risk management and internal controls.

The Group has established an ESG working group (the "ESG Working Group"), comprising designated individuals, including but not limited to the risk control and internal audit department, to assist in the collection of data, preparation of ESG Report and the identification of ESG issues of the Group. The Group's ESG management approach, strategy, risks, performance and progress are regularly discussed, reviewed and examined to review the Group's ESG performance, including environmental, labor practices and other ESG aspects. In addition, these designated officers will report at least once a year to the Board for evaluation and subsequent implementation or revision of the Group's ESG strategy.

The Group is committed to promoting environmental and social welfare. Since 2009, the Group has been committed to public welfare and actively donates, actively fulfilling corporate social responsibility and giving back to the community.

ABOUT THIS REPORT

This Report provides an annual update describing the overall ESG performance and initiatives of the Group, including the head office and retail stores in mainland China, for the year ended 31 December 2023 ("2023"). Information and data from the previous year are provided for reference. This Report was prepared in accordance with the ESG Reporting Guide ("ESG Reporting Guide") set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The information disclosed in this Report originates from official documents of the Group which ensured that its content adheres to the four major reporting principles of "Materiality", "Quantitative", "Balance" and "Consistency". After the data collection system of the Group becomes more mature and sustainable development work is further developed, the Group will continue to expand the scope of disclosure, to improve the performance and disclosure on sustainability issues.

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

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

- Quantitative: The standards and methods used for calculating the key performance indicators ("KPIs") for the ESG aspects, as well as the applicable assumptions, have been supplemented in the footnotes of this Report.

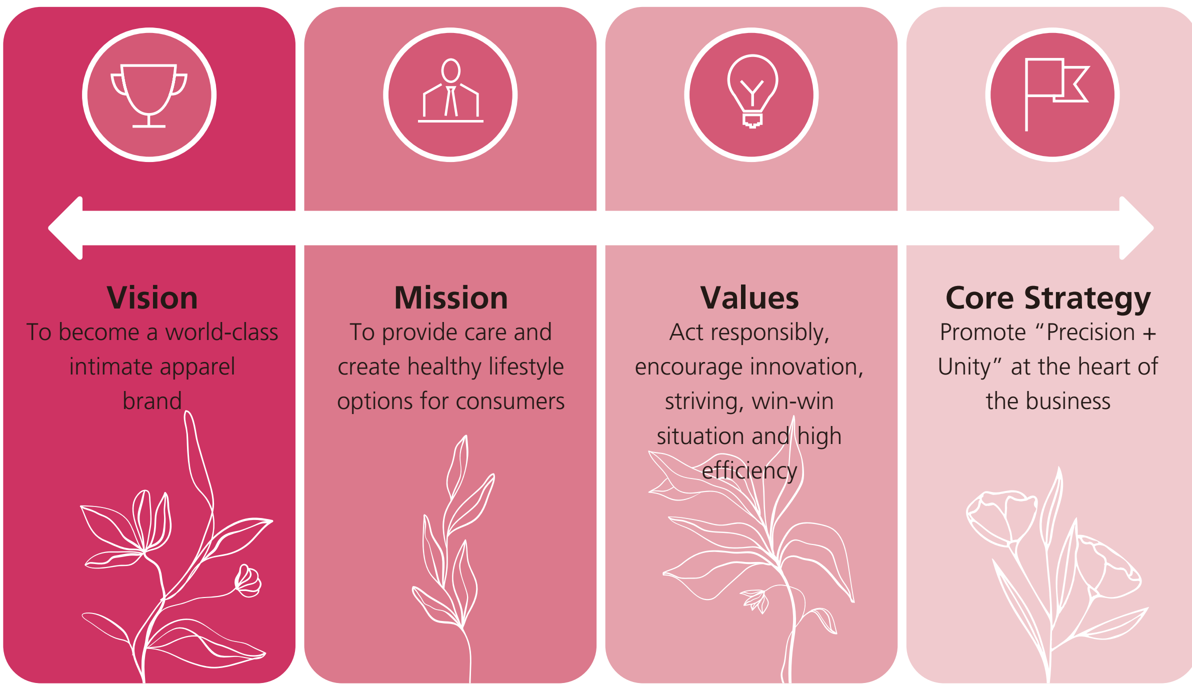
- Balance: The Report impartially describes the Group's performance during 2023, to avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.

- Consistency: The reporting scope and preparation method of this Report were substantially consistent with the year ended 31 December 2022 ("2022"), and explanations were provided regarding data with changes in the scope of disclosure and calculation methodologies.

The governance structure and practices of the Group are set out in the "Corporate Governance Report" of the 2023 Annual Report and the section headed "Message from the Board" of this Report.

ESG APPROACHES

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



The Board oversees the ESG affairs of the Group and strives to enhance the sustainability of the Group in order to ensure socially and environmentally responsible business operations while generating strong returns for shareholders. ESG-related activities are implemented within the Group and they are monitored and reviewed at least once a year by the Board to raise awareness and encourage improvement.

STAKEHOLDER ENGAGEMENT

Open and transparent communication with the Group's stakeholders is a key element in helping to shape the Group's ESG visions, policies and practices. This Report is an essential tool to engage the Group's stakeholders in order to understand and address their concerns and interests. The Group has a wide range of stakeholders, including the Group's employees, customers, suppliers, industry associations, shareholders and investors, as well as the community-level stakeholders. The Group actively engages with a wide range of stakeholders through a diversifying range of channels to understand their expectations. The results are as shown below:

Stakeholders	Communication Channels	Expectations
Employees	• Employee activities • Employee newsletter • Employee appraisal interview • Training, seminars and briefings	• Health and safety • Equal opportunities • Remuneration and benefits • Career development
Customers	• Daily operation and communication • Customer hotline	• Product and service quality • Business integrity • Privacy protection • Compliance management
Suppliers	• Procurement process • Daily operation and communication • Regular review and evaluation	• Fair and transparent procurement • Business ethics and reputation • Long-term partnerships and win-win collaboration
Industry association	• Email • Factory visits • Association meeting	• Industry collaboration
Shareholders and investors	• Company website • Interim and annual report • Announcements and communications • Shareholders' meeting	• Economic performance • Development strategy • Business outlook • Timely disclosure of the latest company information • Compliance with relevant laws and regulations
Community	• Social media • Community investment • Press release	• Corporate social responsibility • Environmental protection • Compliance

Relying on the Group's past stakeholder engagement results and ongoing communication channels, the Group continues to gather fair insights into the ESG performance and prioritize areas for improvement in its business operations.

MATERIALITY ASSESSMENT

To gain a better understanding of stakeholders' opinions and expectations regarding the Group's ESG performance, we adopted a systematic approach to conduct the annual materiality assessment. Drawing insights from its business development strategy and industry practices, the Group identified and confirmed a list of significant ESG matters, covering five major categories: corporate governance, environmental protection, employment and labor practices, operating practices, and community investment. The Group compiled an online survey based on the list and invited relevant stakeholder representatives to rate the importance of ESG-related material topics to the Group.

The following list of material topics was based on the ranking (from high to low) of the potential material topics according to stakeholder representatives:

	Material topics	
High	**Medium**	**Low**
• Regulatory compliance • Product responsibility • Health and safety • Anti-corruption • Supply chain management • Employment • Employee benefits and welfare • Care for employees	• Labor standard • Development and training • Use of resources • The environment and natural resources • Emissions • Climate change	• Community investment

EMPLOYMENT AND LABOR PRACTICES

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

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

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

Employment

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

Understanding that the success of a sustainable business relies on a talented and engaged workforce as well as a balanced and positive working environment, the Group encourages employees to pursue their career paths within the Group. The Group provides multiple promotion tracks for career progression and tailored on-the-job training. As of 31 December 2023, the Group had approximately 2,600 full-time employees in total. Given the nature of the business, the workforce is mainly composed of females and youths.

Details on the breakdown of the Group's employees within the reporting scope as at the dates indicated are shown in the following:

Number of employees	**As at 31 December 2023**	As at 31 December 2022
Total	**2,607**	3,003
By Gender		
Male	**618**	607
Female	**1,989**	2,396
By Age Group		
<30	**893**	1,113
30–50	**1,608**	1,838
>50	**106**	52
By Geographical Region		
Mainland China	**2,605**	3,000
Hong Kong, China	**2**	3
By Employee Category		
Senior and middle management[1]	**331**	372
Non-managerial employees	**2,276**	2,631

Note:

1. In 2023, there were 47 males and 58 females in senior management; and 85 males and 141 females in middle management.

Employee Benefits and Welfare

The Group understands that remuneration and welfare are important ways of demonstrating corporate ethics and employee value. The Group strictly complies with various relevant laws and regulations while at the same time having a range of welfare policies to attract and retain workers, in an effort to provide commensurate remuneration and welfare for all employees. The employee handbook was formally published, which stipulates policies and procedures relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, as well as diversity, anti-discrimination, welfare, and other benefits. Meanwhile, human resource management systems are also implemented to simplify compensation and performance, attendance and leave records and promotion procedures, all initiatives are reviewed annually based on market conditions and in line with business strategy. The Group's remuneration and performance management system, remuneration policy and bonus system are to ensure that the overall remuneration of employees is fair and competitive, based on the employees' work experience, qualifications, personal performance and prevailing market conditions. Employee bonuses are based on their performance evaluations, the operating results of the business units and the overall operations of the Group, and most of the Group's remuneration packages are above average when compared to its industry peers.

The Group pays "five social Insurances and one housing fund" for employees under the Social Insurance Law of the PRC, namely, endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance, and housing provident fund to ensure employees are covered by social insurance. The Group also contributes to the Mandatory Provident Fund for employees in Hong Kong in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong.

Promotion and Dismissal

The promotion of employees is determined by appraisals conducted regularly by the Group's management to evaluate work performance. Through organizational optimization and talent structure alignment, the Group experienced improved human resources efficiency. Based on the human resources efficiency indicator, the Group experienced a reduction in personnel cost since under this method the good prevails and the inferior will lose. Through salary reform, an income mechanism linked to performance goals was formed. Management positions are recruited through competition to allow young, high-potential, high-performance talents to emerge, driving the rational flow of talents within the entire organization.

In the event of employee dismissal, the Group will ensure that the termination procedure is compliant with internal policy and relevant laws and regulations and that the termination of the relevant employment contract has a reasonable and lawful basis. For employees who underperform or make mistakes repeatedly, the Group will first issue verbal warnings, then written warnings. The Group will consider dismissal of employees who repeatedly fail to respond to such warnings in accordance with relevant regulations. Details on the loss of office arrangements and termination of labor contracts are set out in the "Employee Handbook".

The employee turnover rates of the Group within the reporting scope in the specified periods are shown in the following:

Employee turnover rate[2]	**2023**	2022[3]
Total	**15.19%**	9.89%
By Gender		
Male	**12.14%**	10.05%
Female	**16.14%**	9.85%
By Age Group		
<30	**23.29%**	14.11%
30–50	**11.13%**	7.29%
>50	**8.49%**	11.54%
By Geographical Region		
Mainland China	**15.16%**	9.90%
Hong Kong, China	**50.00%**	–

Notes:

2. Turnover rate = Employees in the specified category leaving employment ÷ Number of employees in the specified category × 100%.

3. For comparison with 2023, the Group has updated the presentation of employee turnover rates of 2022.

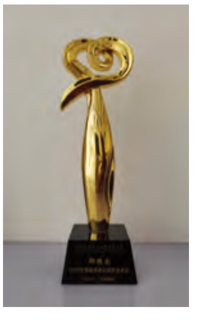
Care for Employees

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

To foster a sense of belonging, the Group organized diverse entertainment and employee engagement activities, including team building activities, staff birthday parties, and photo days throughout 2023. Details of the events were typically announced through the official WeChat account of the Group. The Group upholds the values of a healthy work-life balance, well-being, and personal growth for the employees. Flexible working arrangements and paid leave are offered to employees to enhance their mental and physical well-being. Holding summer holidays childcare sessions at office building to help employees alleviate the task of taking care of their children and promote a healthy lifestyle. In addition, in 2023, the Group introduced parental leave and single childcare leave to fully support employees' family needs. To prioritize employee health, the Group also provides annual health check-ups for the employees. The Group also makes use of a number of channels to facilitate transparent and effective communication between the Group's management and other employees, including informal gatherings, newsletters, office administrative bulletins, and online social networking groups.

Case Sharing: Summer holidays childcare session #10

In order for children to broaden their horizons and increase their knowledge, different departments collaborated to organize learning activities for the children of the summer school in the form of study tours. Read about the world, grow in knowledge, with curiosity about time, have the desire to know the unknown, be curious about the future world, the students in the summer school started a study tour "through time and into the world of science and technology".



The Group was awarded the certificate for the "Best Employer in China 2023" by the CHiRC in the 18th Employer Branding Promotion Conference. Two directors of the Group received the Most Caring Entrepreneur Award for Employee Development (最關注員工發展企業家獎) and the Most Socially Responsible Entrepreneur Award (最具社會責任企業家獎), respectively in 2023.

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

Health and Safety

The Group regards the health and safety of the employees as a priority, with regular health checks arranged for the employees. In addition to fulfilling the basic statutory responsibilities of occupational safety, such as the Law of the PRC on Production Safety, the Law of the PRC on Prevention and Control of Occupational Diseases and the Occupational Safety and Health Ordinance of Hong Kong, the Group has formulated a policy on "Injury Prevention and Safety Management System" and implemented internal controls to ensure a zero-hazard workplace to minimize the threat of possible injuries or fatal accidents and regularly conducts fire safety drills for emergency response. In line with the occupational health and safety assessment series, the Group has established an "Occupational Health and Safety Management System" with reference to OHSAS 18001:2007, which focuses on the comprehensive identification, assessment, and implementation of preventive measures for hazards within the Group's area of responsibility. The Group will arrange daily inspections by internal personnel, monthly and annual inspections, and tests by professional organizations to ensure that safety control measures are effectively maintained. The Group was awarded ISO 45001:2018 Occupational Health and Safety Management System certification in recognition of its efforts to provide a safe and healthy workplace through the prevention of work-related injuries and diseases and proactive improvement of occupational safety and health performance.

During the past three years, including 2023, the Group has not recorded any fatal accidents nor has it made any compensation payments to its employees resulting from such incidents. In 2023, the Group experienced a total of 40 workdays lost due to occupational injuries (2022: 260 workdays). The Group has not identified any significant issues that would have a material impact on the Group and constitute serious violations of relevant health and safety laws and regulations.

Development and Training

Development programs are a fundamental part of the Group's core strategy to attract new talents, enhance employees' potential and retain existing employees. The Group intends to create an atmosphere of continuous learning and team skills enhancement to meet the needs of the fast-changing market and industry. In order to maintain the Group's professionalism, the Group timely provides development programs such as local training, cultural and sports events and career development planning to relevant employees, thereby enhancing employee engagement and developing and upgrading the skills of future talents. The Group has an internal "Training Management Policy" that provides operational guidelines and operational instructions for training within the Group, so as to coordinate and provide appropriate and standardized training to employees, meeting the needs of sustainable operations and human resources development in terms of talent training and development.

In 2023, the Group provided training sessions to all the employees. The respective percentage of employees trained and average training hours per employee by categories in the specified periods are summarized below:

	2023		2022	
	Average training hours[4]	Percentage of employees trained[5]	Average training hours[4]	Percentage of employees trained[5]
By Gender				
Male	**60**	**100%**	32	100%
Female	**60**	**100%**	82	100%
By Employment Category				
Senior and middle management	**65**	**100%**	110	100%
Non-managerial employees	**46**	**100%**	60	100%
Store salesman	**80**	**100%**	63	100%

Notes:

4. Average training hours by category = total number of training hours of employees by category ÷ total number of employees being trained by category.

5. Percentage of employees trained = total number of employees being trained by category ÷ total number of employees by category × 100%.

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

Labor Standards

The Group places great importance on the rights and interests of our employees, and the Group's policy of employment and labor standards is fully compliant with the Labor Laws of the PRC and the Employment Ordinance of Hong Kong as well as other applicable laws and regulations of the jurisdictions in which it operates. Regular review mechanisms on employment arrangements encompassing working environment, social insurance, and non-discrimination are in place to preserve the rights of employees. The Group has established precautionary measures to prevent immoral or corrupt practices within its business operations in line with its commitment to conduct ethical business. These measures are continuously improved to align with necessary remedial measures. In case there is any child labor and forced labor being discovered, the Group will terminate the employment contract immediately and impose appropriate penalties on the erring employees.

In strict compliance with the Labor Contract Law of the PRC, the Law of the PRC on Promotion of Employment, and the Employment Ordinance of Hong Kong, the Group prohibits any form of forced labor and hiring of child labor, as stipulated in the "Recruitment Management" manual and the "Employee Handbook". At the same time, the Group strictly follows the Provisions on the Prohibition of Using Child Labor of PRC and the Employment of Children Regulations of Hong Kong to protect the human rights of children and disadvantaged groups.

OPERATING PRACTICES

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

- Supply chain management
- Product responsibility
- Anti-corruption

Supply Chain Management

The Group has an extensive supply chain network in the PRC for sourcing garments in Guangdong, Jiangsu, Zhejiang, Shanghai and other regions in the PRC. The Group continues to adopt stringent supplier selection criteria and regularly evaluates supplier performance. In 2023, the Group worked closely with 105 outstanding suppliers to further stabilize its business and continue to provide high quality products to its customers. This section will further describe the Group's supply chain management process.

Supplier location	2023	2022
Guangdong	86	84
Jiangsu, Zhejiang and Shanghai	13	16
Other regions in the PRC	6	4

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

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

Pre-screening	• Assess the supplier's supply chain management procedures, production capacity, product quality, and research and development ("R&D") capabilities
Implementation	• Implement the procurement and production plan according to the Group's product listing specification as well as the supplier's comprehensive production capacity • Monitor production and supply progress and quality
Testing	• Evaluate the supplier's performance indicators such as R&D capabilities, degree of production coordination, delivery conditions and product quality on a monthly or quarterly basis • Provide training and incentives to the suppliers according to their performance evaluation

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

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

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

The Group established the "Business Integrity Agreement" and the "Supplementary Agreement on Quality Management Improvement", which take into consideration the performance in terms of compliance; energy conservation; environmental protection; energy conservation and emission reduction, and occupational health and safety, it puts forward specific requirements for suppliers to abide by business ethics, uses energy-saving and environmentally friendly materials, and energy-saving and emission-reduction technologies.

Product Responsibility

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

- Quality and safety of products and services

- R&D and design

- Product transport and packaging

- Customers

Protection of Consumer Data and Privacy

Specifically, product responsibilities are categorized into three major areas, namely, product information, selection and advice, and accidental injury and privacy protection. In response to the Group's concerns regarding product safety and customer privacy issues, the Group has implemented a set of product quality and safety procedures that deal with the pre-sales and post-sales business phases. These procedures encompass the Group's advertisements, store shopping guides, and customer service hotlines (i.e., telephone and network) among other service sectors. In addition, the Group provides a "7-day no reason return and exchange" after-sales service, ensuring that customers can return or exchange products within 7 days of purchase to meet their needs and provide excellent after-sales support.

