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BONNY INTERNATIONAL HOLDING LIMITED
博尼国际控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1906)

ANNOUNCEMENT OF ANNUAL RESULTS FOR YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of Bonny International Holding Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	4	**284,449**	333,725
Cost of sales		**(182,310)**	(188,285)
Gross profit		**102,139**	145,440
Other income and gains	4	**14,436**	5,033
Selling and distribution expenses		**(59,768)**	(59,926)
Administrative expenses		**(38,494)**	(29,278)
Impairment losses on financial and contract assets, net		**(1,347)**	(13)
Other expenses		**(18,799)**	(18,173)
Finance costs	6	**(13,886)**	(12,744)
PROFIT/(LOSS) BEFORE TAX	5	**(15,719)**	30,339
Income tax credit/(expense)	7	**3,357**	(3,964)
PROFIT/(LOSS) FOR THE YEAR		**(12,362)**	26,375
Attributable to:			
Owners of the parent		**(12,199)**	26,702
Non-controlling interests		**(163)**	(327)
		(12,362)	26,375
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF PARENT	9		
Basic and diluted			
— For profit/(loss) for the year		**RMB (1.1 cents)**	RMB 3.1 cents

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
PROFIT/(LOSS) FOR THE YEAR	**(12,362)**	26,375
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation from functional currency to presentation currency	**(5,005)**	6,239
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation from functional currency to presentation currency	**5,759**	480
Gains on property revaluation	**193**	14,735
Income tax effect	**(29)**	(2,210)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**5,923**	13,005
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**918**	19,244
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(11,444)**	45,619
Attributable to:		
Owners of the parent	**(11,281)**	45,946
Non-controlling interests	**(163)**	(327)
	(11,444)	45,619

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**172,176**	133,495
Advance payments for property, plant and equipment		**22,617**	19,675
Investment properties		**46,510**	42,750
Right-of-use assets		**40,028**	—
Prepaid land lease payments		**—**	27,155
Intangible assets		**1,174**	1,764
Deferred tax assets		**2,418**	—
Other non-current assets		**5,170**	5,170
Total non-current assets		**290,093**	230,009
CURRENT ASSETS			
Inventories	*10*	**136,053**	132,819
Trade receivables	*11*	**88,776**	93,694
Prepayments, other receivables and other assets	*12*	**34,782**	26,319
Financial assets at fair value through profit or loss		**1,321**	—
Due from related parties		**375**	11,844
Pledged deposits	*13*	**9,629**	16,876
Cash and cash equivalents	*13*	**59,165**	25,438
Total current assets		**330,101**	306,990
CURRENT LIABILITIES			
Trade and bills payables	*14*	**43,676**	63,747
Advances from customers, other payables and accruals	*15*	**43,369**	44,703
Interest-bearing bank and other borrowings	*16*	**232,397**	248,680
Due to related parties		**232**	46
Tax payable		**1,035**	3,293
Provision		**267**	—
Total current liabilities		**320,976**	360,469

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2019

	Notes	**2019** **RMB'000**	2018 RMB'000
NET CURRENT ASSETS/(LIABILITIES)		**9,125**	(53,479)
TOTAL ASSETS LESS CURRENT LIABILITIES		**299,218**	176,530
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*16*	**1,388**	4,413
Deferred tax liabilities		**—**	910
Total non-current liabilities		**1,388**	5,323
Net assets		**297,830**	171,207
EQUITY			
Equity attributable to owners of the parent			
Share capital	*17*	**80,827**	400
Share premium	*17*	**205,242**	147,602
Other reserves		**10,997**	22,278
		297,066	170,280
Non-controlling interests		**764**	927
Total equity		**297,830**	171,207