Activities such as online ordering and other interactive programs require the Group to handle or retain customers' sensitive information such as personal contact details and their product preferences. Therefore, strict policies are in place to protect the personal data collected for transaction purposes. To prevent information leakage, the Group has also implemented a secure member management system that serves the purpose of data collection, transmission, and storage of membership information. In 2023, there have been no complaints regarding customer privacy or loss of customer data. The Group has complied with relevant law and regulations including but not limited to the Personal Data (Privacy) Ordinance of Hong Kong and the Product Quality Law of the PRC during 2023.

Quality Assurance

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

To prevent any adverse effect of products on consumers, the Group's quality control department adopts the most stringent quality inspection procedures that adhere to national standards. The Group obtained ISO 9001:2015 certification for underwear design, production, sales, warehousing, and freight transportation (within permitted areas) processes. The achievement reaffirms the Group's commitment to ensuring the consistency of products and services quality. As a pioneer for product quality within the industry, the Group established an in-house physical and chemical laboratory to support the supply chain. The Group's testing capability has long been compared with national laboratory testing technology to maintain the level, the testing technology is in line with the technical capabilities of nationally accredited laboratories.

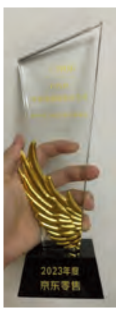
The Group has established the "400 Hotline Service Procedure" to standardize the customer service details and follow-up procedures of the "400 Hotline". To improve customer satisfaction, an independent department was established with personnel responsible for hotline work, including consultation and complaints handling for consumer and franchise customer service. At the same time, in order to ensure that high-quality customer service is provided by each employee, the Group will record the customer satisfaction data of the "400 hotline" to evaluate the service level of each employee and to understand the needs of customers and expectations. In 2023, there were no products recalled due to safety and health reasons. The Group received a total of 147 complaints regarding products and services, all of them have been followed up on and addressed. The percentage of total products sold or shipped subject to complaints about quality and other reasons is maintained at a level lower than 0.003% refund rate which is lower than the industry average. In addition, the Group has established "E-commerce Platform Customer Returned Products Management Measures" and "Returned Product Quality Determination Procedure" to screen the returned products to ensure that they meet the requirements of the Group's standards, that substandard products will not be sold, thereby minimizing the incidence of customer complaints.

Protection of Intellectual Property Rights

The Group consults legal advice from solicitors for drafting patent licence agreements or service contracts to prevent any infringement of intellectual property rights (i.e., trademarks, patents and designs) as well as ensuring all business activities are in compliance with all the national laws and regulations such as the Patent Law of the PRC and the Implementation Rules of Patent Law of the PRC). In 2023, there was no infringement on intellectual property rights. For online procedures, the Group has established a dedicated team responsible for weekly monitoring of several e-commerce platforms such as Taobao, JD.com, Pinduoduo, and Xiaohongshu identifying any counterfeit trademarked products or infringement clues available on the market. The Group takes action against counterfeit products by filing complaints with the platforms to remove infringing goods or stores. Additionally, the Group may report the infringement to relevant local authorities or initiate legal proceedings as necessary.

Advertising and Labelling

The Group prohibits advertisements to disclose descriptions, claims or illustrations that are not true. To align with the relevant laws and code of practices, the Group has established procedures to ensure that our published advertisements are truthful, fair and reasonable, and free of misleading elements for the protection of consumers' interests. In 2023, the Group won several prestigious awards and recognitions for its quality products and service commitments. These include the following awards:



1. Guangdong Specialized and Innovative Enterprise (廣東省專精特新企業)
2. Guangdong Top 500 Manufacturing Enterprises (廣東省製造業500強)
3. Jingdong Retail Consulting Service Excellence Award (京東零售諮詢服務超凡獎)
4. 2023 Brand Value Communication Award (2023年度品牌價值傳播獎)
5. High-Quality Growth Brand of the Year in the New Tide of Consumption "Go for High QUALITY2023 High Quality Growth Brand Survey" (浪潮新消費「Go for High QUALITY2023高質量成長品牌大調研」年度高質量成長品牌)
6. Most Valuable Large Consumer Company in the 8th Zhitong Finance Listed Company Awards (第八屆智通財經上市公司評選中獲得最具價值大消費公司)

Anti-corruption

The Group regards honesty, integrity, and fairness as valuable intangible assets of an organization. To promote ethical behaviors within business operations, the Group formulated the "Anti-fraud Reporting Incentive scheme" and "Supplier Anti-Commercial Bribery Agreement Regulations" based on the Criminal Law and the Anti-unfair Competition Law of the PRC and the Prevention of Bribery Ordinance in Hong Kong. Anti-corruption policies and training are regularly reviewed, adopted, delivered, and communicated within the Group. The Group has developed the following guidelines and management systems:

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

The Group has a zero-tolerance policy for any form of unethical behavior, including fraud, bribery, forgery, extortion, conspiracy, embezzlement and collusion. Employees shall not abuse their position to obtain illegal benefits in the form of money or non-pecuniary. The Group continues to implement the "Related Party Transaction Reporting System", where employees are required to report potential conflicts of interest, receipt of gifts of any kind and related party transactions within one month of receiving the benefit. In order to better communicate the expectations of employees' conduct and to implement relevant anti-corruption measures, the Group has established a "Reward and Punishment Management System" and regularly disseminated anti-corruption knowledge to employees, 7 sessions of "Integrity Culture Knowledge Presentation" with a total learning of 3.5 hours were conducted for new employees and anti-corruption case warning and presentation on the "Sunshine Beauty" WeChat platform were carried out more than once a month to enhance the employees' anti-corruption awareness. In 2023, "Sunshine Beauty" WeChat platform released 98 articles on anti-corruption, and the content is available to all personnel (including but not limited to employees and directors) for review. Besides, a reporting hotline was set up. Once an incident of unethical behavior is reported, investigated and verified by the risk management center, the Group will impose penalties accordingly. Employees involved in unethical behavior may be subject to the following penalties:

- Termination of labor contract
- Disciplinary action and recovery of the losses caused to the Group
- Legal proceedings to recover possible financial damage caused to the Group

As an effective anti-corruption program requires the full cooperation of all stakeholders, the Group requires suppliers and third-party companies to agree to revised anti-bribery agreements to ensure the integrity of all transactions. The Group's risk management center also works with local legal and law enforcement authorities to follow up on confirmed corruption cases and other wrongdoings, the Group will continue to assist the judiciary in preventing and combating economic crimes. To minimize the risk of wrongdoing that could seriously damage the Group's reputation, the Group encourages employees to report any suspected bribery through our reporting hotline and email. Meanwhile, the Group has not received any significant complaints or cases through procedures such as reporting hotline and email.

In 2023, the Group did not identify any significant issues that violated laws and regulations related to preventing bribery, extortion, fraud, and money laundering, and also no concluded corruption litigation cases involving the Group.

ENVIRONMENTAL PROTECTION

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

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

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

Environmental targets

Taking into account international concerns and the Group's own operational needs, the Group established these three-year targets in 2022 to reduce carbon emissions and waste emissions, and better utilize resources. By setting these targets and actively working towards them, the Group demonstrates its commitment to sustainable development, environmental protection, and responsible business practices. These efforts not only align with global environmental trends but also contribute to the Group's long-term success and resilience.

Aspect	Target	Progress
Greenhouse gas ("GHG") emission	In 2022, the Group set a target to maintain or reduce the intensity of GHG emissions over the next three years as compared with 2021.	In progress. The Group strives to further lower GHG emissions in the future through a series of energy-saving initiatives.
Waste management	In 2022, the Group set a target to maintain or reduce the intensity of hazardous and non-hazardous wastes emissions for the next three years as compared to 2021.	In progress. The Group did not produce material hazardous waste in its operation. Better packaging will be explored to further reduce the packaging material consumption.
Energy management	In 2022, the Group set a target to maintain or reduce the intensity of energy consumption for the next three years as compared to 2021.	In progress. The Group has implemented energy-saving measures in the hope to reduce energy consumption in the coming year.
Water management	In 2022, the Group set a target to maintain or reduce the intensity of water consumption for the next three years as compared to 2021.	In progress. The Group will continuously issue water-saving reminders to employees; adjust the water pressure of faucets to appropriate levels; conduct regular inspections of water sources to prevent leaks; and implement effective water resources recycling practices.

Emissions

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

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

- Encourage the use of reusable stainless-steel tableware and restrict the use of disposable items in the staff canteen;
- Apply unrestricted fertilizers, pesticides and detergents for daily operations;
- Inspect grease trap to identify any further maintenance required;
- Direct large-scale publicity and promotional activities would keenly endorse the proper use and handling of recyclable materials;
- Reuse existing office equipment and furniture after the relocation of office; and
- In 2023, reallocate redundant equipment and furniture from existing retail stores or reusable equipment and furniture from closed retail stores to new retail stores opened.

Furthermore, the Group has established the "Management Measures for Water, Air, and Soil Pollution Prevention and Control" internally. These measures are based on relevant laws and regulations and outline provisions for preventing water, air, and soil pollution to protect the environment of the Group and its surrounding areas. The Group takes various measures to minimize environmental pollution, such as adopting clean production processes that have high material utilization efficiency and minimal pollutant emissions, thereby reducing the generation of air pollutants; and strict operational and maintenance systems are implemented for equipment and facilities that could potentially become pollution sources. At the same time, the Group understands the market concerns for value chain management, and will explore the readiness to expand the disclosure of GHG emissions to cover other GHG emissions (Scope 3), and disclose related data when the data collection mechanism is mature.

The Group regularly monitors the latest environmental protection laws and regulations at the national and regional levels to strengthen its environmental protection measures, striving to comply with local government regulations and implement environmental policies. The Group strictly adheres to regulations including but not limited to the "Environmental Protection Law of the People's Republic of China," the "Water Pollution Prevention and Control Law of the People's Republic of China," and the "Waste Disposal Ordinance" in Hong Kong. In 2023, the Group did not have any significant issues of non-compliance with local environmental laws and regulations regarding emissions of exhaust gases and GHG, pollution discharge into water and land, or the discharge of hazardous and non-hazardous waste.

Use of Resources

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

Energy-saving initiatives	Water resources preservation initiatives
• Control air conditioning temperature and reduce air conditioning execution time through the air conditioning light intelligent management platform • Promote the culture of environmental friendliness to staff • Maintain an average indoor temperature of 26°C • Install LEDs or energy-efficient lights in offices and shops • Utilize natural light when possible in the interior design of department stores to reduce the energy used for lighting	• Install efficient water dispensers that minimize water wastage • Provide water conservation training to staff • Adopt stricter water utilization supervision to reduce water usage within operational processes • Install flow regulators for faucets

The Group's "Management Measures for Water, Air, and Soil Pollution Prevention and Control" clearly outlines measures for wastewater management such as promoting the use of clean production processes with high material utilization efficiency and minimal pollutant emissions to reduce water pollution. The Group has no issues regarding the acquisition of suitable water sources.

The Group also has the "Water/Energy Conservation Management Regulations" in place to educate employees about saving energy and reducing waste. Each department is required to provide training on electricity conservation awareness to employees, strict operating procedures must be followed for machinery and equipment with high electricity consumption, and process improvements are implemented to reduce energy consumption while increasing production output. These measures aim to achieve energy savings by improving the production capacity per unit of electricity consumed.

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

- Optimise product wrapping design to mitigate over packing of finished products;
- Repair and re-use damaged cargo pads to minimize timber consumption;
- Recycle product carton; and
- Replace paper receipts by adopting electronic based record.

The Group does not generate any material hazardous waste during its production and operations. In 2023, the total amount of non-hazardous waste generated by the Group was approximately 1.8 tonnes of domestic wastes, with an intensity of 0.00065 tonnes/revenue (in million)[6]. The Group strives to implement the four basic principles of waste reduction, namely, reduce, reuse, recycling and replace, and has promoted the concept of waste segregation in its operations to manage waste.

Note:

6. As at 31 December 2023, the Group's revenue was RMB2,757.08 million (as at 31 December 2022: RMB3,008.76 million). Such data will also be used for other intensity calculation.

The Environment and Natural Resources

The Group is committed to managing its impacts on the environment and natural resources. With various targets and responsibility assessments, strict environmental management policies are in place to strive for continuous improvement in the environmental management system. These strategies aim to minimize the negative impacts on the environment and natural resources when the Group conducts business. The Group's commitment to environmental protection is evident throughout its factory, office space and other facilities. For instance, the Group installed an air quality-processing device that measures and assesses the quality of air emitted from exhaust pipes in the staff cafeteria. The Group also controls noise pollution from facilities, by prohibiting the use of car horns in the factory. The plant equipment is calibrated in a timely manner to prevent environmental impact.

Climate Change

The public's awareness of climate change continues to increase, and climate change is also one of the most frequently discussed topics internationally. The latest Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report further warns of the severity and urgency of the climate crisis. The Group understands the importance of identifying and mitigating major climate-related issues, pays close attention to the potential impact of climate change on the Group's business and operations, and is committed to managing potential climate-related risks that may affect the Group's business activities. According to the reporting framework developed by the Task Force on Climate-Related Financial Disclosures, climate-related risks are divided into two categories: physical and transition risks. The Group has incorporated climate change-related risks into enterprise risk management so as to identify and mitigate potential risks.

Physical risk

The increased frequency and severity of extreme weather events, such as typhoons, storms, heavy rain, extreme cold or extreme heat, will bring immediate and long-term physical risks to the Group's business. Extreme weather events can threaten the personal safety of our employees, as well as damage the Group's properties and facilities, resulting in direct financial losses. Although the Group has not identified significant immediate climate risks at its campuses and offices, we are aware of the need to strengthen our protection against future extreme climate risks and emergencies. To minimize potential risks and hazards, the Group has put in place countermeasures, including flexible working arrangements and precautionary measures under severe or extreme weather conditions; buying insurance and taking proactive measures to communicate and inform employees in advance about the arrangements and protocols in place during severe weather conditions. We will explore contingency plans to further avoid damage to our facilities due to extreme weather events to improve business stability.

Transition risk

The Chinese government proposed in September 2020 that carbon dioxide emissions will strive to achieve a "carbon peak" by 2030 and endeavour to achieve "carbon neutrality" by 2060. In line with the achievement of the global carbon neutrality vision, the Group anticipates that there will be changes in regulation, technology and market landscape caused by climate change, including the tightening of national policies and listing rules and the generation of environment-related taxes. Stricter environmental laws and regulations may expose companies to a higher risk of claims and litigation, potentially incurring additional compliance costs and impacting on the Group's reputation.

In response to policy, legal risks and reputational risks, the Group continuously monitors any changes in laws or regulations and global trends in climate change to avoid an increase in costs, fines for non-compliance or reputational risks due to slow responses. In addition, the Group has been taking comprehensive measures to protect the environment, including measures aimed at reducing GHG emissions, and has set targets to gradually reduce our energy consumption and GHG emissions in the future.

With the increasing awareness of ESG issues among customers, insufficient transparency or the products offered not meeting customer requirements may result in missed business opportunities. The Group actively collaborates with its customers to promote sustainable development initiatives, conduct stakeholders engagement and materiality assessment, and publish ESG reports to enhance information transparency.

Environmental Performance

Environmental performance data in the specified periods are as follows[7]:

Environmental KPIs[8]	Unit	2023	2022
NOx emissions	tonne	**0.304**	0.433
SOx emissions	tonne	**0.000365**	0.000404
Particulate matter emissions	tonne	**0.0275**	0.0423
Total GHG emissions	tCO_2e	**5,282.32**	4,746.74
GHG Emissions Intensity	tCO_2e/revenue (in million)	**1.916**	1.578
GHG emissions (Scope 1)	tCO_2e	**146.91**	157.89
GHG emissions (Scope 2)	tCO_2e	**5,135.41**	4,588.85
Total energy consumption[9]	GJ	**23,859**	21,604
Total energy consumption intensity[9]	GJ/revenue (in million)	**8.65**	7.18
Total direct energy consumption[9]	GJ	**870**	962
• Petrol[9]	GJ	**348**	422
• Diesel Oil[9]	GJ	**522**	540
Total indirect energy consumption[9]	GJ	**22,989**	20,642
• Purchased electricity[9]	GJ	**22,989**	20,642
Water consumption	m^3	**94,243**	185,100
Water consumption intensity	m^3/revenue (in million)	**34.18**	61.49
Packaging material	tonne	**351**	455
Packaging material intensity	tonne/revenue (in million)	**0.13**	0.15

Notes:

7. The scope of data covered in this report includes Fenggang Office, Fumin and Tianan Industrial Park, but excludes the retail stores.

8. Air emissions data referenced including but not limited to "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange; GHG emissions data are presented in terms of carbon dioxide equivalent, and referenced including but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, "China Regional Power Grid Baseline Emission Factors for Emission Reduction Projects in 2019" and the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5); energy consumption data calculation referenced including but not limited to the "Energy Statistics Manual" issued by the International Energy Agency.

9. To facilitate readers' comparison, the Group also presents energy consumption related data in terms of MWh. In 2023, total energy consumption was approximately 6,628 MWh, total energy consumption intensity was approximately 2.40 MWh/revenue (in million); in which direct energy consumption and indirect energy consumption were approximately 242 MWh and 6,386 MWh respectively. In 2022, total energy consumption was approximately 6,001 MWh, total energy consumption intensity was approximately 1.99 MWh/revenue (in million); in which direct energy consumption and indirect energy consumption were approximately 267 MWh and 5,734 MWh respectively.

COMMUNITY INVESTMENT

As an industry leader in the intimate wear business in mainland China, the Group is actively exploring community investment opportunities and has encouraged its employees to work together to fulfill social responsibility and give back to the community. The Group participates in various activities such as voluntary activities, charitable donations, and activities to care for the community to support the youth, care for those in need, alleviate poverty, advocate the protection of women and cultivate culture every year. In 2023, the Group participated in 5 voluntary projects, our employees contributed a total of 75 hours of voluntary service.

In terms of health and protection, the Group is in long-term cooperation with the Dongguan Central Blood Station to organize employee blood donation and voluntary services to embody the values of humanity, fraternity, saving lives and healing the wounded. In 2023, the Group organized two collective voluntary blood donation drives, with a total of 74 employees participating and a combined blood donation of 24,100 mL. The Group actively engages in various philanthropic activities. At the beginning of 2023, the Group made a donation to the Guangdong Provincial Committee of the Communist Youth League for the "Youth Warmth" public welfare campaign and participated in the "Micro Light Becomes a Torch, Thriving in the Sunshine" (「微光成炬，向陽盛發」) charity assistance program in Fenggang. In addition, the Group actively engages in relief efforts and provides assistance to affected communities following natural disasters.

Case Sharing: Disaster relief donation to Jishishan County in Gansu Province

On 18 December 2023, an earthquake with a magnitude of 6.2 struck Linxia City in Jishishan County, in Gansu Province, China, causing heavy casualties. Taking into account the cold weather and the necessities of life, the Group donated warm supplies to the earthquake-stricken people in Jishishan County, in Gansu Province, including warm clothing sets, warm pants, pajamas, men's and women's underwear, etc. to support the frontline rescue work in the earthquake-stricken area and help the disaster-stricken people to resume their normal life as quickly as possible.

The responsible departments of the Group will maintain close contact with local non-governmental organizations, regularly participate in charitable activities organized by communal organizations, and monitor the donations and implementation of such activities to ensure the accountability and consistency of the Group's community investment philosophy. Looking ahead, the Group will continue to practice corporate social responsibility and make contributions to society.

REGULATORY COMPLIANCE

As a socially and environmentally responsible business, the Group recognizes the importance of regulatory compliance and has established preventive and monitoring measures to ensure compliance with relevant laws and regulations. The Group continuously stays abreast of the latest regulatory developments and will provide relevant training for relevant personnel.

In 2023, the Group did not observe any forms of non-compliance with laws and regulations that may cause a potential impact on the Group's operating areas, such as environmental protection and conservation, employment, labor practices, operational and organizational activities.

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

CONTENT INDEX OF THE ESG REPORTING GUIDE OF THE STOCK EXCHANGE

Mandatory Disclosure	Section/Statement
Governance Structure	The ESG Governance Structure
Reporting Principles	Reporting Framework
Reporting Scope	Reporting Scope

Subject Areas, Aspects, General Disclosure and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Protection – Emissions; Regulatory Compliance
KPI A1.1	The types of emissions and respective emissions data.	Environmental Protection – Environmental Performance
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection – Environmental Performance
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable. The Group did not generate significant amounts of hazardous waste in 2023.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Protection – Use of Resources
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environmental Protection – Environmental Targets, Emissions
KPI A1.6	Description of how hazardous and non- hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Protection – Environmental Targets, Emissions

Subject Areas, Aspects, General Disclosure and KPIs	Description	Section/Declaration
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Protection – Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Protection – Environmental Performance
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Protection – Environmental Performance
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Protection – Environmental Targets, Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Protection – Environmental Targets, Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Protection – Environmental Performance
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environmental Protection – The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Protection – The Environment and Natural Resources
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environmental Protection – Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Environmental Protection – Climate Change
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment and Labor Practices – Employment; Regulatory Compliance
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment and Labor Practices – Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment and Labor Practices – Promotion and Dismissal

Subject Areas, Aspects, General Disclosure and KPIs	Description	Section/Declaration
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employment and Labor Practices – Health and Safety; Regulatory Compliance
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Employment and Labor Practices – Health and Safety
KPI B2.2	Lost days due to work injuries.	Employment and Labor Practices – Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Employment and Labor Practices – Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employment and Labor Practices – Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Employment and Labor Practices – Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Employment and Labor Practices – Development and Training
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment and Labor Practices – Labor Standards; Regulatory Compliance
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment and Labor Practices – Labor Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Employment and Labor Practices – Labor Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operating Practices – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Operating Practices – Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Operating Practices – Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Operating Practices – Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Operating Practices – Supply Chain Management

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosure and KPIs	Description	Section/Declaration
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Operating Practices – Product Responsibility, Quality Assurance, Protection of Intellectual Property Rights, Advertising and Labelling; Regulatory Compliance
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable. There have been no products sold or shipped subject to recalls for safety and health reasons in this Report.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Operating Practices – Quality Assurance
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Operating Practices – Protection of Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Operating Practices – Quality Assurance
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Operating Practices – Protection of Consumer Data and Privacy
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Operating Practices – Anti-corruption; Regulatory Compliance
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Operating Practices – Anti-corruption
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Operating Practices – Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Operating Practices – Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

REPORT OF THE DIRECTORS

The board of directors of the Company (the "Board") is pleased to present its report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

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

The detailed principal activities of the subsidiaries of the Company are set out in Note 38 to the consolidated financial statements.

BUSINESS REVIEW

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

A description of the principal risks and uncertainties that the Company may be facing can be found in the Management Discussion and Analysis section on pages 10 to 15 of this report. Additionally, the financial risk management objectives and policies of the Company can be found in Note 3 to the consolidated financial statements. Discussions on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are provided on pages 35 to 60 of this report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated financial statements on pages 82 to 83.

No interim dividend was declared for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil). The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

DIVIDEND POLICY

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

- the Group's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the members of the Group;
- shareholders' interests;
- the Group's expected working capital requirements and future expansion plans;
- taxation considerations;
- the level of the Group's debts to equity ratio, return on equity and financial covenants;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;

- general business conditions and strategies;
- general economic conditions, business cycles of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- any other factors the Board deem appropriate.

The declaration, recommendation and payment of any dividends are also subject to all requirements of the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Cayman Companies Act") and the Memorandum and Articles of Association of the Company. The Dividend Policy will be reviewed when necessary, and can be revised and/or modified by the Board from time to time.

BORROWINGS

Details of borrowings of the Group as at 31 December 2023 are set out in Note 32 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 27 to the consolidated financial statements.

DONATIONS

During the year ended 31 December 2023, charitable and other donations made by the Group amounted to approximately RMB30,000 (2022: RMB3,035,000).

PROPERTY, PLANT AND EQUIPMENT

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

PRE-EMPTIVE RIGHTS

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

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

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

RESERVES

The distributable reserves of the Company as at 31 December 2023 amounted to approximately RMB1,667,247,000 (2022: RMB1,645,167,000).

Movements in reserves of the Group and of the Company during the year are shown in the Consolidated Statement of Changes in Equity on pages 86 to 87, and Note 27, Note 28 and Note 35 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and financial position of the Group for the preceding five financial years is set out on page 154.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2023, the percentage of the Group's turnover attributable to the Group's largest customer and the five largest customers in aggregate were approximately 1.4% and 3.3% (2022: 0.5% and 1.7%), respectively.

During the year ended 31 December 2023, the percentage of the Group's purchases attributable to the Group's largest suppliers and the five largest suppliers in aggregate were approximately 3.8% and 16.6% (2022: 3.0% and 12.3%) respectively.

During the year ended 31 December 2023, none of the Directors or any of their associates or any shareholders (which to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital) had any interest in any of five largest customers or suppliers of the Group.

DIRECTORS

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

Executive Directors

Mr. Zheng Yaonan
Mr. Zhang Shengfeng
Ms. Wu Xiaoli
Mr. Xian Shunxiang (appointed on 26 August 2023)
Mr. Zhu Hongbo (appointed on 26 August 2023)

Non-executive Directors

Mr. Lin Zonghong
Mr. Wen Baoma (retired on 2 June 2023)
Ms. Kong Xiangying

Independent Non-executive Directors

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

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

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

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

All Directors are subject to retirement by rotation at annual general meeting of the Company in accordance with the Company's Memorandum of Article of Association. Article 108 provides that at every annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The Directors to retire in every year shall be those who have been longest in office since their last election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election. In this connection, Mr. Zhang Shengfeng, Mr. Yau Chi Ming and Dr. Lu Hong Te will retire by rotation at the 2024 AGM and, being eligible, offer themselves for re-election.

Mr. Xian Shunxiang and Mr. Zhu Hongbo were appointed as executive Directors on 26 August 2023. In accordance with article 112 of the Company's Memorandum and Articles of Association, they will retire at 2024 AGM and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at 2024 AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CHANGES IN INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to the disclosure requirement under Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are as follows:

Dr. Dai Yiyi, the independent non-executive Director, resigned as an independent non-executive director, the chairman of the nomination committee and a member of the audit committee of Guangdong-Hong Kong Greater Bay Area Holdings Limited (stock code: 1396), a company listed on the Stock Exchange, with effect from 7 April 2023. He has been appointed as an independent non-executive director and a member of each of the audit committee, the remuneration committee and the nomination committee of C&D International Investment Group Limited (stock code: 1908), a company listed on the Stock Exchange, with effect from 26 April 2023.

Dr. Lu Hong Te, the independent non-executive Director, resigned as an independent non-executive director, a member of each of the audit committee, the nomination committee and the corporate governance committee of China SCE Group Holdings Limited (stock code: 1966), a company listed on the Stock Exchange, with effect from the conclusion of its annual general meeting held on 30 May 2023. He has resigned as independent director of Firich Enterprises Company Limited (stock code: 8076), a company listed on the Taipei Exchange, with effect from 12 June 2023. He has resigned as an independent non-executive director, a member of each of the audit committee and the nomination committee of China Lilang Limited (stock code: 1234), a company listed on the Stock Exchange, with effect from 5 February 2024.

Save as disclosed above, there was no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as at the date of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2023.

PERMITTED INDEMNITY PROVISION

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

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

As at 31 December 2023, the interests and short positions of the Directors and the chief executive of the Company or any of their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(i) Interest and short positions in the Company

Name of directors	Nature of interest	Number of shares held[(1)]	Approximate percentage of shareholding interest[(1)]
Mr. Zheng Yaonan[(2)]	Beneficial owner; Interest of controlled corporation; founder of a discretionary trust who can influence how the trustee exercises his discretion	800,464,201 (L)	35.58% (L)
Ms. Wu Xiaoli[(2)]	Beneficial owner; Interest of spouse; other (beneficiary of a discretionary trust)	800,464,201 (L)	35.58% (L)
Mr. Zhang Shengfeng	Founder of a discretionary trust who can influence how the trustee exercises his discretion	222,625,173 (L)	9.90% (L)
Mr. Lin Zonghong	Founder of a discretionary trust who can influence how the trustee exercises his discretion	106,290,277 (L)	4.73% (L)
Mr. Xian Shunxiang[(3)]	Beneficial owner	6,130,000 (L)	0.27% (L)
Mr. Zhu Hongbo [(4)]	Beneficial owner	2,810,000 (L)	0.12% (L)
Dr. Lu Hong Te	Beneficial owner	210,000 (L)	0.01% (L)

Notes:

(1) The letter "L" denotes the person's long position in the shares. The calculation is based on the number of ordinary shares that each person is interested in (whether directly/indirectly interested or deemed to be interested) as a percentage of the total number of issued ordinary shares (that is, 2,249,457,213 shares) of the Company as at 31 December 2023.

(2) Mr. Zheng Yaonan beneficially owns 47,279,799 shares, and Ms. Wu Xiaoli beneficially owns 2,321,000 shares, respectively. Mr. Zheng Yaonan and Ms. Wu Xiaoli are the spouse of each other, and are therefore deemed to be interested in the Shares held by each other under Part XV of the SFO. Ms. Wu Xiaoli is also one of the beneficiaries of a discretionary trust, founded by Mr. Zheng Yaonan, which holds the entire issued share capital of Yao Li Investment Holdings Limited.

(3) Mr. Xian Shunxiang was appointed on 26 August 2023. Mr. Xian Shunxiang beneficially owns 130,000 shares, and is interested in 6,000,000 awarded shares granted to him under the 2019 Share Award Scheme (as defined below), which remain unvested as at the date of this annual report.

(4) Mr. Zhu Hongbo was appointed on 26 August 2023. Mr. Zhu Hongbo beneficially owns Nil shares, and is interested in 2,810,000 awarded shares granted to him under the 2019 Share Award Scheme (as defined below), which remain unvested as at the date of this annual report.

(ii) Interest in associated corporations of the Company

As at 31 December 2023, none of the Directors or the chief executive of the Company or any of their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2023, the following shareholders (other than the Directors and chief executive) were interested, directly or indirectly, in 5% or more of the number of issued shares and the underlying shares of the Company and those interests were required to be recorded in the register required to be kept under Section 336 of the SFO:

Name	Nature of interest	Number of shares held[1]	Approximate percentage of shareholding interest[1]
TMF (Cayman) Limited[2]	Trustee	1,079,778,852 (L)	48.00% (L)
Great Brilliant Investment Holdings Limited[3]	Interest of controlled corporation; beneficial owner	750,863,402 (L)	33.38% (L)
Yao Li Investment Holdings Limited[2], [3]	Interest of controlled corporation	750,863,402 (L)	33.38% (L)
Harmonious Composition Investment Holdings Limited[3], [4]	Beneficial owner	735,018,732 (L)	32.68% (L)
Ms. Cai Shaoru[5]	Interest of spouse	222,625,173 (L)	9.90% (L)
Forever Flourish International Holdings Limited[6]	Beneficial owner	222,625,173 (L)	9.90% (L)
Xin Feng Asset Holdings Limited[2], [6]	Interest of controlled corporation	222,625,173 (L)	9.90% (L)
Fidelity China Special Situations PLC[7]	Beneficial owner	158,593,000 (L)	7.05% (L)
FIL Limited[7]	Interest of controlled corporation	158,593,000 (L)	7.05% (L)
Pandanus Associates Inc.[7]	Interest of controlled corporation	158,593,000 (L)	7.05% (L)
Pandanus Partners L.P.[7]	Interest of controlled corporation	158,593,000 (L)	7.05% (L)

Notes:

(1) The letter "L" denotes the person's long position in the shares. The calculation is based on the number of ordinary shares that each person is interested in (whether directly/indirectly interested or deemed to be interested) as a percentage of the total number of issued ordinary shares (that is, 2,249,457,213 shares) of the Company as at 31 December 2023.

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

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

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

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

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

(7) Fidelity China Special Situations PLC is indirectly controlled by FIL Limited, which is in turn owned as to 38.71% by Pandanus Partners L.P., which is wholly-owned by Pandanus Associates Inc. As such, each of Pandanus Partners L.P. and Pandanus Associates Inc. was deemed to be interested in the 158,593,000 shares of the Company held by FIDELITY CHINA SPECIAL SITUATIONS PLC.

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any persons (other than the Directors and chief executive) who had, directly or indirectly, interest or short positions in shares and underlying shares of the Company and those interests or short positions were required to be recorded in the register kept under Section 336 of the SFO.

SHARE SCHEMES

Share Option Schemes

2014 Share Option Scheme

The Company adopted a share option scheme on 9 June 2014 (the "2014 Share Option Scheme"), and was terminated on 2 June 2023 by way of an ordinary resolution passed at the annual general meeting of the Company held on 2 June 2023. Under the 2014 Share Option Scheme, there were no options granted, exercised, outstanding, cancelled or lapsed during the year ended 31 December 2023, nor was there any option outstanding at the beginning or at the end of the year. There was no option granted that remained outstanding under the 2014 Share Option Scheme as at the date of its termination on 2 June 2023. For further details, please refer to the circular of the Company dated 27 April 2023.

2023 Share Option Scheme

The Company adopted a share option scheme on 2 June 2023 (the "2023 Share Option Scheme") by way of an ordinary resolution passed at the annual general meeting of the Company held on 2 June 2023.

The principal terms of the 2023 Share Option Scheme are summarized as follows:

(a) Purpose

The purpose of the 2023 Share Option Scheme is to provide incentives or rewards to any eligible participants, including director and employee of the Group (the "Employee Participants"), related entity participants, including directors and employees of the holding companies (the "Related Entity Participants"), fellow subsidiaries or associated companies of the Company, and service providers, including person(s) who provide services to the Group on a continuing and recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group (the "Service Providers", together with the Employee Participants and the Related Entity Participants, the "Eligible Participants"), who in the sole discretion of the Board for their contribution or potential contribution to the development and growth of the Group.

(b) Participants

The Board shall be entitled at any time within the period of 10 years after the adoption date to grant options (the "Share Option(s)") to any of the Eligible Participants, who in the Board's opinion, has contributed or will contribute to the Group, to subscribe for such number of shares of the Company (the "Share(s)") as the Board may determine at the exercise price in accordance with the terms of the 2023 Share Option Scheme.

(c) Maximum entitlement of each participants

The maximum number of Shares issued and which may fall to be issued upon exercise of the Share Options and Awards (as defined in this report below) granted and to be granted to any participant under the 2023 Share Option Scheme, 2019 Share Award Scheme (as defined in this report below) and the share options and share awards granted under any other share schemes of the Company (including both exercised or outstanding share options) to each Grantee in any 12-month period shall not exceed 1% of the total number of Shares in issue. If any further grant of share options or share awards to a participant would result in the Shares issued and to be issued upon exercise of all share options or share awards granted and proposed to be granted to such person (including exercised, cancelled and outstanding options but excluding any share options and share awards lapsed in accordance with the terms of the relevant share scheme) under the 2023 Share Option Scheme, 2019 Share Award Scheme (as defined in this report below) and any other share schemes of the Company in the 12 month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant, among other things, must be separately approved by shareholders in general meeting with such participant and his/her close associates abstaining from voting.

(d) Acceptance of an offer of options

An offer of the grant of Share Option(s) under the 2023 Share Option Scheme shall remain open for a period of 28 days from the date on which such offer is made to a participant, provided that no such offer shall be open for acceptance after the tenth anniversary of the adoption date of the 2023 Share Option Scheme or after the termination of the 2023 Share Option Scheme. Participants are required to pay HK$1.00 as consideration for the acceptance of the grant.

(e) Exercise period

The period during which the Share Options granted can be exercised is to be determined and notified by the Directors to the grantee provided that such period shall not be more than ten years from the date of offer of such Share Options.

(f) Performance target, clawback mechanism and minimum holding period

Subject to such terms and conditions as the Board may determine, there is no minimum period for which a Share Option must be held before it can be exercised and no performance targets need to be achieved by the grantees before exercising the Share Options under the 2023 Share Option Scheme. There is also no clawback mechanism prescribed under the 2023 Share Option Scheme to recover or withhold any remuneration (which may include Share Options granted to any Grantee) from any Eligible Participants in the event of serious misconduct, a material misstatement in the Company's financial statements or other circumstances.

While the performance targets, if any, will be imposed on a case-by-case basis to ensure the Share Options vested would be beneficial to the Group, general factors to be taken into account include but not limited to (i) annual results and performance of the Group; (ii) key performance indicators of respective department(s) and/or business unit(s) that the grantee belongs; and (iii) individual position, annual appraisal result and other factors relevant to the grantee.

(g) Vesting period

The vesting period of Share Options granted under the 2023 Share Option Scheme shall be determined by the Board subject to a minimum period of no less than 12 months.

(h) *Basis of determining the exercise price*

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

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

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

(iii) the nominal value of the Shares on the date of grant.

(i) *Duration*

The 2023 Share Option Scheme shall be valid and effective for a period of ten years commencing on the adoption date, i.e. 2 June 2023.

As at the date of this annual report, the remaining life of the 2023 Share Option Scheme is approximately nine years.

During the year ended 31 December 2023, no Share Options was granted, exercised, expired, cancelled or lapsed and there was no outstanding Share Option under the 2023 Share Option Scheme.