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2019

1. CORPORATE AND GROUP INFORMATION

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

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

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

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued shares/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Hong Kong Bonny Ltd. ("**Bonny HK**")	Hong Kong 4 September 2017	HKD 10 thousand	100	—	Investment holding
Zhejiang Bonny Fashion Holding Group Co., Ltd. ("**Zhejiang Bonny**") *	PRC/ Mainland China 21 August 2001	RMB 218 million	—	100	Manufacture and trading of brassieres, panties, thermal underwear and functional sportswear
Shanghai Bonny Apparel Co., Ltd. ("**Shanghai Bonny**") *	PRC/ Mainland China 29 December 2007	RMB 1 million	—	100	Trading of brassieres, panties and thermal underwear
Yiwu Bonny E-Commerce Co., Ltd. ("**Yiwu Bonny**") *	PRC/ Mainland China 16 May 2016	RMB 12 million	—	70	Trading of brassieres, panties and thermal underwear
Yiwu Leyishang Apparel Co., Ltd. ("**Yiwu Leyishang**") *	PRC/ Mainland China 10 March 2016	RMB 6 million	—	60	Trading of brassieres, panties and thermal underwear

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued shares/ registered share capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Yiwu Bonny Sportswear Co., Ltd. (“**Yiwu Sportswear**”) *	PRC/ Mainland China 25 May 2017	RMB 1 million	—	100	Trading of brassieres, panties and thermal underwear
Yiwu Fayue Apparel Co., Ltd. (“**Yiwu Fayue**”) *	PRC/ Mainland China 26 May 2017	RMB 1 million	—	100	Trading of brassieres, panties and thermal underwear
Hunan Bonny Apparel Co., Ltd. (“**Hunan Bonny**”) *	PRC/ Mainland China 4 June 2019	RMB 2 million	—	100	Manufacture of brassieres, panties and thermal underwear

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

2.1 BASIS OF PREPARATION

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28, and Annual Improvements to HKFRSs 2015–2017 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRS are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery, motor vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets for most leases were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of RMB9,552,000 that were reclassified from property, plant and equipment.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

As a lessee — Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under HKAS 17.

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	40,805
Decrease in property, plant and equipment	(9,552)
Decrease in prepaid land lease payments	(27,155)
Decrease in prepayments, other receivables and other assets	(943)
Increase in deferred tax assets	473
Increase in total assets	3,628
Liabilities	
Increase in interest-bearing bank and other borrowings	3,155
Increase in deferred tax liabilities	473
Increase in total liabilities	3,628

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	**4,682**
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(1,276)
	3,406
Weighted average incremental borrowing rate as at 1 January 2019	4.75%
Discounted operating lease commitments as at 1 January 2019	3,155
Add: Finance lease liabilities recognised as at 31 December 2018	8,480
Lease liabilities as at 1 January 2019	**11,635**

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

Year ended 31 December 2019	**ODM products** *RMB'000*	**Brand products** *RMB'000*	**Total** *RMB'000*
Segment revenue *(note 4)*			
Sales to external customers	201,324	83,125	284,449
Segment results	46,508	(4,137)	42,371
Other income and gains			14,436
Corporate and other unallocated expenses			(58,640)
Finance costs			(13,886)
Loss before tax			(15,719)

Year ended 31 December 2019	ODM products	Brand products	Total
	RMB'000	*RMB'000*	*RMB'000*
Other segment information			
Impairment losses recognised in the statement of profit or loss, net	463	4,818	5,281
Depreciation and amortisation	10,148	6,538	16,686
Capital expenditure*	56,968	6,044	63,012

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

Year ended 31 December 2018	ODM products	Brand products	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue *(note 4)*			
Sales to external customers	243,505	90,220	333,725
Segment results	87,287	(1,773)	85,514
Other income and gains			5,033
Corporate and other unallocated expenses			(47,464)
Finance costs			(12,744)
Profit before tax			30,339

Year ended 31 December 2018	ODM products	Brand products	Total
	RMB'000	*RMB'000*	*RMB'000*
Other segment information			
Reversal of impairment losses recognised in the statement of profit or loss, net	(996)	(362)	(1,358)
Depreciation and amortisation	10,895	3,144	14,039
Capital expenditure	32,087	2,319	34,406

Geographic information

(a) Revenue from external customers

	2019	2018
	RMB'000	*RMB'000*
Mainland China	**167,993**	184,614
United States of America	**39,156**	39,953
Germany	**31,524**	29,027
Japan	**17,014**	4,819
Netherlands	**3,966**	46,373
Other countries	**24,796**	28,939
	284,449	333,725

The revenue information above is based on the shipment destinations.