Share Award Schemes

2016 Share Award Scheme

The Company adopted a share award scheme on 17 August 2016 (the "2016 Share Award Scheme"). The purpose and objectives of the 2016 Share Award Scheme are to recognize and motivate the contribution of the employees of the Group, help the Group in retaining its existing members of management and attract new talents to join the Group.

The 2016 Share Award Scheme was valid and effective from 17 August 2016 for ten years, The share award scheme adopted in 2016 has been terminated on 22 December 2020. As at the aforesaid date of termination, there was no unvested awarded Share granted under the 2016 Share Award Scheme.

2019 Share Award Scheme

The Company adopted a share award scheme on 28 June 2019 (the "2019 Share Award Scheme"), which was amended on 2 June 2023 by way of an ordinary resolution at the annual general meeting of the Company held on 2 June 2023. For further details of the amendments to the 2019 Share Award Scheme, please refer to the circular of the Company dated 27 April 2023. The 2019 Share Award Scheme has been amended to be funded by existing Shares and issue of new Shares.

The principal terms of the 2019 Share Award Scheme are summarized as follows:

(a) *Purpose*

The purpose and objectives of the 2019 Share Award Scheme are to enable the Board to grant awarded Shares ("Awards") to the Eligible Participants as incentives or rewards for their contribution or potential contribution to the Group. The basis of eligibility of any of the Eligible Participants to the grant of Awards shall be determined by the Board from time to time on the basis of the Board's opinion as to his contribution or potential contribution to the development and growth of the Group.

(b) *Participants*

The Board shall be entitled at any time within the period of 10 years after the adoption date to (i) grant such number of awarded Shares to any of the Eligible Participants, who in the Board's opinion, has contributed or will contribute to the Group (the "Selected Participants"), or his nominee at no consideration and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine; or (ii) grant such number of Awarded Shares to the trustee of any trust (including fixed or discretionary in nature) the beneficiaries of which include any one or more Eligible Participants and such grant shall be treated as being made to a Selected Participant.

(c) *Maximum entitlement of each participants*

The maximum number of Shares issued and which may fall to be issued upon exercise of the Share Options and Awards granted and to be granted to any participant under the 2023 Share Option Scheme, 2019 Share Award Scheme and the share options and share awards granted under any other share schemes of the Company (including both exercised or outstanding share options) to each Grantee in any 12-month period shall not exceed 1% of the total number of Shares in issue. If any further grant of share options or share awards to a participant would result in the Shares issued and to be issued upon exercise of all share options or share awards granted and proposed to be granted to such person (including exercised, cancelled and outstanding options but excluding any share options and share awards lapsed in accordance with the terms of the relevant share scheme) under the 2023 Share Option Scheme, 2019 Share Award Scheme and any other share schemes of the Company in the 12 month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant, among other things, must be separately approved by shareholders in general meeting with such participant and his/her close associates abstaining from voting.

(d) *Payment on acceptance of an Award*

Upon receipt of the grant notice, the Selected Participant shall confirm acceptance of the Awarded Shares being granted to him by signing and returning to the Company the acceptance form attached to such grant notice within ten business days after the date of the grant notice. Selected Participants are not required to pay the Company upon acceptance of the Award.

(e) *Performance target, clawback mechanism and minimum holding period*

Subject to such terms and conditions as the Board may in its absolute discretion determine, there is no performance target needed to be achieved by the Selected Participant before the Awards can be granted. There is also no clawback mechanism prescribed under the 2019 Share Award Scheme to recover or withhold any remuneration (which may include Share Options granted to any Grantee) from any Eligible Participants in the event of serious misconduct, a material misstatement in the Company's financial statements or other circumstances.

While the performance targets, if any, will be imposed on a case-by-case basis to ensure the Awards vested would be beneficial to the Group, general factors to be taken into account include but not limited to (i) annual results and performance of the Group; (ii) key performance indicators of respective department(s) and/or business unit(s) that the grantee belongs; and (iii) individual position, annual appraisal result and other factors relevant to the grantee.

(f) *Vesting period*

The vesting period of the new Shares granted under the 2019 Share Award Scheme shall be determined by the Board subject to a minimum period of no less than 12 months.

(g) *Purchase price*

Not applicable as there is no purchase price under the 2019 Share Award Scheme.

(h) *Duration*

The 2019 Share Award Scheme shall be valid and effective for a period of ten years commencing on the adoption date, i.e. 28 June 2019.

As at the date of this annual report, the remaining life of the 2019 Share Award Scheme is approximately five years.

The Cosmo Lady Employee Benefit Trust was established to manage the trust property of the 2019 Share Award Schemes. As at 31 December 2023, a total of 75,088,334 shares of the Company were held by the trustee.

Details of movements of the awarded Shares under the 2019 Share Awards Scheme during the year ended 31 December 2023 are as follows:

			Number of awarded Shares										
Grantees	Date of grant	Purchase price	Closing price immediately prior to the grant (HK$/Share)	Fair value as of date of grant of the awards granted (HK$/Share)	Weighted average closing price immediately before the vesting date of awards during the year ended 31 December 2023 (HK$/Share)	Unvested as at 1 January 2023	Granted *(Note 2)*	Vested	Forfeited	Cancelled	Lapsed	Unvested as at 31 December 2023	Vesting Period
Directors													
Mr. Zhu Hongbo	10 July 2020	-	0.55	0.60	0.40	700,000	-	(453,679)	(36,321)	-	-	210,000	10 July 2020 to 10 July 2023
Mr. Zhu Hongbo	1 January 2023	-	0.20	0.20	-	-	2,600,000	-	-	-	-	2,600,000	1 January 2023 to 31 December 2025
Mr. Xian Shunxiang	1 January 2023	-	0.20	0.20	-	-	6,000,000	-	-	-	-	6,000,000	1 January 2023 to 31 December 2025
The five highest paid individual (excluding Directors and chief executives)													
	28 June 2019	-	1.82	1.33	0.39	810,200	-	(374,959)	(45,941)	-	-	389,300	28 June 2019 to 28 June 2024
	1 January 2023	-	0.20	0.20	-	-	5,500,000	-	-	-	-	5,500,000	1 January 2023 to 31 December 2025
Employees													
	28 June 2019	-	1.82	1.33	0.39	14,038,600	-	(4,879,306)	(3,744,994)	-	-	5,414,300	28 June 2019 to 28 June 2024
	10 July 2020	-	0.55	0.60	0.39	4,815,000	-	(1,363,907)	(2,090,793)	-	-	1,360,300	10 July 2020 to 10 July 2023
	1 November 2021	-	0.56	0.55	0.40	1,350,000	-	(280,772)	(529,228)	-	-	540,000	1 November 2021 to 1 November 2024
	1 January 2023	-	0.20	0.20	-	-	20,100,000	-	-	-	-	20,100,000	1 January 2023 to 31 December 2025
						21,713,800	34,200,000	(7,352,623)	(6,447,277)	-	-	42,113,900	

Notes:

1. For the accounting standard and policy adopted for calculating the fair value of the Awards on the date of grant, please refer to note 29 to the consolidated financial statements in this annual report.

2. The vesting of each tranche of the awarded Shares above is subject to the achievement of certain vesting conditions as set out in the individual grant letters of the grantees. The Group has in place a standardised performance appraisal system for its employees to comprehensively evaluate their performance and contribution to the Group. The Company will determine whether the grantees meet the individual performance target based on their performance appraisal results for the relevant year. In case of partial achievement and satisfaction of the performance targets, the applicable awarded Shares may be vested in proportion to the performance targets actually achieved for the relevant year.

The awarded Shares vested under the 2019 Share Award Scheme during the year ended 31 December 2023 were funded by existing shares of the Company out of the Cosmo Lady Employee Benefit Trust. Accordingly, during the year ended 31 December 2023, the number of Shares issued by the Company under the 2019 Share Award Scheme was nil Shares, representing approximately 0% of the issued share capital of the Company as at 31 December 2023. Save as disclosed above, no other awarded Shares have been granted under the 2019 Share Award Scheme. No grant of awarded Shares were cancelled or lapsed during year ended 31 December 2023.

SCHEME LIMIT AND SERVICE PROVIDER SUBLIMIT OF THE 2023 SHARE OPTION SCHEME AND 2019 SHARE AWARD SCHEME

As at 31 December 2023, the maximum number of Shares that can be issued upon exercise of the Share Options and as awarded Shares under the 2023 Share Option Scheme and the 2019 Share Award Scheme and other share options and awards was 224,945,721 Shares, representing 10% of the Shares in issue as at 2 June 2023 and as at the date of this report, respectively. Accordingly, the number of Share Options and/or Awards available for grant under the scheme limit of the 2023 Share Option Scheme and 2019 Share Award Scheme at the beginning and the end of the year ended 31 December 2023 were nil and 224,945,721 Shares in aggregate, respectively.

As at 31 December 2023, the maximum number of Shares that can be issued under the service provider sublimit upon exercise of the Share Options and as awarded shares under the 2023 Share Option Scheme and the 2019 Share Award Scheme and other share options and awards was 44,989,144 Shares, representing 2% of the Shares in issue as at 2 June 2023 and as at the date of this report, respectively. Accordingly, the number of options and/or awards available for grant under the service provider sublimit at the beginning and the end of the year ended 31 December 2023 were nil and 44,989,144 Shares in aggregate, respectively.

The number of Shares that may be issued in respect of options and awards granted under all share schemes of the Company during the year ended 31 December 2023 divided by the weighted average number of the Shares in issue for the year ended 31 December 2023 was approximately 10%.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this report, no equity-linked agreements were entered into by the Company during the year under review or subsisted at the end of 31 December 2023.

DEED OF NON-COMPETITION

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

The independent non-executive Directors have reviewed matters relating to the compliance with the Deed of Non-competition in 2023.

The Controlling Shareholders have provided the Company with an annual confirmation of compliance with the provisions of the Deed of Non-competition for the year ended 31 December 2023.

During the year 2023, the Controlling Shareholders provided the Company with all information necessary for the enforcement of the Company's rights under the Deed of Non-competition, all information reasonably requested by the Company from time to time relating to the Excluded Businesses (as defined in the Deed of Non-competition) and such other business opportunities or activities related to any business of the Group as the Company reasonably believed was available to them or that they may be planning to participate in, as well as access to appropriate staff members of theirs to discuss and obtain such information, in order to enable the Company to consider whether to exercise any of its rights under the Deed of Non-competition.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2023, none of the Directors is interested in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in Note 37 to the consolidated financial statements in this report, there had been no other transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with the Director (within the meaning of Section 486 of the Companies Ordinance) had a material interest, whether directly or indirectly, were entered into during the year ended 31 December 2023 or subsisted at the end of the year or at any time during the year.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2023, the Group entered into the following agreement(s) which constitutes continuing connected transaction(s) subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules:

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

Date : 19 December 2022

Parties : The Company (as the purchaser); and

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

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

Term : 1 January 2023 and will end on 31 December 2025

Annual caps : The maximum aggregate annual procurement amount from Shantou Shengqiang for the years ending 31 December 2023, 2024 and 2025 respectively shall not exceed the caps set out below:

	FY2023	FY2024	FY2025
		(RMB'000)	
Total procurement amount	16,000	16,000	16,000

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

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

Date	:	19 December 2022
Parties	:	The Company (as the purchaser); and Shantou City Maosheng Knitting Underwear Co., Ltd. ("Shantou Maosheng") (as the supplier)
Transaction nature and purpose	:	Pursuant to the Shantou Maosheng Agreement, the Company will purchase intimate wear products from Shantou Maosheng, as an OEM supplier, and sell such products under the Group's brand.
Term	:	1 January 2023 and will end on 31 December 2025
Annual caps	:	The maximum aggregate annual procurement amount from Shantou Maosheng for the years ending 31 December 2023, 2024 and 2025 respectively shall not exceed the caps set out below:

	FY2023	FY2024 *(RMB'000)*	FY2025
Total procurement amount	5,000	5,000	5,000

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

Mr. Cai Shaoqiang (a brother of the spouse of Mr. Zhang Shengfeng, an executive Director), together with his wife, in aggregate, own the entire equity interest in Shantou Shengqiang and hence Shantou Shengqiang is an associate (as defined under Chapter 14A of the Listing Rules) of Mr. Zhang Shengfeng and a connected person of the Group; Mr. Lin Zonglie and Ms. Lin Fengqing, a brother and sister of Mr. Lin Zonghong, a non-executive Director, in aggregate, own the entire equity interest in Shantou Maosheng, and hence Shantou Maosheng is an associate (as defined under Chapter 14A of the Listing Rules) of Mr. Lin Zonghong and a connected person of the Group. Further details of the transactions contemplated under the New Shantou Shengqiang Agreement and Shantou Maosheng Agreement are disclosed in the Company's announcement dated 19 December 2022.

REVIEW OF THE CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2023, the Group has carried out the following continuing connected transactions with Shantou City Shengqiang Knitting Industrial Co., Ltd ("Shantou Shengqiang") and Shantou City Maosheng Knitting Underwear Co., Ltd ("Shantou Maosheng").

	Notes	Amount *RMB'000*
Purchase of goods		
– Shantou Shengqiang	*(i)*	15,850
– Shantou Maosheng	*(ii)*	4,772

Notes:

(i) On 19 December 2022, the Company entered into a framework purchase agreement with Shantou Shengqiang to govern the principal terms of purchase intimate wear products from Shantou Shengqiang for a period commencing from 1 January 2023 to 31 December 2025. The annual cap of the transactions for the year ended 31 December 2023 is RMB16,000,000.

(ii) On 19 December 2022, the Company entered into a framework purchase agreement with Shantou Maosheng to govern the principal terms of purchase intimate wear products from Shantou Maosheng for a period commencing from 1 January 2023 to 31 December 2025. The annual cap of the transactions for the year ended 31 December 2023 is RMB5,000,000.

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

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

b. on normal commercial terms or better; and

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

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

The auditor has concluded in its unqualified letter that with regard to the continuing connected transactions in connection with New Shantou Shengqiang Agreement and Shantou Maosheng Agreement for the year ended 31 December 2023 that:

(i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors;

(ii) for transactions involving the provision of goods or services by the Group, nothing has come to our attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group; and

(iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

RELATED PARTY TRANSACTIONS

Save for the transactions disclosed in the above section headed "Continuing Connected Transactions" and this section, none of the related party transactions as disclosed under Note 37 to the consolidated financial statements constitutes connected transaction or continuing connected transaction that is subject to, among other things, reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules. To the extent that the Group's related party transactions constituted connected transactions or continuing connected transactions as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the year ended 31 December 2023.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group commits to comply with the relevant laws and regulations including, inter alia, the Companies Ordinance, the Cayman Companies Act, the Listing Rules, and other applicable local laws and regulations in various jurisdictions in which it operates. During the year ended 31 December 2023 and up to the date of this report, the Group was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on its business and operation.

RETIREMENT BENEFIT SCHEMES

The Group participated in various retirement benefit schemes in accordance with relevant rules and regulations in the PRC and Hong Kong. The Group maintains social insurance for its employees pursuant to the applicable PRC laws and regulations by making contributions to the mandatory social insurance and housing provident funds which provide basic retirement, work-related injury and maternity benefits. The Group also operates a mandatory provident fund scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. During the year ended 31 December 2023, contributions made from the Group to the pension schemes were recognized as expenses when incurred, there were no forfeited contributions by the Group's employees under the Group's contribution pension scheme, and there were no forfeited contributions that may be used by the Group as employers to reduce the existing level of contributions.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, during the year ended 31 December 2023 and up to the date of this report, there has been sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

AUDITOR

The consolidated financial statements for the year ended 31 December 2023 have been audited by PricewaterhouseCoopers, who, being eligible, shall retire and offer themselves for re-appointment at the upcoming AGM.

On behalf of the Board
Zheng Yaonan
Chairman

Hong Kong, 27 March 2024

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Cosmo Lady (China) Holdings Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 82 to 153, comprise:

- the consolidated balance sheet as at 31 December 2023;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

KEY AUDIT MATTERS

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

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

- Provision for impairment of inventories
- Expected credit losses of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for impairment of inventories Refer to note 4(a) (Critical accounting estimates and judgements) and note 24 (Inventories) to the consolidated financial statements. As at 31 December 2023, the Group's gross inventories and provision for impairment of inventories amounted to RMB 696 million and RMB 79 million, respectively. As described in the Accounting Policies in note 2.11 to the consolidated financial statements, inventories are carried at lower of cost and net realisable value. We focused on auditing the impairment of inventories because the estimation of net realisable value is subject to estimation uncertainty. The inherent risk in relation to the impairment assessment of inventories is considered significant due to significant judgements involved in estimating selling price less costs to sell, including marketability of products, estimated selling price and discount and customer demand.	We obtained an understanding of the management's internal control and assessment process of provision for impairment of inventories and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud. • We evaluated the outcome of prior period assessment of provision for impairment of inventories; • We evaluated and tested the key controls over the impairment of inventories; • We tested on a sample basis, the net realisable value of selected inventory items, by comparing the carrying amount of the inventory items against the historical selling price and discount rate; • We tested on a sample basis, the accuracy of the condition and classification profile of individual inventory items by checking to the underlying criteria set by the management; • We challenged management's expectation in economic conditions and performed sensitivity analysis by using different sales discount rate to address the estimation uncertainty of selling price; • We reperformed the calculation for the provision. Based on the procedures above, we considered that management's judgements and assumptions applied in the impairment assessment of provision for impairment of inventories were supportable by the evidences obtained and procedures performed.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit losses of trade receivables Refer to note 4(b) (Critical accounting estimates and judgements) and note 25 (Trade and notes receivables) to the consolidated financial statements. As at 31 December 2023, the Group had gross trade receivables of RMB 330 million and provision for impairment of trade receivables of RMB 10 million. Net reversal of impairment losses on financial assets for the year amounted to RMB 32 million. We focused on auditing the expected credit losses of trade receivables because the estimation of recoverable amount is subject to estimation uncertainty. The inherent risk in relation to the impairment assessment of trade receivables is considered significant due to significant judgements involved in estimating the expected credit loss rates, including grouping the receivables based on shared credit risk characteristics and collectively, assessing for likelihood of recoverabilities with taking into account the nature of the customer and its ageing category, the use of roll rate method to calculate historical loss rate, consideration of forward looking information used in management's provision matrix assessment.	We obtained an understanding of the management's internal control and assessment process of expected credit losses of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud. • We evaluated the outcome of prior period assessment of expected credit losses of trade receivables. • We evaluated and tested the key controls over the impairment of trade receivables. • We obtained management's assessment on the expected credit losses of trade receivables by using roll rate method and reperformed the calculation of the provision. • We tested on a sample basis, the accuracy of ageing profile of trade receivables by checking to the underlying sales invoices. • We tested on a sample basis, the settlement of long aged trade receivables by checking to the settlement records, such as bank receipts. • We challenged management's determination of the time horizon using in the roll rate model and the losses buckets over 360 days ageing profile. • We performed market research regarding the relevant forward-looking information used in management's provision matrix assessment. • We tested on a sample basis, the subsequent settlement of trade receivables against bank receipts. Based on the procedures above, we considered that management's judgements and assumptions applied in the impairment assessment of expected credit losses of trade receivables were supportable by the evidences obtained and procedures performed.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- 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 Yuen Kwok Kin Andrew.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Revenue	*6*	**2,757,081**	3,008,760
Cost of sales	*9*	**(1,448,422)**	(1,612,008)
Gross profit		**1,308,659**	1,396,752
Selling and marketing expenses	*9*	**(1,103,187)**	(1,215,244)
General and administrative expenses	*9*	**(194,961)**	(211,094)
Net reversal of impairment losses on financial assets	*12*	**31,317**	76,319
Other income	*7*	**25,634**	35,120
Other losses – net	*8*	**(857)**	(324)
Operating profit		**66,605**	81,529
Finance income	*13*	**7,618**	6,700
Finance expenses	*13*	**(30,194)**	(33,837)
Finance expenses – net	*13*	**(22,576)**	(27,137)
Share of net profit/(loss) of joint ventures accounted for using the equity method	*20*	**3,973**	(26,013)
Profit before income tax		**48,002**	28,379
Income tax expense	*14*	**(7,316)**	(4,355)
Profit for the year		**40,686**	24,024
Other comprehensive income/(loss) for the year			
Item that may be reclassified subsequently to profit or loss			
– Exchange differences		**2,618**	(8,118)
Item that will not be reclassified to profit or loss			
– Changes in the fair value of equity investments at fair value through other comprehensive income		**(8,803)**	(2,413)
Total comprehensive income for the year		**34,501**	13,493
Profit/(loss) attributable to:			
Owners of the Company		**42,483**	33,024
Non-controlling interests		**(1,797)**	(9,000)
		40,686	24,024