(b) Non-current assets

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

Information about major customers

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

	2019	2018
	RMB'000	*RMB'000*
Customer 1	**30,080**	59,199
Customer 2	**N/A***	40,922
Customer 3	**65,020**	N/A*
Customer 4	**47,378**	70,849
	142,478	170,970

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers	**284,449**	333,725

Revenue from contracts with customers

(a) Disaggregated of revenue information

	2019	2018
	RMB'000	*RMB'000*
Timing of revenue recognition		
Goods transferred at a point in time	**284,449**	333,725

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

	2019	2018
	RMB'000	*RMB'000*
Sale of goods	**5,366**	8,673

(b) Performance obligations

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

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

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

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

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

	2019	2018
	RMB'000	*RMB'000*
Other income		
Bank interest income	**273**	168
Other interest income	**1,885**	—
Government grants*	**6,158**	2,073
Gross rental income from investment property operating leases	**1,820**	1,807
Others	**212**	102
	10,348	4,150
Gains		
Foreign exchange gains, net	**760**	125
Fair value gains on investment property	**3,328**	758
	4,088	883
	14,436	5,033

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

5. PROFIT/(LOSS) BEFORE TAX

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

	Notes	**2019** **RMB'000**	2018 RMB'000
Cost of inventories sold*		**182,310**	188,285
Depreciation of property, plant and equipment		**12,546**	13,286
Depreciation of right-of-use assets (2018: amortisation of land lease payments)		**4,042**	633
Amortisation of intangible assets		**731**	753
Research and development costs**		**18,496**	17,965
Minimum lease payments under operating leases		**—**	3,328
Lease payments not included in the measurement of lease liabilities		**1,621**	—
Government grants		**(6,158)**	(2,073)
Listing expense		**11,042**	7,938
Auditors' remuneration		**1,550**	213
Outsourced manufacturers		**31,441**	25,058
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**47,818**	53,624
Pension scheme contributions		**3,494**	3,763
Staff welfare expenses		**680**	476
		51,992	57,863
Concession fees		**11,290**	13,780
Foreign exchange differences, net		**(760)**	(125)
Impairment/(reversal of impairment) of inventories	10	**3,934**	(1,371)
Impairment of trade receivables	11	**1,347**	13
Changes in fair value of investment properties		**(3,328)**	(758)
Rental income		**(1,820)**	(1,807)
Bank interest income		**(273)**	(168)
Other interest income		**(1,885)**	—
Loss on disposal of items of property, plant and equipment		**36**	246

* The cost of inventories sold includes RMB25,587,000, relating to staff cost, depreciation of property, plant and equipment, depreciation of right-of-use assets (2018: amortisation of prepaid land lease payments), amortisation of intangible assets, the impairment of inventories for the year ended 31 December 2019 (2018: RMB25,897,000), which are also included in the respective total amounts disclosed above for each type of expenses.

** The research and development costs include RMB9,633,000, relating to staff cost, depreciation of property, plant and equipment, and amortisation of intangible assets for the years ended 31 December 2019 (2018: RMB10,782,000), which are also included in the respective total amounts disclosed above for each type of expenses.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	RMB'000	*RMB'000*
Interest on bank loans	**12,901**	12,427
Interest on other borrowings	**—**	317
Interest on lease liabilities	**985**	—
	13,886	12,744

7. INCOME TAX

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

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

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. No provision for income tax has been made as the Group did not generate any assessable profits in Hong Kong during the year.

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

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

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

	2019	2018
	RMB'000	*RMB'000*
Current — Mainland China		
Charge for the year	**—**	3,473
Deferred	**(3,357)**	491
Total tax charge/(credit) for the year	**(3,357)**	3,964

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

	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Profit/(loss) before tax	**(15,719)**		**30,339**	
Tax at the statutory tax rate	**(3,929)**	**25.0**	7,585	25.0
Preferential income tax rate applicable to a subsidiary	**424**	**(2.7)**	(3,874)	(12.8)
Additional deductible allowance for research and development expenses	**(1,985)**	**12.6**	(1,883)	(6.2)
Expenses not deductible for tax	**30**	**(0.2)**	36	0.1
Tax losses not recognised	**2,103**	**(13.4)**	2,100	7.0
Tax charge/(credit) at the Group's effective rate	**(3,357)**	**21.3**	3,964	13.1

8. DIVIDENDS

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

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

The calculation of the basic earnings per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,105,479,452 (2018: 5,755,495 shares issued during the year and 857,568,681 shares, which were deemed to have been converted from share premium throughout the year ended 31 December 2018) in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

The calculation of basic earnings per share is based on:

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**(12,199)**	26,702

	Number of Shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year	**211,479,452**	5,755,495
Effect of conversion of share premium	**894,000,000**	857,568,681
	1,105,479,452	863,324,176

10. INVENTORIES

	2019	2018
	RMB'000	*RMB'000*
Raw materials	**14,586**	18,626
Work in progress	**14,536**	34,683
Finished goods	**116,154**	84,799
	145,276	138,108
Impairment	**(9,223)**	(5,289)
	136,053	132,819

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

	2019	2018
	RMB'000	*RMB'000*
At beginning of year	**5,289**	6,660
Impairment losses recognised	**3,934**	—
Reversal of impairment losses recognised	**—**	(1,371)
At end of year	**9,223**	5,289

11. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**93,718**	97,289
Impairment	**(4,942)**	(3,595)
	88,776	93,694

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

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

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**64,830**	91,585
3 to 6 months	**15,561**	774
6 to 12 months	**2,575**	497
1 to 2 years	**5,597**	657
2 to 3 years	**213**	181
	88,776	93,694

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

	2019	2018
	RMB'000	*RMB'000*
At beginning of year	**3,595**	3,582
Impairment losses	**1,347**	13
At end of year	**4,942**	3,595

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

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

	As at 31 December 2019		
	Amount *RMB'000*	**Expected credit loss rate**	**Impairment** *RMB'000*
ODM customers and E-commerce platform			
Within 1 year	**50,510**	**0.05%**	**25**
1 to 2 years	**787**	**0.05%**	**—**
2 to 3 years	**123**	**0.05%**	**—**
Over 3 years	**—**	**100.00%**	**—**
Self-operated stores and counters and franchised outlets			
Within 1 year	**11,004**	**4.00%**	**440**
1 to 2 years	**1,115**	**55.00%**	**613**
2 to 3 years	**297**	**82.00%**	**244**
Over 3 years	**1,908**	**100.00%**	**1,908**
Others			
Within 1 year	**22,366**	**2.00%**	**448**
1 to 2 years	**4,952**	**13.00%**	**644**
2 to 3 years	**230**	**84.00%**	**194**
Over 3 years	**426**	**100.00%**	**426**
	93,718	**5.27%**	**4,942**

	As at 31 December 2018		
	Amount	Expected credit loss rate	Impairment
	RMB'000		*RMB'000*
ODM customers and E-commerce platform			
Within 1 year	59,475	0.05%	30
1 to 2 years	237	0.05%	—
2 to 3 years	—	0.05%	—
Over 3 years	—	100.00%	—
Self-operated stores and counters and franchised outlets			
Within 1 year	13,680	4.00%	547
1 to 2 years	454	55.00%	250
2 to 3 years	974	82.00%	799
Over 3 years	1,105	100.00%	1,105
Others			
Within 1 year	20,692	2.00%	414
1 to 2 years	248	13.00%	32
2 to 3 years	34	84.00%	28
Over 3 years	390	100.00%	390
	97,289	3.70%	3,595

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019	2018
	RMB'000	*RMB'000*
Prepayments	**25,970**	12,343
Prepaid expenses	**3,201**	3,947
Deposits and other receivables	**5,567**	5,014
Deferred listing expenses	**—**	4,340
Tax recoverable	**44**	42
Current portion of prepaid land lease payments	**—**	633
	34,782	26,319

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2019 and 2018, the loss allowance was assessed to be minimal.