		Year ended 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Total comprehensive income/(loss) for the year is attributable to:			
Owners of the Company		**36,298**	22,493
Non-controlling interests		**(1,797)**	(9,000)
		34,501	13,493
		RMB cents	*RMB cents*
Earning per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	*15*	**1.94**	1.51
Diluted earnings per share	*15*	**1.94**	1.51

The notes on pages 89 to 153 are integral parts of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Assets			
Non-current assets			
Property, plant and equipment	*17*	**994,638**	600,320
Right-of-use assets	*18*	**389,161**	341,161
Intangible assets	*19*	**27,750**	28,648
Investment in joint ventures	*20*	**85,622**	84,604
Financial assets at fair value through other comprehensive income	*21*	**24,761**	36,094
Deposits, prepayments and other receivables	*22*	**21,109**	9,481
Deferred income tax assets	*23*	**125,969**	154,361
		1,669,010	1,254,669
Current assets			
Inventories	*24*	**616,454**	702,963
Trade and notes receivables	*25*	**320,681**	297,138
Deposits, prepayments and other receivables	*22*	**527,439**	517,535
Restricted bank deposits	*26*	**175,776**	155,375
Cash and cash equivalents	*26*	**506,157**	554,083
		2,146,507	2,227,094
Total assets		**3,815,517**	3,481,763
Equity			
Capital and reserves attributable to owners of the Company			
Share capital	*27*	**140,312**	140,312
Share premium	*27*	**1,656,669**	1,656,669
Other reserves	*28*	**365,818**	378,389
Accumulated losses		**(233,730)**	(273,012)
		1,929,069	1,902,358
Non-controlling interests		**(630)**	9,817
Total equity		**1,928,439**	1,912,175

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
Liabilities			
Current liabilities			
Trade and notes payables	*30*	**751,436**	613,185
Accruals and other payables	*31*	**369,457**	272,278
Contract liabilities	*6*	**48,456**	52,336
Current income tax liabilities		**14,036**	22,415
Borrowings	*32*	**162,038**	168,118
Lease liabilities	*18*	**135,823**	156,720
Deferred income	*33*	**231**	242
		1,481,477	1,285,294
Non-current liabilities			
Borrowings	*32*	**230,442**	163,384
Lease liabilities	*18*	**175,046**	120,028
Deferred income tax liabilities	*23*	**–**	538
Deferred income	*33*	**113**	344
		405,601	284,294
Total liabilities		**1,887,078**	1,569,588
Total equity and liabilities		**3,815,517**	3,481,763

The notes on pages 89 to 153 are integral parts of these consolidated financial statements.

Zheng Yaonan
Director

Zhang Shengfeng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity owners of the Company						
	Share capital *RMB'000* *(Note 27)*	Share Premium *RMB'000* *(Note 27)*	Other reserves *RMB'000* *(Note 28)*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
As at 1 January 2023	140,312	1,656,669	378,389	(273,012)	1,902,358	9,817	1,912,175
Comprehensive income							
Profit for the year	–	–	–	42,483	42,483	(1,797)	40,686
Other comprehensive income							
Exchange differences	–	–	2,618	–	2,618	–	2,618
Changes in the fair value of equity investments at fair value through other comprehensive income	–	–	(8,803)	–	(8,803)	–	(8,803)
Transfer of loss on disposal of equity investments at fair value through other comprehensive income to accumulated losses	–	–	3,781	(3,781)	–	–	–
Total comprehensive income for the year	–	–	(2,404)	38,702	36,298	(1,797)	34,501
Transactions with owners							
Transactions with non-controlling interests	–	–	980	–	980	(5,480)	(4,500)
Equity-settled share-based compensation *(Note 29)*	–	–	(1,272)	–	(1,272)	–	(1,272)
Shares purchased for share award scheme	–	–	(8,821)	–	(8,821)	–	(8,821)
Liquidation of subsidiary	–	–	–	701	701	(1,370)	(669)
Disposal of a subsidiary	–	–	(1,175)	–	(1,175)	–	(1,175)
Dividends paid	–	–	–	–	–	(1,800)	(1,800)
Total transactions with owners	–	–	(10,288)	701	(9,587)	(8,650)	(18,237)
Appropriation to statutory reserves	–	–	121	(121)	–	–	–
As at 31 December 2023	140,312	1,656,669	365,818	(233,730)	1,929,069	(630)	1,928,439

	Attributable to equity owners of the Company						
	Share capital *RMB'000* *(Note 27)*	Share Premium *RMB'000* *(Note 27)*	Other reserves *RMB'000* *(Note 28)*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
As at 1 January 2022	140,312	1,656,669	381,598	(306,699)	1,871,880	22,026	1,893,906
Comprehensive income							
Profit for the year	–	–	–	33,024	33,024	(9,000)	24,024
Other comprehensive income							
Exchange differences	–	–	(8,118)	–	(8,118)	–	(8,118)
Changes in the fair value of equity investments at fair value through other comprehensive income	–	–	(2,413)	–	(2,413)	–	(2,413)
Transfer of loss on disposal of equity investments at fair value through other comprehensive income to accumulated losses	–	–	(5,363)	5,363	–	–	–
Total comprehensive income for the year	–	–	(15,894)	38,387	22,493	(9,000)	13,493
Transactions with owners							
Transactions with non-controlling interests	–	–	1,945	–	1,945	(11,500)	(9,555)
Equity-settled share-based compensation *(Note 29)*	–	–	6,040	–	6,040	–	6,040
Contribution from non-controlling interests	–	–	–	–	–	8,291	8,291
Total transactions with owners	–	–	7,985	–	7,985	(3,209)	4,776
Appropriation to statutory reserves	–	–	4,700	(4,700)	–	–	–
As at 31 December 2022	140,312	1,656,669	378,389	(273,012)	1,902,358	9,817	1,912,175

The notes on pages 89 to 153 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from operations	*34(a)*	**383,443**	235,967
Income tax paid		**(122)**	(5,439)
Net cash generated from operating activities		**383,321**	230,528
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment	*34(b)*	**1,489**	27,407
Refundable deposits received from the prospective purchasers or lessees of property, plant and equipment		**102,853**	–
Interest received		**7,618**	6,700
Investment income from financial assets at fair value through profit or loss		**1,453**	1,508
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	6,376
Dividends from financial assets at fair value through other comprehensive income		**81**	1,960
Proceeds from disposal of financial assets at fair value through other comprehensive income		**3,011**	31,576
Purchases of property, plant and equipment		**(336,389)**	(78,678)
Purchases of intangible assets		**(8,926)**	(5,210)
Advance to a joint venture		**(2)**	(100)
Proceeds from divestment of a joint venture		**3,555**	44,267
Capital contribution to a joint venture		**(600)**	–
Net cash received from disposal of subsidiaries		**115**	–
Net cash (used in)/generated from investing activities		**(225,742)**	35,806
Cash flows from financing activities			
Transactions with non-controlling interests		**(1,250)**	(9,555)
Capital injections from non-controlling interests		**–**	8,291
Dividends paid to non-controlling interests in subsidiaries		**(1,800)**	–
Purchase of the Company's shares for share award scheme		**(8,821)**	–
Proceeds from bank borrowings		**279,210**	295,000
Repayments of bank borrowings		**(218,232)**	(332,575)
Interest paid for bank borrowings		**(24,662)**	(22,433)
(Pledge)/release of restricted bank deposits		**(20,401)**	84,917
Principal elements of lease payments		**(208,448)**	(239,847)
Net cash used in financing activities		**(204,404)**	(216,202)
Net (decrease)/increase in cash and cash equivalents		**(46,825)**	50,132
Cash and cash equivalents at beginning of the year	*26*	**554,083**	515,547
Effect of foreign exchange rate changes		**(1,101)**	(11,596)
Cash and cash equivalents at end of the year	*26*	**506,157**	554,083

The notes on pages 89 to 153 are integral parts of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

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

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

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

2 Summary of material accounting policies

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

2.1 Basis of preparation

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

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

(a) New and amended standards adopted by the Group

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

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

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

2 Summary of material accounting policies (Continued)

2.1 Basis of preparation (Continued)

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

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

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

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

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

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

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

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

2 Summary of material accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.2 Joint arrangements

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

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

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

2.2.3 Changes in ownership interests in subsidiaries without change of control

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

2.2.4 Disposal of subsidiaries

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

2 Summary of material accounting policies (Continued)

2.3 Separate financial statements

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

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

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

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

(iii) all resulting currency translation differences are recognized in OCI.

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

2 Summary of material accounting policies (Continued)

2.6 Property, plant and equipment

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

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

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

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

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

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

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

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

2.7 Intangible assets

(a) Acquired trademark

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

(b) Computer software

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

2 Summary of material accounting policies (Continued)

2.7 Intangible assets (Continued)

(c) Goodwill

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

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

2.8 Impairment of non-financial assets

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

2.9 Offsetting financial instruments

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

2.10 Investments and other financial assets

Classification

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

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and

- those to be measured at amortised cost.

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

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

2 Summary of material accounting policies (Continued)

2.10 Investments and other financial assets (Continued)

Classification (Continued)

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

Recognition and derecognition

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

Measurement

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

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

Equity instruments

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

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

Impairment

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

2.11 Inventories

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

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

2 Summary of material accounting policies (Continued)

2.12 Trade and other receivables

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

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

2.13 Cash and cash equivalents

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

2.14 Restricted bank deposits

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

2.15 Share capital and shares held for employee share scheme

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

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

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

2.16 Trade and other payables

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

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

2 Summary of material accounting policies (Continued)

2.17 Borrowings

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

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

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

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

2.18 Borrowing costs

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

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

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

Borrowing costs include interest expense.

2.19 Current and deferred income tax

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

(a) Current income tax

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

2 Summary of material accounting policies (Continued)

2.19 Current and deferred income tax (Continued)

(b) Deferred income tax

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

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

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

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

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

2.20 Employee benefits

(a) Pension obligations

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

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

2 Summary of material accounting policies (Continued)

2.20 Employee benefits (Continued)

(b) Termination benefits

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

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

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

(d) Bonus entitlements

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

2.21 Share-based payments

(a) Equity-settled share-based payment transactions

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

- Including any market performance conditions (for example, an entity's share price);

- Excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- Including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a special period of time).

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

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

2 Summary of material accounting policies (Continued)

2.21 Share-based payments (Continued)

(a) Equity-settled share-based payment transactions (Continued)

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

(b) Employee options

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

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

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

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

(c) 2019 Share Award Scheme

The Board of Directors approved the adoption of the 2019 Share Award Scheme on 28 June 2019 and the Share Award Scheme was amended on 2 June 2023. The purpose of the amendment of 2019 Share Award Scheme is to grant share awards to the eligible participants as incentives or rewards for their contribution or potential contribution to the Group. The eligible participants include employee participants, related entity participants and service providers of the Company. The vesting period of the awarded shares is determined by the Board.

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

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

2 Summary of material accounting policies (Continued)

2.21 Share-based payments (Continued)

(c) ***2019 Share Award Scheme*** (Continued)

- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specific period of time).

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

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

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

(d) ***Share-based payment transactions among group entities***

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

2.22 Provisions

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

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

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

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

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

2 Summary of material accounting policies (Continued)

2.23 Revenue recognition

(a) Sales of goods – sales to franchisees

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

The goods are sold and the customers have a right to return faulty products in the wholesale market. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated returns at the time of sale. Accumulated experience is used to estimate and provide for the returns, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 15 to 90 days, which is consistent with market practice. The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

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

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

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

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

(c) Franchise fee and software usage fee income

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

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

2 Summary of material accounting policies (Continued)

2.23 Revenue recognition (Continued)

(d) Logistic warehousing and delivery income

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

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

(e) Other services income

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

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

2.24 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(b) Diluted earnings per share

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

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

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

2.25 Interest income

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

2 Summary of material accounting policies (Continued)

2.26 Dividend income

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

2.27 Leases

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

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

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

2 Summary of material accounting policies (Continued)

2.27 Leases (Continued)

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

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

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

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

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

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

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

2.28 Dividend distribution

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

2.29 Government grants

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

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

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Foreign exchange risk

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

The Group operates in the PRC with most of the Group's transactions denominated and settled in RMB. The Group's assets and liabilities, and transactions arising from its operations do not expose the Group to material foreign exchange risk as the Group's recognized assets and liabilities in the consolidated balance sheet as at 31 December 2023 are denominated in the respective Group companies' functional currencies.

(b) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets (bank balances and cash, details of which have been disclosed in Note 26), the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's exposure to changes in interest rates is also attributable to its borrowings, details of which have been disclosed in Note 32. Borrowings carried at floating rates expose the Group to cash flow interest-rate risk whereas those carried at fixed rates expose the Group to fair value interest-rate risk. The Group's borrowings were carried at fixed rates and does not expose the Group to cash flow interest-rate risk. The Group has not used any interest rate swaps to hedge its exposure against interest-rate risks.

(c) Price risk

Except for the investments held by the Group and classified on the consolidated balance sheet as FVOCI of RMB24,761,000 (2022: RMB36,094,000) and joint ventures of RMB85,622,000 (2022: RMB84,604,000), the Group is not exposed to any equity securities price risk.

(d) Credit risk

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

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Credit risk (Continued)

(i) Trade receivable

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

To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics. The expected loss rates are based on the payment profiles of sales before 31 December 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified CPI inflation and fiscal balance as a percentage of nominal GDP to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. Different expected loss rates were applied to different groups of customers and each age band to calculate the provisions required.

For the calculation of above ECL rates, accounts receivable are divided into several groups according to risk characteristic. The ECL rates are determined on different channels of customers, such as franchisees, E-commerce and retail stores. The receivables from franchisees as at 31 December 2023 accounts for approximately 70% of total receivables (2022: 54%).

On that basis, the loss allowance as at 31 December 2023 was determined as follows for trade receivables:

31 December 2023	Within 30 days	30 days to 60 days	60 days to 90 days	90 days to 180 days	180 days to 360 days	More than 360 days	Total
Franchisees:							
Expected loss rate	0.2%	0.3%	0.4%	0.5%	0.8%	6.1%	
Gross carrying amount							
– trade receivables	119,384	15,890	11,027	20,573	63,609	1,040	231,523
Loss allowance	278	53	42	94	540	63	1,070
Others:							
Expected loss rate	0%	5%	11%	23%	75%	94%	
Gross carrying amount							
– trade receivables	81,209	3,986	1,740	2,892	2,565	6,287	98,679
Loss allowance	283	219	194	662	1,927	5,927	9,212

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Credit risk (Continued)

(i) Trade receivable (Continued)

The loss allowance as at 31 December 2022 was determined as follows for trade receivables:

31 December 2022	Within 30 days	30 days to 60 days	60 days to 90 days	90 days to 180 days	180 days to 360 days	More than 360 days	Total
Franchisees:							
Expected loss rate	0%	1%	1%	2%	9%	74%	
Gross carrying amount – trade receivables	106,339	10,693	5,300	18,380	28,704	14,957	184,373
Loss allowance	439	83	58	291	2,491	10,999	14,361
Others:							
Expected loss rate	0%	2%	3%	10%	40%	92%	
Gross carrying amount – trade receivables	111,695	4,977	1,988	2,839	4,295	28,883	154,677
Loss allowance	155	84	57	280	1,698	26,428	28,702

(ii) Deposits and other receivables

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

(iii) Bank balances and restricted bank deposits

The Group has policies in place to ensure that bank balances and restricted bank deposits with banks are mainly placed with either state-owned or reputable financial institutions in the PRC and Hong Kong with good credit rating. There has been no recent history of default in relation to these financial institutions. As at 31 December 2023, the bank balances and restricted bank deposits with banks as detailed in Note 26 are held in the following banks in the PRC and Hong Kong:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Top-four major state-owned banks in the PRC/Hong Kong	**387,362**	320,967
Listed state-owned banks in the PRC/Hong Kong	**110,994**	234,827
Other regional banks in the PRC/Hong Kong	**180,841**	153,105
	679,197	708,899
Cash on hand	**2,736**	559
	681,933	709,458

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

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(e) Liquidity risk

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

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

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

Contractual maturities of financial liabilities	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	More than 5 years *RMB'000*	Total contractual cash flows *RMB'000*	Carrying amount *RMB'000*
At 31 December 2023						
Borrowings *(Note 32)*	171,855	175,758	55,797	10,777	414,187	392,480
Lease liabilities *(Note 18)*	159,823	87,266	63,867	18,302	329,258	310,869
Trade and notes payable *(Note 30)*	751,436	–	–	–	751,436	751,436
Accruals and other payables*	225,459	–	–	–	225,459	225,459
Total	1,308,573	263,024	119,664	29,079	1,720,340	1,680,244

Contractual maturities of financial liabilities	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	More than 5 years *RMB'000*	Total contractual cash flows *RMB'000*	Carrying amount *RMB'000*
At 31 December 2022						
Borrowings *(Note 32)*	180,601	56,239	101,446	21,680	359,966	331,502
Lease liabilities *(Note 18)*	164,670	106,176	82,256	–	353,102	276,748
Trade and notes payable *(Note 30)*	613,185	–	–	–	613,185	613,185
Accruals and other payables*	228,257	–	–	–	228,257	228,257
Total	1,186,713	162,415	183,702	21,680	1,554,510	1,449,692

* Excluding salaries and welfare payables, accrued taxes other than income tax, provision for sales return and receipts in advance from customers.