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Notes	**2019**	2018
		RMB'000	*RMB'000*
Cash and bank balances		**59,165**	25,438
Time deposits		**9,629**	16,876
		68,794	42,314
Less: Pledged time deposits:			
Pledged for bills payable	14	**(9,629)**	(16,876)
Cash and cash equivalents		**59,165**	25,438
Denominated in RMB		**56,645**	24,434
Denominated in United States dollars ("**USD**")		**629**	993
Denominated in Hong Kong dollars ("**HKD**")		**1,891**	11
Cash and cash equivalents		**59,165**	25,438

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

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

14. TRADE AND BILLS PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**24,357**	30,454
Bills payable	**19,319**	33,293
	43,676	63,747

As at 31 December 2019, the bills payable were secured by the pledge of the Group's deposits of RMB9,629,000 (2018: RMB16,876,000) (note 13) and unlisted investments with a fair value of RMB1,321,000 (2018: Nil).

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

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**28,725**	38,761
3 to 6 months	**14,397**	24,016
6 to 12 months	**364**	171
Over 12 months	**190**	799
	43,676	63,747

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

15. OTHER PAYABLES AND ACCRUALS

		2019	2018
	Notes	***RMB'000***	*RMB'000*
Contract liabilities		**6,092**	5,366
Payroll payables		**7,448**	7,375
Tax payable other than income tax		**9,133**	10,133
Accrued listing expense		**602**	1,228
Payable for property, plant and equipment and other intangible assets	(a)	**5,657**	4,419
Interest payable		**364**	392
Other payables	(b)	**14,073**	15,790
		43,369	44,703

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2019	31 December 2018	1 January 2018
	RMB'000	*RMB'000*	*RMB'000*
Short-term advances received from customers			
Sale of goods	**6,092**	5,366	8,673

Contract liabilities represented the obligations to transfer goods to a customer for which the Group has received consideration. The amount was included in "Other payables and accruals" in the consolidated statement of financial position. At 31 December 2019, no contract liabilities were resulted from loyalty points programme (2018: Nil).

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

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

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2019			1 January 2019	31 December 2018		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current							
Lease liabilities	**4.75–10.67**	**2020**	**7,297**	**5,812**	3.80–6.96	2019	4,067
Bank loans — secured	**4.79–6.96**	**2020**	**225,100**	**244,613**	3.80–6.96	2019	244,613
			232,397	**250,425**			248,680
Non-current							
Lease liabilities	**4.75**	**2021**	**1,388**	**5,823**	10.67	2020	4,413
			233,785	**256,248**			253,093

	2019 *RMB'000*	2018 *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**225,100**	244,613
Other borrowings repayable:		
Within one year	**7,297**	4,067
In the second year	**1,388**	4,413
	8,685	8,480
	233,785	253,093

Notes:

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

(i) the Group's buildings and equipment situated in Mainland China, which had an aggregate carrying value of RMB49,220,000 as at 31 December 2019 (2018: RMB73,962,000);

(ii) the Group's leasehold lands situated in Mainland China, which had an aggregate carrying value of RMB27,155,000 as at 31 December 2019 (2018: RMB27,788,000);

(iii) mortgages over leasehold lands and buildings situated in Mainland China of Yiwu Zhongdu Properties Co., Ltd. ("**Yiwu Zhongdu Properties**"), a related company; and

(iv) mortgages over leasehold lands and buildings situated in Mainland China of Mr. Jin Guojun and Ms. Gong Lijin, related parties.

(b) Bode Holding Group Co., Ltd. ("**Bode Holding**"), an entity controlled by the ultimate controlling shareholder, has guaranteed certain of the Group's bank loans of up to RMB83,100,000 as at 31 December 2019 (2018: RMB116,000,000).

(c) Mr. Jin Guojun, the chairman of the Board (the "**Chairman**") , has guaranteed certain of the Group's bank loans of up to RMB203,000,000 as at 31 December 2019 (2018: RMB85,400,000).

(d) Ms. Gong Lijin, a shareholder and the wife of the Chairman, has guaranteed certain of the Group's bank loans of up to RMB203,000,000 as at 31 December 2019 (2018: RMB85,400,000).

(e) Mr. Jin Guojun and Ms. Gong Lijin have guaranteed certain of the Group's bank loans of up to RMB117,100,000 as at 31 December 2019 (2018: RMB170,200,000).

(f) Mr. Jin Chunlong, a shareholder of the Company, has guaranteed certain of the Group's bank loans of Nil as at 31 December 2019 (2018: RMB8,400,000).

(g) Mr. Luo Chengming, a shareholder of the Company, has guaranteed certain of the Group's bank loans of Nil as at 31 December 2019 (2018: RMB1,200,000).

(h) Ms. Jin Xiaohong, a shareholder of the Company, has guaranteed certain of the Group's bank loans of up to RMB13,000,000 as at 31 December 2019 (2018: RMB48,000,000).

(i) Mr. Huang Jing, a shareholder of the Company, has guaranteed certain of the Group's bank loans of Nil as at 31 December 2019 (2018: RMB1,200,000).

(j) Zhejiang Yitong Textile Co., Ltd., an independent third party, has guaranteed certain of the Group's bank loans of up to RMB13,000,000 as at 31 December 2019 (2018: RMB48,000,000).

(k) Mr. Ren Chengxiu and Ms. Jin Qiumei, independent third parties, have guaranteed certain of the Group's bank loans of up to RMB17,040,000 as at 31 December 2019 (2018: RMB14,200,000).

(l) Zhejiang Aolai Textile Co., Ltd., an independent third party, has guaranteed certain of the Group's bank loans of up to RMB17,040,000 as at 31 December 2019 (2018: RMB14,200,000).

(m) Yiwu Furuiduo Ecological Technology Co., Ltd. an independent third party, has guaranteed certain of the Group's bank loans of up to RMB33,040,000 as at 31 December 2019 (2018: RMB41,240,000).

(n) Hong Kong Bonny Ltd., an entity controlled by the ultimate controlling shareholder, has guaranteed certain of the Group's bank loans of up to RMB52,500,000 as at 31 December 2019 (2018: RMB52,500,000).

(o) Zhejiang Deshipu New Material Technology Co., Ltd. ("**Deshipu New Material**"), an entity controlled by the ultimate controlling shareholder, has guaranteed certain of the Group's bank loans of up to RMB30,000,000 as at 31 December 2019 (2018: Nil).

17. SHARE CAPITAL

Shares

	2019	2018
	RMB'000	*RMB'000*
Issued and fully paid:		
1,200,000,000 (2018: 6,000,000) ordinary shares	**80,827**	400

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

	Number of shares in issue	**Share capital**	**Share premium**
		RMB'000	*RMB'000*
At 1 January 2018	5,000,000	337	—
Issue of shares	1,000,000	63	147,602
At 31 December 2018 and 1 January 2019	6,000,000	400	147,602
Initial public offering	300,000,000	20,257	129,481
Share premium converted into ordinary shares	894,000,000	60,170	(60,170)
	1,194,000,000	80,427	69,311
Share issue expenses	—	—	(11,671)
At 31 December 2019	1,200,000,000	80,827	205,242

On 31 March 2018, the authorised share capital of the Company increased to USD1,000,000 (equivalent to RMB6,310,000) divided into 10,000,000,000 shares of USD0.01 each. On the same day, 1,000,000 shares of USD0.01 par value each were issued for cash at a subscription price of HKD184.28 (equivalent to RMB147.65) per share.