3 Financial risk management (Continued)

3.2 Capital risk management

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

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

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as bank borrowings divided by total equity:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Total bank borrowings	**392,480**	331,502
Total equity	**1,928,439**	1,912,175
Gearing ratio	**20%**	17%

3.3 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2023, except for the financial assets at FVOCI of RMB24,761,000 (2022: RMB36,094,000), which was measured at level 3 fair value, the Group's financial instruments recognized in the consolidated balance sheet are mainly receivables and financial liabilities carried at amortized cost. Analysis of level 3 financial instruments for the year ended 31 December 2023 are as follows:

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000* *(Note)*	Total *RMB'000*
Financial asset at FVOCI	**–**	**–**	**24,761**	**24,761**
At 31 December 2023	**–**	**–**	**24,761**	**24,761**
Financial asset at FVOCI	–	–	36,094	36,094
At 31 December 2022	–	–	36,094	36,094

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

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

	Unlisted equity securities *RMB'000*
As at 1 January 2022	70,083
Additions	–
Disposal	(31,576)
Loss recognised in OCI	(2,413)
As at 31 December 2022	36,094
Additions	–
Disposal	**(2,530)**
Loss recognised in OCI	**(8,803)**
As at 31 December 2023	**24,761**

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

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

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

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

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

Nine entities engaging in the manufacturing of intimate wear in the PRC	2023	2022
Discount rate	**15.5%**	15%
Long term revenue growth rates	**6%**	3%
Discount for lack of marketability	**30%**	30%

4 Critical accounting estimates and judgements

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

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

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

(a) Net realizable value of inventories

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

(b) Impairment of financial assets

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

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

(c) Impairment of non-financial assets

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

(d) Current and deferred income taxes

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

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

5 Segment information

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

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

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

6 Revenue

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Retail sales	**1,212,137**	1,266,975
Sales to franchisees	**906,704**	935,918
E-commerce	**524,119**	675,736
Others *(Note)*	**114,121**	130,131
	2,757,081	3,008,760

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Contract liabilities related to sales to franchisees	**36,856**	51,542
Contract liabilities related to others	**11,600**	794
	48,456	52,336

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

Note: The revenue recognised over time this year is approximately RMB114,121,000, which mainly represents revenue from logistics and warehousing services and brand services. Other than that, revenue from retail sales, sales to franchisees and E-commerce all recognised at a point in time.

7 Other income

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Government grants *(Note)*	**3,653**	4,239
Dividends from financial assets at FVOCI	**81**	4,000
Investment income from financial assets at FVPL	**1,453**	1,508
Others	**20,447**	25,373
	25,634	35,120

Note:

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

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

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

8 Other losses – net

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Net foreign exchange losses	**(2,021)**	(3,478)
Fair value gain on financial asset at FVPL	**–**	2,843
Gain on disposal of a subsidiary	**742**	–
Gains on disposal of property, plant and equipment – net	**444**	311
Loss on disposal of intangible assets	**(22)**	–
	(857)	(324)

9 Expenses by nature

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Costs of inventories recognised in cost of sales	**1,266,674**	1,447,081
Depreciation and amortization *(Notes 17, 18 and 19)*		
– Right-of-use assets	**172,522**	200,366
– Property, plant and equipment	**103,206**	130,785
– Intangible assets	**6,759**	7,421
Employee benefit expenses (including directors' emoluments) *(Note 10)*	**275,868**	292,035
Operating expenses in respect of stores under cooperative arrangements	**362,173**	264,958
Marketing and promotion expenses	**132,082**	161,351
Logistics warehousing and delivery expenses	**114,177**	128,118
Commission expenses in respect of consignment sales in franchisees' stores	**–**	91,055
E-commerce platforms commission expenses	**79,469**	88,670
Consulting service expenses	**35,491**	39,240
Other operating rental expenses	**20,569**	18,749
Utilities expenses	**18,626**	17,964
Provision for inventories *(Note 24)*	**47,076**	17,457
Government charges and levies	**11,096**	15,565
Travelling expenses	**15,174**	12,214
Auditor's remuneration		
– Audit services	**3,900**	3,900
– Non-audit services	**1,809**	2,886
Consumables recognised in expenses	**7,487**	3,454
Impairment of intangible assets	**2,887**	–
Impairment of property, plant and equipment	**749**	1,959
Impairment/(reversal) of right-of-use assets *(Note 18)*	**8,490**	(4,582)
Miscellaneous	**60,286**	97,700
Total cost of sales, selling and marketing expenses and general and administrative expenses	**2,746,570**	3,038,346

10 Employee benefit expenses

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**247,761**	254,303
Pension costs – defined contribution plans	**26,119**	26,620
Welfare and allowance	**3,260**	5,072
Equity-settled share-based compensation *(Note 29)*	**(1,272)**	6,040
	275,868	292,035

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

(a) Benefits and interests of directors

Directors' and chief executive's emoluments for the year ended 31 December 2023 are set out below:

	Fees	Wages, salaries and bonuses	Employer's contributions to retirement schemes	Equity-settled share-based compensation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Zheng Yaonan	–	457	82	–	539
Mr. Zhang Shengfeng	–	457	82	–	539
Ms. Wu Xiaoli	–	941	113	–	1,054
Mr. Xian Shunxiang *(Note 4)*	76	520	38	619	1,253
Mr. Zhu Hongbo *(Note 4)*	76	115	–	–	191
Non-executive Directors					
Mr. Lin Zonghong	–	176	–	–	176
Mr. Wen Baoma *(Note 3)*	–	–	–	–	–
Ms. Kong Xiangying	–	–	–	–	–
Independent Non-executive Directors					
Dr. Dai Yiyi	150	–	–	–	150
Mr. Chen Zhigang	120	–	–	–	120
Mr. Yau Chi Ming	181	–	–	–	181
Dr. Lu Hong Te	150	–	–	–	150
	753	2,666	315	619	4,353

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

(a) Benefits and interests of directors (Continued)

Directors' and chief executive's emoluments for the year ended 31 December 2022 are set out below:

	Fees *RMB'000*	Wages, salaries and bonuses *RMB'000*	Employer's contributions to retirement schemes *RMB'000*	Equity-settled share-based compensation *RMB'000*	Total *RMB'000*
Executive Directors					
Mr. Zheng Yaonan	–	269	73	–	342
Mr. Zhang Shengfeng	–	259	73	–	332
Ms. Wu Xiaoli	–	706	89	–	795
Non-executive Directors					
Mr. Lin Zonghong	–	176	–	–	176
Mr. Wen Baoma	–	50	–	–	50
Ms. Kong Xiangying *(Note 1)*	–	–	–	–	–
Mr. Jiang Bo *(Note 2)*	–	–	–	–	–
Ms. Fung Yat Carol *(Note 1)*	–	–	–	–	–
Mr. Chen Xin *(Note 2)*	–	–	–	–	–
Independent Non-executive Directors					
Dr. Dai Yiyi	150	–	–	–	150
Mr. Chen Zhigang	120	–	–	–	120
Mr. Yau Chi Ming	179	–	–	–	179
Dr. Lu Hong Te	150	–	–	–	150
	599	1,460	235	–	2,294

Note 1: Ms. Fung Yat Carol retired with effect from 31 December 2022 and Ms. Kong Xiangying was appointed as a non- executive Director at the same date.

Note 2: Mr. Jiang Bo retired with effect from 28 February 2022 and Mr. Chen Xin was appointed as a non-executive Director at the same time then retired on 6 October 2022.

Note 3: Mr. Wen Baoma retired with effect from 2 June 2023.

Note 4: Mr. Xian Shunxiang and Mr. Zhu Hongbo were appointed as executive Directors on 26 August 2023.

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

(a) Benefits and interests of directors (Continued)

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

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2022: nil).

No payment was made to directors as compensation for the early termination of the appointment during the year (2022: nil).

No payment was made to the former employer of directors for making available the services of them as a director of the Company (2022: nil).

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year (2022: nil).

Except for those disclosed in Note 37, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2022: nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 2 directors (2022: 1), whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 3 (2022: 4) during the year are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**2,375**	3,431
Discretionary bonuses	**264**	28
Contribution to pension scheme	**213**	159
Equity-settled share-based compensation	**413**	1,501
	3,265	5,119

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

(b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Year ended 31 December	
	2023	2022
	Number of individual	
Emolument bands:		
HK$500,001 to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	1

During the year, none of the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office (2022: nil).

(c) Senior management remuneration by band

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

	Year ended 31 December	
	2023	2022
	Number of individual	
Emolument bands:		
HK$0 to HK$500,000	**2**	3
HK$500,001 to HK$1,000,000	**1**	4
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	1

12 Net reversal of impairment losses on financial assets

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Reversal of impairment of trade receivables	**(32,100)**	(45,495)
Provision for/(reversal of) impairment of other receivables	**783**	(30,824)
	(31,317)	(76,319)

13 Finance income and expense

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Finance income		
Interest income on short-term bank deposits	**7,618**	6,700
	7,618	6,700
Finance expenses		
Interest expense on bank borrowings	**(24,662)**	(22,433)
Less: interest capitalized *(Note)*	**6,766**	–
Interest expense on lease liabilities	**(12,298)**	(11,404)
	(30,194)	(33,837)
	(22,576)	(27,137)

Note: Interest capitalized of RMB6,766,000 is related to the specific borrowings and general borrowings used for the construction of industrial projects (Note 17(c)), which expects would be completed in the first half of the year ended 31 December 2024.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year, in this case 5%.

14 Income tax expense

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current income tax		
– Hong Kong profits tax *(Note (a))*	**–**	–
– PRC corporate income tax *(Note (b))*	**(20,538)**	10,036
	(20,538)	10,036
Deferred income tax *(Note 23)*		
– Deferred income tax current period	**27,854**	(5,681)
Income tax expense	**7,316**	4,355

Notes:

(a) Hong Kong profits tax

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

(b) PRC corporate income tax

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

(c) Overseas income tax

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

14 Income tax expense (Continued)

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Profit before income tax	**48,002**	28,379
Tax calculated at statutory tax rates applicable to each group entity	**(3,748)**	2,793
Recognition of tax losses for which deferred tax assets were not recognised previously	**(51,037)**	(72,699)
Tax losses for which no deferred income tax asset was recognised	**31,217**	67,711
Income not subject to taxation	**484**	(20,695)
Expenses not deductible for tax purposes	**56,062**	21,588
Withholding tax	**(25,662)**	5,657
Income tax expense	**7,316**	4,355

15 Earning per share

Basic

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

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

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

Diluted

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

16 Dividends

At a meeting held on 27 March 2024, the Board does not recommend a final dividend to the shareholders of the Company for the year ended 31 December 2023 (2022: Nil).

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

17 Property, plant and equipment

	Buildings *RMB'000*	Leasehold improvements *RMB'000*	Machinery and equipment *RMB'000*	Furniture, fittings and equipment *RMB'000*	Vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2022							
Cost	665,354	400,016	86,183	169,633	9,461	3,600	1,334,247
Accumulated depreciation	(166,590)	(293,043)	(50,643)	(136,435)	(8,254)	–	(654,965)
Accumulated impairment loss	–	(2,798)	–	–	–	–	(2,798)
Net book amount	498,764	104,175	35,540	33,198	1,207	3,600	676,484
Year ended 31 December 2022							
Opening net book amount	498,764	104,175	35,540	33,198	1,207	3,600	676,484
Additions	401	56,840	81	7,384	3,544	15,426	83,676
Transfer	(5,698)	–	–	–	–	5,698	–
Disposals	(21,001)	(575)	(3,202)	(2,069)	(249)	–	(27,096)
Depreciation *(Note 9)*	(25,497)	(86,039)	(5,820)	(12,693)	(736)	–	(130,785)
Impairment loss *(Note (a))*	–	(1,959)	–	–	–	–	(1,959)
Closing net book amount	446,969	72,442	26,599	25,820	3,766	24,724	600,320
At 31 December 2022							
Cost	623,866	455,243	83,062	165,910	12,693	24,724	1,365,498
Accumulated depreciation	(176,897)	(378,044)	(56,463)	(140,090)	(8,927)	–	(760,421)
Accumulated impairment loss	–	(4,757)	–	–	–	–	(4,757)
Net book amount	446,969	72,442	26,599	25,820	3,766	24,724	600,320
Year ended 31 December 2023							
Opening net book amount	**446,969**	**72,442**	**26,599**	**25,820**	**3,766**	**24,724**	**600,320**
Additions *(Note (b))*	**9,631**	**69,328**	**186**	**4,533**	**359**	**415,281**	**499,318**
Disposals	**–**	**(483)**	**–**	**(517)**	**(45)**	**–**	**(1,045)**
Depreciation *(Note 9)*	**(39,072)**	**(47,004)**	**(5,771)**	**(10,623)**	**(736)**	**–**	**(103,206)**
Impairment loss *(Note (a))*	**–**	**(749)**	**–**	**–**	**–**	**–**	**(749)**
Closing net book amount	**417,528**	**93,534**	**21,014**	**19,213**	**3,344**	**440,005**	**994,638**
At 31 December 2023							
Cost	**633,497**	**523,653**	**83,248**	**168,950**	**12,341**	**440,005**	**1,861,694**
Accumulated depreciation	**(215,969)**	**(424,613)**	**(62,234)**	**(149,737)**	**(8,997)**	**–**	**(861,550)**
Accumulated impairment loss	**–**	**(5,506)**	**–**	**–**	**–**	**–**	**(5,506)**
Net book amount	**417,528**	**93,534**	**21,014**	**19,213**	**3,344**	**440,005**	**994,638**

Notes to the Consolidated Financial Statements

17 Property, plant and equipment (Continued)

Notes:

(a) As at 31 December 2023, net book amount of retail store assets including leasehold improvement and right of use assets amounted to RMB297,449,800. The Group regards each individual retail store as a separately identifiable CGU and monitors their financial performance for the existence of impairment indicators, such as stores making a loss and early closure of stores before the expiry of lease term. Management carried out an impairment assessment for the retail store assets which have an impairment indicator. The carrying amount of the retail store assets is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The estimates of the recoverable amounts were based on value-in-use calculations using discounted cash flow projections based on the financial forecasts approved by management covering the remaining tenure of the lease, with major assumptions such as revenue growth rates, gross margins and discount rate. The key assumptions used in the value-in-use calculations are dependent on management significant judgement by comparing with the historical performance of the stores, future business plans and market situation.

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

	Individual retail store	
	2023	2022
Revenue *(% annual growth rate)*	**6%–8%**	6%–8%
Budgeted gross margin *(% of revenue)*	**64%**	59%
Post-tax discount rate *(%)*	**13%**	13%

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

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

(b) As at 31 December 2023, buildings and construction in progress with a net book value of RMB302,204,000 and RMB432,977,000 (2022: RMB284,474,000 and RMB Nil) were pledged as collateral for the Group's borrowings (Note 32).

17 Property, plant and equipment (Continued)

Notes: (Continued)

(c) Construction-in-progress of RMB440,005,000 as at 31 December 2023 mainly represented construction cost of the industrial projects located at Dongguan Guangdong with an area of approximately 145,000 square meters ("Yuquan Project"). A part of the properties with an area of approximately 56,000 square meters is planned to be held by the Group for self use. And, the Group planned to sell or lease the remaining part of the properties with an area of approximately 89,000 square meters upon completion but is subjected to the approval by the relevant authorities. Certain refundable deposits of RMB102,853,000 has been collected from prospective customers as of 31 December 2023.

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cost of sales	**249**	345
Selling and marketing expenses	**16,384**	18,486
General and administrative expenses	**86,573**	111,954
	103,206	130,785

18 Leases

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

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Right-of-use assets		
Properties	**319,611**	269,660
Land use rights	**69,550**	71,501
	389,161	341,161
Lease liabilities		
Current	**135,823**	156,720
Non-current	**175,046**	120,028
	310,869	276,748

Additions to the right-of-use assets during the 2023 financial year were RMB232,946,000 (2022: RMB277,411,000).

As at 31 December 2023, land use rights of RMB23,089,000 (2022: RMB23,869,000) were pledged as collateral for the Group's borrowings (Note 32).

18 Leases (Continued)

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

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

		Year ended 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Depreciation charge of right-of-use assets			
Properties		**(170,571)**	(198,452)
Land use rights		**(1,951)**	(1,914)
		(172,522)	(200,366)
Impairment/(reversal) of right-of-use-assets	*9*	**8,490**	(4,582)
Interest expense (included in finance expenses)	*13*	**12,298**	11,404
Expense relating to short-term leases and leases of low-value assets that are not shown above as short-term leases (included in selling and marketing expense and general and administrative expenses)	*9*	**20,569**	18,749
Expense relating to variable lease payments not included in lease liabilities (included in selling and marketing expense)	*9*	**362,173**	264,958
Expense relating to early termination of lease agreement (included in general and administrative expenses)		**591**	20,750

The total cash outflow for leases in 2023 was RMB574,210,000 (2022: RMB523,554,000).

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

The Group leases various offices, warehouses and retail stores. Rental contracts are typically made for fixed periods of 1 to 5 years.

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

(d) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For retail stores, up to 35% of lease payments are on the basis of variable payment terms with percentages ranging from 40% to 45% of sales. Variable payment terms are used for a variety of reasons. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

(e) The method and key assumption of the impairment of right-of-use assets has been set out in Note 17(a).

19 Intangible assets

	Goodwill *RMB'000*	Acquired trademark *RMB'000*	Computer software *RMB'000*	Total *RMB'000*
At 1 January 2022				
Cost	2,887	10,544	77,745	91,176
Accumulated amortization	–	(6,336)	(53,421)	(59,757)
Net book amount	2,887	4,208	24,324	31,419
Year ended 31 December 2022				
Opening net book amount	2,887	4,208	24,324	31,419
Additions	–	7	4,643	4,650
Amortization charge *(Note 9)*	–	(111)	(7,310)	(7,421)
Closing net book amount	2,887	4,104	21,657	28,648
At 31 December 2022				
Cost	2,887	10,551	82,388	95,826
Accumulated amortization	–	(6,447)	(60,731)	(67,178)
Net book amount	2,887	4,104	21,657	28,648
Year ended 31 December 2023				
Opening net book amount	**2,887**	**4,104**	**21,657**	**28,648**
Additions	**–**	**–**	**8,770**	**8,770**
Disposal	**–**	**–**	**(22)**	**(22)**
Amortization charge *(Note 9)*	**–**	**(53)**	**(6,706)**	**(6,759)**
Impairment *(Note 9)*	**(2,887)**	**–**	**–**	**(2,887)**
Closing net book amount	**–**	**4,051**	**23,699**	**27,750**
At 31 December 2023				
Cost	**2,887**	**10,551**	**91,120**	**104,558**
Accumulated amortization	**–**	**(6,500)**	**(67,421)**	**(73,921)**
Accumulated impairment	**(2,887)**	**–**	**–**	**(2,887)**
Net book amount	**–**	**4,051**	**23,699**	**27,750**

19 Intangible assets (Continued)

Amortization of intangible assets has been charged to the consolidated statement of profit or loss and OCI within selling and marketing expenses and general and administrative expenses of RMB2,798,000 (2022: RMB2,643,000) and RMB3,961,000 (2022: RMB4,778,000), respectively.

Impairment review on goodwill of the Group has been conducted by management as at 31 December 2023 and 31 December 2022 according to IAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on financial budgets approved by management for the purposes of impairment reviews covering a five-year period. The discount rate used of 19% (2022: 19%) is pre-tax and reflects market assessments of the time value and the specific risks relating to the industry. Because the carrying amount of goodwill exceeded the recoverable amount, the Group made an impairment for goodwill of RMB2,887,000 (2022: Nil).

20 Investment in joint ventures

The carrying amount of equity-accounted investments has changed as follows in the year ended 31 December 2023.

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Beginning of the year	**84,604**	154,884
Additions	**600**	–
Divestment	**(3,555)**	(44,267)
Share of profit/(loss) for the year	**3,973**	(26,013)
End of the year	**85,622**	84,604

20 Investment in joint ventures (Continued)

Name of entity	Place of business/ country of incorporation	% of ownership interest 2023 %	2022 %	Nature of relationship	Measurement method	Carrying amount 2023 RMB'000	2022 RMB'000
Guangdong Dongdu Holdings Limited	PRC	**19.90**	19.90	Joint venture *(Note (a))*	Equity method	**17,112**	17,149
Jinghedu (Dongguan) Equity Investment Management Company Limited	PRC	**60**	60	Joint venture *(Note (b))*	Equity method	**19,159**	14,725
Jinghedu (Dongguan) Equity Investment Fund Partnership (Limited Partnership)	PRC	**53**	53	Joint venture *(Note (b))*	Equity method	**47,889**	47,889
Jinghedu (Dongguan) Equity Investment Management Partnership (Limited Partnership)	PRC	**60**	60	Joint venture *(Note (b))*	Equity method	**445**	3,000
Shantou Lianda Technology Company Limited	PRC	**19.99**	19.99	Joint venture *(Note (c))*	Equity method	**1,017**	956
Shantou Lianxin Inspection Company Limited	PRC	**–**	19.99	Joint venture *(Note (d))*	Equity method	**–**	885

Notes:

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

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

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

(d) The Company withdraw the investment of Shantou Lianxin this year.

21 Financial assets at fair value through other comprehensive income

Equity investments at FVOCI include the following:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Unlisted equity investments	**24,761**	36,094

22 Deposits, prepayments and other receivables

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Prepayments for acquisition of property, plant and equipment and intangible assets	**7,999**	6,792
Value added tax recoverable	**335,871**	312,696
Prepayments and deposits	**21,516**	8,501
Prepaid expenses in respect of stores under cooperative arrangements	**39,669**	52,081
Prepayments for purchase of goods	**29,407**	24,658
Prepayments for purchase of raw materials	**43,690**	32,479
Deposit receivable from e-commerce platforms and regional franchisees	**7,169**	17,805
Other receivables from staffs	**7,471**	8,279
Dividend receivables	**3,998**	3,998
Others	**57,274**	62,324
Less: provision for impairment of other receivables	**(5,516)**	(2,597)
	548,548	527,016
Less: non-current portion	**(21,109)**	(9,481)
Current portion	**527,439**	517,535

As at 31 December 2023, the carrying amounts of the Group's deposits and other receivables are denominated in RMB and approximate their fair values.

As at 31 December 2023, the Group's deposits and other receivables are fully performing under normal business terms except that certain other receivables of RMB46,850,000 (2022: RMB53,560,000) have been partially impaired. Note 3.1 sets out information about the impairment of financial assets and the Group's exposure to credit risk and foreign currency risk.

23 Deferred income tax

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Before offsetting:		
Deferred tax assets	**204,189**	222,351
Deferred tax liability	**78,220**	68,528
After offsetting:		
Deferred tax assets	**125,969**	154,361
Deferred tax liability	**–**	538

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

	Provision for inventories *RMB'000*	Impairment of trade and other receivables *RMB'000*	Provision for sales return *RMB'000*	Deferred income *RMB'000*	Lease liability *RMB'000*	Tax losses *RMB'000*	Accrued interest *RMB'000*	Impairment of property, plant and equipment *RMB'000*	Equity-settled share-based compensation *RMB'000*	Total *RMB'000*
At 1 January 2022	60,636	25,453	4,797	124	83,454	–	35,514	13,245	1,013	224,236
Credited/(debited) to the profit or loss *(Note 14)*	(42,640)	(17,921)	(4,271)	(36)	1,814	54,643	6,409	(752)	869	(1,885)
At 31 December 2022	**17,996**	**7,532**	**526**	**88**	**85,268**	**54,643**	**41,923**	**12,493**	**1,882**	**222,351**
Credited/(debited) to the profit or loss *(Note 14)*	**(2,398)**	**(3,797)**	**(184)**	**(36)**	**9,829**	**24,000**	**(41,923)**	**(3,503)**	**(150)**	**(18,162)**
At 31 December 2023	**15,598**	**3,735**	**342**	**52**	**95,097**	**78,643**	**–**	**8,990**	**1,732**	**204,189**

23 Deferred income tax (Continued)

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

	Goodwill *RMB'000*	Amortization of right-of-use assets *RMB'000*	Total *RMB'000*
At 1 January 2023	**538**	**67,990**	**68,528**
(Credited)/debited to the statement of profit or loss *(Note 14)*	**(538)**	**10,230**	**9,692**
At 31 December 2023	**–**	**78,220**	**78,220**
At 1 January 2022	716	75,378	76,094
Credited to the statement of profit or loss *(Note 14)*	(178)	(7,388)	(7,566)
At 31 December 2022	538	67,990	68,528

24 Inventories

	As at 31 December	
	2023 ***RMB'000***	2022 *RMB'000*
Raw materials	**2,392**	3,669
Work in progress	**4,946**	1,779
Finished goods	**688,270**	792,684
	695,608	798,132
Less: provision for impairment	**(79,154)**	(95,169)
	616,454	702,963

Inventories are valued at the lower of cost and estimated net realizable value. Provision is made for obsolete and slow-moving items. The inventory write-down and write-back recognized in the consolidated statement of profit or loss and OCI amounted to approximately RMB47,076,000 and RMB63,091,000 respectively for the year ended 31 December 2023 (2022: RMB17,457,000 and RMB265,713,000 respectively).

25 Trade and notes receivables

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

(a) As at 31 December 2023, the carrying amounts of the trade receivables of the Group approximate their fair values and are all denominated in RMB.

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

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

25 Trade and notes receivables (Continued)

(b) (Continued)

Movements of loss allowance of trade receivables are as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**43,063**	88,558
Loss allowance	**4,524**	595
Receivables written-off as uncollectible	**(681)**	–
Written-back during the year as received	**(36,624)**	(46,090)
At end of year	**10,282**	43,063

26 Bank balances and cash

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cash and cash equivalents	**506,157**	554,083
Restricted bank deposits *(Note (a))*	**175,776**	155,375
Total bank balances and cash	**681,933**	709,458
Denominated in:		
RMB	**579,672**	645,163
HK$	**3,783**	7,044
Other currencies	**98,478**	57,251
	681,933	709,458

Notes:

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

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

27 Share capital and share premium

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
As at 31 December 2023	**2,249,457,213**	**140,312**	**1,656,669**	**1,796,981**
As at 31 December 2022	2,249,457,213	140,312	1,656,669	1,796,981

28 Other reserves

	Merger reserve RMB'000 Note (a)	Shares held for share award scheme RMB'000 Note (d)	Statutory reserve RMB'000 Note (b)	Capital reserve RMB'000 Note (c)	Capital contribution reserve RMB'000	Equity – settled share-based compensation RMB'000	Financial assets at FVOCI RMB'000	Exchange reserve RMB'000	Total other reserves RMB'000
At 1 January 2022	(8,938)	(64,139)	217,097	194,277	23,377	32,838	(10,898)	(2,016)	381,598
Equity-settled share-based compensation – Value of employee services	–	–	–	–	–	6,040	–	–	6,040
Transaction with NCI	–	–	–	1,945	–	–	–	–	1,945
Transfer of loss on disposal of equity investments at FVOCI to accumulated loss	–	–	–	–	–	–	(5,363)	–	(5,363)
Revaluation	–	–	–	–	–	–	(2,413)	–	(2,413)
Exchange differences	–	–	–	–	–	–	–	(8,118)	(8,118)
Appropriation to statutory reserves	–	–	4,700	–	–	–	–	–	4,700
At 31 December 2022	(8,938)	(64,139)	221,797	196,222	23,377	38,878	(18,674)	(10,134)	378,389
Equity-settled share-based compensation – Value of employee services	–	–	–	–	–	(1,272)	–	–	(1,272)
Shares Vested for share award scheme	–	8,480	–	(8,480)	–	–	–	–	–
Shares purchased for share award scheme	–	(8,821)	–	–	–	–	–	–	(8,821)
Transaction with NCI	–	–	–	980	–	–	–	–	980
Transfer of loss on disposal of equity investments at FVOCI to accumulated loss	–	–	–	–	–	–	3,781	–	3,781
Disposal of subsidiary	–	–	–	(1,175)	–	–	–	–	(1,175)
Revaluation	–	–	–	–	–	–	(8,803)	–	(8,803)
Exchange differences	–	–	–	–	–	–	–	2,618	2,618
Appropriation to statutory reserves	–	–	121	–	–	–	–	–	121
At 31 December 2023	(8,938)	(64,480)	221,918	187,547	23,377	37,606	(23,696)	(7,516)	365,818

28 Other reserves (Continued)

Notes:

(a) Merger reserve

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

(b) Statutory reserve

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

(c) Capital reserve

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

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

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

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

On 13 May and 31 December 2022, Guangdong City Logistical Technology Limited repurchased 10% and 5% shares with a premium of RMB1,945,000 from non-controlling shareholders. This purchase premium was recognized as capital reserve in the consolidated balance sheet.

On 3 November 2023, Ordifen (Hong Kong) Holdings Company Limited repurchased 10% shares of Ordifen (Tianjing) Fashion Company and Ordinfen (Shanghai) Corporate Management Consulting Company with a premium of RMB980,000 from non-controlling shareholders. This purchase premium was recognized as capital reserve in the consolidated balance sheet.

On 1 December 2023, Cosmo Lady GuangDong Holdings company disposed 100% shares of Guangzhou City Beauty Garment Company Limited to a third party. The surplus reserves of RMB1,175,000 of Guangzhou City Beauty Garment Company Limited was derecognized in the consolidated balance sheet.

(d) Shares held for share award scheme

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

Up to 31 December 2023, the Share Scheme Trustee acquired 90,426,357 (2022: 62,894,000) ordinary shares of the Company from the open market, of which 15,338,023 (2022: 7,985,400) Shares have been vested and 75,088,334 (2022: 54,908,600) Shares remained unvested. Accumulated consideration for the acquired shares of 90,426,357 is approximately RMB72,960,000, which had been deducted from shareholders' equity.

29 Equity-settled share-based compensation

(a) Employee Option Plan

The establishment of the Company Employee Option Plan adopted on 9 June 2014. The Employee Option Plan is designed to provide long-term incentives for senior managers and above (including executive directors) to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The old share option scheme adopted on 9 June 2014 was terminated on 2 June 2023 (the "Old Scheme"). The new share option scheme of the Company was approved by the shareholders of the Company and adopted on 2 June 2023 (the "New Scheme") and is valid for 10 years. The purpose of the New Scheme is to enable the board of directors (the "Board") to grant share options to the eligible participants, including employee participants, related entity participants and service providers, as incentives or rewards for their contribution or potential contribution to the Company and its subsidiaries (the "Group"). Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The maximum number of ordinary shares which may be issued upon exercise of all options to be granted under the existing scheme mandate limit of the New Scheme is 224,945,721 shares.

The exercise price in respect of any share option shall be at the discretion of the Board, provided that it must be at least the highest of: (a) the closing price of the ordinary shares as stated in the daily quotation sheets issued by the Stock Exchange on the date on which the Board resolves to make an offer of a share option to an eligible participant("Offer Date"); (b) the average closing price of the ordinary shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the Offer Date; and (c) the nominal value of the Shares on the Offer Date.

No trustee has been appointed under the New Scheme. None of the directors of the Company is a trustee of the New Scheme nor has a direct or indirect interest in the trustees of the New Scheme.

There was no outstanding option granted under the Old Scheme as the date of its termination on 2 June 2023. Under the New Scheme, no options were granted or agreed to be granted, exercised, cancelled or lapsed during the year of 2023 nor was there any option outstanding at the beginning or the end of the period.

(b) 2019 Share Award Scheme

The Board of Directors has approved the adoption of the 2019 Share Award Scheme on 28 June 2019. The purpose of the Share Award Scheme is to recognize and motivate the contribution of the employees of the Group and help the Group in retaining its existing members of management and attracting new talents to join the Group. The benefits under the Share Award Scheme serves to replace the benefits under the Company's share option plan established on 9 June 2014. The vesting period of the awarded shares is determined by the Board.

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

The Company adopted a share award scheme, with a 10-year validity, on 28 June 2019 (the "Share Award Scheme") with certain amendments on 2 June 2023.

29 Equity-settled share-based compensation (Continued)

(b) 2019 Share Award Scheme (Continued)

The purpose and objectives of the Share Award Scheme are to enable the Board to grant award shares to the eligible participants as incentives or rewards for their contribution to the Group. The basis of eligibility of any of the eligible participants, including employee participants, related entity participants and service providers to the grant of Awards shall be determined by the Board from time to time on the basis of the Board's opinion as to his contribution or potential contribution to the development and growth of the Group.

Movements in the number of shares awarded:

	Number of shares as at 31 December 2023	2022
At 1 January	**21,713,800**	24,174,600
Granted	**34,200,000**	–
Vested	**(7,352,623)**	(1,127,200)
Forfeited	**(6,447,277)**	(1,333,600)
At 31 December	**42,113,900**	21,713,800

Details of the awarded shares outstanding as at 31 December 2023 were set out as follows:

Date of award	Average fair value per share (HK$)(Note 1)	Vesting period	Number of awarded shares: Outstanding as at 1 January 2023	Granted during the Year	Forfeited during the Year	Vested during the year	Outstanding as at 31 December 2023
The five highest paid individuals							
28 June 2019	1.33	28 June 2019 to 28 June 2024	810,200	–	(45,941)	(374,959)	389,300
1 January 2023	0.20	1 January 2023 to 31 December 2025 *(Note 2)*	–	5,500,000	–	–	5,500,000
Directors							
10 July 2020	0.60	10 July 2020 to 10 July 2023	700,000	–	(36,321)	(453,679)	210,000
1 January 2023	0.20	1 January 2023 to 31 December 2025 *(Note 2)*	–	8,600,000	–	–	8,600,000
Others							
28 June 2019	1.33	28 June 2019 to 28 June 2024	14,038,600	–	(3,744,994)	(4,879,306)	5,414,300
10 July 2020	0.60	10 July 2020 to 10 July 2023	4,815,000	–	(2,090,793)	(1,363,907)	1,360,300
1 November 2021	0.55	1 November 2021 to 1 November 2024	1,350,000	–	(529,228)	(280,772)	540,000
1 January 2023	0.20	1 January 2023 to 31 December 2025 *(Note 2)*	–	20,100,000	–	–	20,100,000
			21,713,800	34,200,000	(6,447,277)	(7,352,623)	42,113,900

Note 1: The average fair value per share represent the share price of the Company at the grant date.

Note 2: The Company have granted 34,200,000 shares to employees as at 1 January 2023.

29 Equity-settled share-based compensation (Continued)

(c) (Credit)/expenses arising from share-based payment transactions

Total (credit)/expenses arising from the share-based transactions have been charged in the consolidated statement of profit or loss and OCI as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
General and administrative expenses		
2019 Share Award Scheme	**235**	2,912
Selling and marketing expenses		
2019 Share Award Scheme	**(1,507)**	3,128
	(1,272)	6,040

Note: For the year ended 31 December 2023, the reversal of RMB1,507,000 for 2019 share award scheme were recognised in selling and marketing expense due to certain employees' failure to meet conditions.

30 Trade and notes payables

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade payables		
– Due to third parties	**295,070**	351,223
– Due to related parties *(Note 37(c))*	**1,752**	8,477
	296,822	359,700
Notes payables	**454,614**	253,485
	751,436	613,185

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

30 Trade and notes payables (Continued)

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

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

31 Accruals and other payables

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Refundable deposits received from the prospective purchaser or lessees of property, plant and equipment *(Note)*	**102,853**	–
Other accrued expenses and payables	**77,721**	70,508
Payables for purchases of property, plant and equipment and intangible assets	**40,231**	15,385
Salaries and welfare payables	**33,617**	37,548
Accrued taxes other than income tax	**6,159**	4,363
Deposits from franchisees	**75,051**	69,891
Payable for logistics	**13,847**	25,362
Payable for short-term leases	**10,334**	14,470
Payable for advertisements	**1,939**	4,022
Provision for sales return	**1,369**	2,110
Payable for operating expenses in respect of stores under cooperative arrangements	**6,336**	28,619
	369,457	272,278

As at 31 December 2023, accruals and other payables of the Group are non-interest bearing, and their fair values, except for salaries and welfare payables, accrued taxes other than income tax, provision for sales return and receipts in advance from customers which are not financial liabilities, approximate their carrying amounts due to their short maturities.

As at 31 December 2023, accruals and other payables of the Group are denominated in RMB.

Note:

The amount mainly represented refundable deposits received from the prospective customers upon signing contracts of intent to purchase or lease the industrial projects of Yuquan project (Note 17(c)).

32 Borrowings

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

Movements in borrowings are analysed as follows:

	RMB'000
Opening amount as at 1 January 2023	**331,502**
Repayments of bank borrowings	**(218,232)**
Proceeds from bank borrowings	**279,210**
Closing amount as at 31 December 2023	**392,480**

Note:

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

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

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

33 Deferred income

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Non-current	**113**	344
Current	**231**	242
	344	586

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

34 Notes to consolidated statement of cash flows

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Profit before income tax	**48,002**	28,379
Adjustments for:		
Depreciation of property, plant and equipment *(Note 17)*	**103,206**	130,785
Amortization of right-of-use assets *(Note 18)*	**172,522**	200,366
Amortization of intangible assets *(Note 19)*	**6,759**	7,421
Provision for/(reversal of) impairment of other receivables *(Note 12)*	**783**	(30,824)
Reversal of impairment of trade receivables *(Note 12)*	**(32,100)**	(45,495)
Provision for inventories *(Note 9)*	**47,076**	17,457
Impairment/(reversal) of property, plant and equipment and right of use assets *(Notes 17, 18)*	**9,239**	(2,623)
Impairment of intangible assets *(Note 19)*	**2,887**	–
Fair value gain on FVPL *(Note 8)*	**–**	(2,843)
Finance income *(Note 13)*	**(7,618)**	(6,700)
Finance expense *(Note 13)*	**30,194**	33,837
Foreign exchange loss *(Note 8)*	**2,021**	3,478
Equity-settled share-based compensation *(Note 29)*	**(1,272)**	6,040
Share of (profit)/loss of joint ventures *(Note 20)*	**(3,973)**	26,013
Investment income from FVPL *(Note 7)*	**(1,453)**	(1,508)
Dividends from FVOCI *(Note 7)*	**(81)**	(4,000)
Gain on disposal of a subsidiary *(Note 8)*	**(742)**	–
Gains on disposal of property, plant and equipment – net *(Note 8)*	**(444)**	(311)
Loss on disposal of intangible assets – net *(Note 8)*	**22**	–
	375,028	359,472
Changes in working capital:		
Trade and notes receivables	**8,557**	28,912
Deposits, prepayments and other receivables	**(9,566)**	125,686
Inventories	**39,433**	243,709
Trade and notes payables	**5,883**	(394,265)
Accruals and other payables	**(31,770)**	(69,115)
Contract liabilities	**(3,880)**	(58,190)
Deferred income	**(242)**	(242)
Cash generated from operations	**383,443**	235,967

34 Note to consolidated statement of cash flows (Continued)

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

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Net book amount of property, plant and equipment *(Note 17)*	**1,045**	27,096
Gains on disposal of property, plant and equipment – *net (Note 8)*	**444**	311
Proceeds from disposal of property, plant and equipment	**1,489**	27,407

(c) Reconciliation for net debt after lease liabilities

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cash and cash equivalents	**506,157**	554,083
Bank borrowings	**(392,480)**	(331,502)
Cash and liquid investment less bank borrowings	**113,677**	222,581
Lease liabilities	**(310,869)**	(276,748)
Net debt after lease liabilities	**(197,192)**	(54,167)
Cash and liquid investments	**506,157**	554,083
Gross debt (including lease liabilities)		
– fixed interest rates	**(310,869)**	(276,748)
– variable interest rates	**(392,480)**	(331,502)
Net debt after lease liabilities	**(197,192)**	(54,167)

34 Note to consolidated statement of cash flows (Continued)

(d) Net cash/(debt) reconciliation

	Other assets		Liabilities from financing activities		
	Cash and cash equivalents	Liquid investment *(Note)*	Leases	Borrowings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net cash as at 1 January 2022	515,547	3,533	(311,046)	(369,077)	(161,043)
Cash flows	50,131	(3,533)	239,847	37,575	324,020
Foreign exchange adjustments	(11,595)	–	–	–	(11,595)
Other non-cash movements	–	–	(205,549)	–	(205,549)
Net cash as at 31 December 2022	554,083	–	(276,748)	(331,502)	(54,167)
Net cash as at 1 January 2023	**554,083**	**–**	**(276,748)**	**(331,502)**	**(54,167)**
Cash flows	**(46,825)**	**–**	**(208,448)**	**(60,978)**	**(316,251)**
Foreign exchange adjustments	**(1,101)**	**–**	**–**	**–**	**(1,101)**
Other non-cash movements	**–**	**–**	**174,327**	**–**	**174,327**
Net cash as at 31 December 2023	**506,157**	**–**	**(310,869)**	**(392,480)**	**(197,192)**

Note: Liquid investment comprises current investment that is traded in an active market, being the Group's financial assets held at FVPL under current assets.

35 Balance sheet and reserves of the Company

Balance sheet of the Company

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Assets		
Non-current assets		
Interests in subsidiaries *(Note (a))*	**1,212,237**	1,212,547
Current assets		
Other receivables	**199**	406
Amounts due from a subsidiary *(Note (b))*	**533,922**	519,230
Bank balances and cash	**49,341**	50,290
	583,462	569,926
Total assets	**1,795,699**	1,782,473
Equity		
Capital and reserves		
Share capital *(Note 27)*	**140,312**	140,312
Share premium *(Note 27)*	**1,656,669**	1,656,669
Other reserves	**203,735**	188,879
Accumulated losses	**(210,741)**	(207,872)
Total equity	**1,789,975**	1,777,988
Liabilities		
Current liabilities		
Accruals and other payables	**5,724**	4,485
Total liabilities	**5,724**	4,485
Total equity and liabilities	**1,795,699**	1,782,473

Zheng Yaonan
Director

Zhang Shengfeng
Director

35 Balance sheet and reserves of the Company (Continued)

Accumulated losses of the Company

	RMB'000
At 1 January 2022	(204,553)
Loss for the year	(3,319)
At 31 December 2022	(207,872)
Loss for the year	**(2,869)**
At 31 December 2023	**(210,741)**

Other reserves of the Company

	Shares held for share award scheme *RMB'000*	Capital contribution reserve *RMB'000*	Equity-settled share-based compensation *RMB'000*	Exchange reserve *RMB'000*	Total other Reserves *RMB'000*
At 1 January 2022	(64,139)	18,429	32,179	48,232	34,701
Value of employee services	–	–	6,040	–	6,040
Currency translation differences	–	–	–	148,138	148,138
At 31 December 2022	(64,139)	18,429	38,219	196,370	188,879
Value of employee services	**–**	**–**	**(1,272)**	**–**	**(1,272)**
Shares Vested for share award scheme	**8,480**	**(8,480)**	**–**	**–**	**–**
Shares purchased for share award scheme	**(8,821)**	**–**	**–**	**–**	**(8,821)**
Currency translation differences	**–**	**–**	**–**	**24,949**	**24,949**
At 31 December 2023	**(64,480)**	**9,949**	**36,947**	**221,319**	**203,735**

35 Balance sheet and reserves of the Company (Continued)

Notes:

(a) Interests in subsidiaries

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Capital contribution relating to share-based payment	**48,724**	48,724
Loans to subsidiaries	**1,163,513**	1,163,823
	1,212,237	1,212,547

The capital contribution relates to shares granted to employees of subsidiaries under Share Award Scheme. Refer to Note 29(b) for further details on the Group's share award scheme.

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

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

36 Commitments

As at 31 December 2023, the Group had the following capital commitments not provided for:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Contracted but not provided for:		
Property, plant and equipment	**88,373**	224,561
Intangible assets	**10**	1,823
Investment in joint ventures	**–**	29,985
	88,383	256,369

37 Related party transactions

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

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the year, and balances arising from related party transactions as at 31 December 2023.

(a) Name and relationship with related parties

	Relationship with the Group
Mr. Zhang Shengfeng	Director
Mr. Lin Zonghong	Director
Shantou City Shengqiang Knitting Industrial Co., Ltd (汕頭市盛強針織實業有限公司) ("Shantou Shengqiang")	Controlled by a brother of Mr. Zhang Shengfeng's spouse
Shantou City Maosheng Knitting Underwear Co., Ltd (汕頭市茂盛針織內衣有限公司) ("Shantou Maosheng")	Controlled by a brother and a sister of Mr. Lin Zonghong
Jinghedu (Dongguan) Equity Investment Fund Partnership (Limited Partnership) (京合都(東莞)股權投資基金合夥企業(有限合夥)) ("Jinghedu")	Joint venture

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Continuing transactions:		
Shantou Shengqiang	**15,850**	21,651
Shantou Maosheng	**4,772**	2,279
	20,622	23,930

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

37 Related party transactions (Continued)

(c) Balance with related party

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade payables balance:		
Shantou Shengqiang	**1,639**	7,420
Shantou Maosheng	**113**	1,057
	1,752	8,477

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

(d) Key management compensation

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**3,307**	6,979
Pension costs – defined contribution plans	**189**	549
Equity-settled share-based compensation	**212**	932
	3,708	8,460

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

(a) Particulars of the subsidiaries of the Group as at 31 December 2023 are set out below:

Company name	Place of incorporation	Paid-in capital/ registered capital	Interests held by the Group 2023	2022	Principal activities/ place of operation
Directly held:					
Cosmo Lady (International) Holdings Co., Ltd (都市麗人(國際)控股有限公司)	BVI	1 share of US$1	**100%**	100%	Investment holding/ Hong Kong
Indirectly held:					
Cosmo Lady Guangdong Holdings Limited (廣東都市麗人實業有限公司)	PRC	RMB420,000,000	**100%**	100%	Sale of intimate wear/ PRC
Beijing Ziseyangguang Sale Co., Ltd. (北京紫色陽光銷售有限公司)	PRC	RMB1,000,000	**100%**	100%	Sale of intimate wear/ PRC
Shenzhen Sisters Fashion Co., Ltd (深圳市姐妹風尚服裝銷售有限公司)	PRC	RMB2,000,000	**100%**	100%	Sale of intimate wear/ PRC
Tianjin Dushifengshang Fashion Co., Ltd. (天津都市風尚服裝銷售有限公司)	PRC	RMB30,000,000	**100%**	100%	Sale of intimate wear/ PRC
Fanxue Fashion (Chongqing) Co., Ltd (重慶市凡雪服裝有限公司)	PRC	RMB20,000,000	**100%**	100%	Sale of intimate wear/ PRC
Fanxue Fashion (Shanghai) Co., Ltd (上海市凡雪服裝有限公司)	PRC	RMB3,000,000	**100%**	100%	Sale of intimate wear/ PRC
Cosmo Lady (TianJin) E-commerce Company Limited (天津都市麗人電子商務有限公司)	PRC	RMB10,000,000	**100%**	100%	Sale of intimate wear/ PRC
Freeday (Tianjin) Fashion Company Limited (天津自在時光服裝銷售有限公司)	PRC	RMB15,000,000	**100%**	100%	Sale of intimate wear/ PRC
Ordinfen (Tianjin) Fashion Company Limited (天津歐迪芬服裝銷售有限公司)	PRC	RMB111,111,100	**100%**	90%	Sale of intimate wear/ PRC
Cosmo Lady (Guang Dong) Technology Company Limited (廣東都市麗人科技有限公司)	PRC	RMB15,000,000	**100%**	100%	Sale of raw material/ PRC
Guangdong Cosmo Logistics Technology Company Limited (廣東都市物流科技有限公司)	PRC	RMB45,000,000	**95%**	95%	Logistics warehousing and distribution services/PRC
Cosmo Lady (Hong Kong) Holdings Co., Ltd. (都市麗人(香港)控股有限公司)	Hong Kong	10,000 shares of HK$1	**100%**	100%	Investment holding/ Hong Kong

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

(a) Particulars of the subsidiaries of the Group as at 31 December 2023 are set out below: (Continued)

Company name	Place of incorporation	Paid-in capital/ registered capital	Interests held by the Group 2023	2022	Principal activities/ place of operation
Freeday (Hong Kong) Holdings Company Limited (自由時光(香港)控股有限公司)	Hong Kong	1 share of HK$1	100%	100%	Investment holding/ Hong Kong
Ordifen (Hong Kong) Holdings Company Limited (歐迪芬(香港)控股有限公司)	Hong Kong	1 share of HK$1	100%	100%	Investment holding/ Hong Kong
Cosmo Lady (Hong Kong) Industrial Company Limited (都市麗人(香港)工業有限公司)	Hong Kong	1 share of HK$1	100%	100%	Investment holding/ Hong Kong
Ordinfen (Shanghai) Corporate Management Consulting Co., Ltd (上海歐迪芬實業有限公司)	PRC	HK$11,111,100	100%	90%	Corporate consulting/ PRC
Dongguan Cosmo Lady Sales Company Limited (東莞市都市麗人銷售有限公司)	PRC	RMB10,000,000	100%	100%	Sale of intimate wear/ PRC
Shenzhen Yueshang IT Company Limited (深圳悅尚信息科技有限公司)	PRC	RMB5,000,000	100%	100%	Sale of intimate wear/ PRC
Cosmo Lady (Dongguan) E-commerce Company Limited (東莞市都市麗人電子商務有限公司)	PRC	RMB5,000,000	100%	100%	Sale of intimate wear/ PRC
Shenzhen Dushi Fashion Company Limited (深圳都市貝比服飾有限公司)	PRC	RMB10,000,000	51%	51%	Sale of intimate wear/ PRC
Shangyue (Tianjin) Fashion Company Limited (悅尚(天津)服飾有限公司)	PRC	RMB20,000,000	100%	100%	Sale of intimate wear/ PRC
Dongguan Dushi Hengfeng Sales Company Limited (東莞市都市恒鋒銷售有限公司)	PRC	RMB10,000,000	100%	100%	Sale of intimate wear/ PRC
Dongguan Dushi Hengyao Sales Company Limited (東莞市都市恒耀銷售有限公司)	PRC	RMB10,000,000	100%	100%	Sale of intimate wear/ PRC
Dongguan Dushi Hongfeng Sales Company Limited (東莞市都市宏鋒銷售有限公司)	PRC	RMB10,000,000	100%	100%	Sale of intimate wear/ PRC
Dongguan Dushi Yaoli Sales Company Limited (東莞市都市耀麗銷售有限公司)	PRC	RMB10,000,000	100%	100%	Sale of intimate wear/ PRC

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

(a) Particulars of the subsidiaries of the Group as at 31 December 2023 are set out below: (Continued)

Company name	Place of incorporation	Paid-in capital/ registered capital	Interests held by the Group 2023	2022	Principal activities/ place of operation
Shaoguan Dongdu Property Management Company Limited (韶關市東都物業管理有限公司)	PRC	RMB5,000,000	**100%**	100%	Property management services/PRC
Shaoguan Dushi Feiteng Logistics Company Limited (韶關都市飛騰物流有限公司)	PRC	RMB2,000,000	**95%**	95%	Logistics warehousing and distribution services/PRC
Dongguan Lishe Brand Management Company Limited (東莞市麗舍品牌管理有限公司)	PRC	RMB1,000,000	**60%**	60%	Brand management services/PRC
Lice Technology (Shanghai) Company Limited (儷策科技(上海)有限公司)	PRC	RMB5,000,000	**51%**	51%	Computer technology services/PRC
Tianjin Yuemu E-commerce Company Limited (天津悦慕電子商務有限公司)	PRC	RMB1,000,000	**100%**	100%	Sale of intimate wear/ PRC
Shenzhen Ordifen Information Technology Service Company Limited (深圳市歐迪芬信息技術服務有限公司)	PRC	RMB10,000,000	**90%**	90%	Computer technology services/PRC
Dongguan Fengshang Preferred Sales Co., Ltd (東莞市鋒尚優選銷售有限公司)	PRC	RMB1,000,000	**100%**	100%	Sale of intimate wear/ PRC
Guangdong Pure Cotton Juwu Medical Technology Co., Ltd (廣東純棉居物醫療科技有限公司)	PRC	RMB10,000,000	**80%**	80%	Sale of intimate wear/ PRC
Guangdong Dushi Yuncang Technology Company Limited (廣東都市雲倉科技有限公司)	PRC	RMB45,000,000	**95%**	95%	Sale of intimate wear/ PRC
Cosmo Lady (Dongguan) Selection E-commerce Company Limited (東莞市麗人甄選電子商務有限公司)	PRC	RMB10,000,000	**100%**	100%	Sale of intimate wear/ PRC
Cosmo Lady (Dongguan) Preference Selection E-commerce Company Limited (東莞市麗人甄品電子商務有限公司)	PRC	RMB1,000,000	**100%**	–	Sale of intimate wear/ PRC
Guangxi Linde Trading Company Limited (廣西霖德商貿有限公司)	PRC	RMB17,083,400	**51%**	51%	Sale of intimate wear/ PRC

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

(b) Particulars of the joint ventures of the Group as at 31 December 2023 is set out below:

Company name	Place of incorporation	Paid-in capital/ registered capital	Interests held by the Group 2023	2022	Principal activities/ place of operation
Guangdong Dongdu Holdings Limited (廣東東都實業有限公司)	PRC	RMB110,000,000	**19.9%**	19.9%	Real estate development/PRC
Jinghedu (Dongguan) Equity Investment Management Company Limited (京合都(東莞)股權投資管理有限公司)	PRC	RMB10,000,000	**60%**	60%	Investment management/PRC
Jinghedu (Dongguan) Equity Investment Fund Partnership(Limited Partnership) (京合都(東莞)股權投資基金合夥企業(有限合夥))	PRC	RMB625,000,000	**53%**	53%	Investment management/PRC
Jinghedu(Dongguan) Equity Investment Management Partnership (Limited Partnership) (京合都(東莞)股權投資管理合夥企業(有限合夥))	PRC	RMB10,000,000	**60%**	60%	Investment management/PRC
Shantou Lianda Technology Company Limited (汕頭市聯大科技有限公司)	PRC	RMB10,000,000	**19.99%**	19.99%	Manufacturing and sales of intimate wear/PRC

The English names of the PRC companies referred to the above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

FIVE-YEAR FINANCIAL SUMMARY

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

	Year ended 31 December				
	2023 *RMB'000*	2022 *RMB'000*	2021 *RMB'000*	2020 *RMB'000*	2019 *RMB'000*
Revenue	**2,757,081**	3,008,760	3,355,403	3,057,491	4,081,885
Gross profit	**1,308,659**	1,396,752	1,412,623	1,490,780	922,586
Gross profit margin	**47.5%**	46.4%	42.1%	48.8%	22.6%
Operating profit/(loss)	**66,605**	81,529	(380,028)	(85,172)	(1,389,193)
Operating profit/(loss) margin	**2.4%**	2.7%	-11.3%	-2.8%	-34.0%
Profit/(loss) attributable to owners of the Company	**42,483**	33,024	(493,988)	(118,095)	(1,297,812)
Net profit/(loss) margin	**1.5%**	1.1%	-14.7%	-3.8%	-31.8%

	As of 31 December				
	2023 *RMB'000*	2022 *RMB'000*	2021 *RMB'000*	2020 *RMB'000*	2019 *RMB'000*
Bank balances and cash*	**681,933**	709,458	755,839	980,913	854,794
Borrowings	**392,480**	331,502	369,077	537,751	455,190
Non-current assets	**1,669,010**	1,254,669	1,432,578	1,839,859	1,826,313
Current assets	**2,146,507**	2,227,094	2,612,945	2,655,552	2,513,726
Non-current liabilities	**405,601**	284,294	200,046	556,654	473,235
Current liabilities	**1,481,477**	1,285,294	1,951,571	1,531,110	1,314,192
Net current assets	**665,030**	941,800	661,374	1,124,442	1,199,534
Total assets	**3,815,517**	3,481,763	4,045,523	4,495,411	4,340,039
Total liabilities	**1,887,078**	1,569,588	2,151,617	2,087,764	1,787,427
Total equity	**1,928,439**	1,912,175	1,893,906	2,407,647	2,552,612

* Including cash and cash equivalent and restricted bank deposits of the Group