In connection with the Company's initial public offering, 300,000,000 ordinary shares of USD0.01 each were issued at a price of HKD0.58 per share for a total cash consideration, before expenses, of approximately HK$174,000,000 (equivalent to RMB149,738,000). Dealings in these shares on the Stock Exchange commenced on 26 April 2019.

On 26 April 2019, share premium amounting to HKD70,125,000 (equivalent to RMB60,170,000) were converted into 894,000,000 ordinary shares at USD0.01 each.

18. CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

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

	31 December 2019	1 January 2019	31 December 2018
	RMB'000	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings *(note 16)*	**233,785**	256,248	253,093
Due to related parties	**232**	46	46
Trade and bills payables	**43,676**	63,747	63,747
Other payables and accruals	**43,369**	44,703	44,703
Less: Cash and cash equivalents	**(59,165)**	(25,438)	(25,438)
Pledged time deposits	**(9,629)**	(16,876)	(16,876)
Net debt	**252,268**	322,430	319,275
Equity attributable to owners of the parent	**297,066**	170,280	170,280
Total capital and net debt	**549,334**	492,710	489,555
Gearing ratio	**46%**	65%	65%

Note: The Group has adopted HKFRS 16 using the modified retrospective approach and the effect of the initial adoption is adjusted against the opening balances as at 1 January 2019 with no adjustments to the comparative amounts as at 31 December 2018. Although this resulted in an increase in the Group's net debt, the Group's gearing ratio remained unchanged on 1 January 2019 when compared with the position as at 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operations Review

As a manufacturer of seamless and traditional intimate wear products, the Group operates business through two segments. The Group focuses on providing one-stop in-house intimate wear manufacturing solutions to the Group's original design manufacturer ("**ODM**") customers in the People's Republic of China (the "**PRC**") and overseas. The Group's branded sales products segment sells mainly traditional intimate wear products under its "Bonny" and "U+ Bonny" brands through its nationwide retail network in the PRC. The Group manufactures a wide range of seamless and traditional intimate wears, including bras, underpants, thermal clothes and loungewear, and the Group also produces functional sportswear. Majority of the Group's seamless products are sold to the Group's ODM customers, while the Group mainly sells traditional products in the Group's branded sales in the PRC.

During the year ended 31 December 2019, the Group's total revenue amounted to approximately RMB284.5 million, representing an decrease of approximately 14.8% as compared to 2018 (2018: approximately RMB333.7 million). Such decrease was primarily due to the decline in the Group's ODM sales in the PRC and overseas as a result of reduction in sales orders received from customers. The Group recorded a gross profit of approximately RMB102.1 million (2018: approximately RMB145.4 million) with a gross profit margin of approximately 35.9% (2018: approximately 43.6%).

The Group recorded a loss for the year ended 31 December 2019 attributable to owners of the Company of approximately RMB12.2 million (2018: a profit of approximately RMB26.7 million). The loss-making for the year ended 31 December 2019 was mainly attributable to (i) a decline in the Group's overseas and the PRC ODM sales as a result of reduction in sales orders received from customers; (ii) a decrease in gross profit margin of ODM sales as compared to the corresponding period in 2018; and (iii) an increase in administrative due to the establishment of a factory in Hunan Province, the PRC and sales representation offices in the United States and Hong Kong; and (iv) non-recurring listing expenses as disclosed in the Company's prospectus dated 12 April 2019 (the "**Prospectus**") under the paragraph headed "Listing expenses" in the section headed "Financial Information".

The shares of the Company were listed ("**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 26 April 2019 ("**Listing Date**") by way of a global offering, raising net proceeds (after deducting professional fees, underwriting commissions and other fees and expenses payable by the Group in connection with the Listing and the global offering) of approximately HK$131.3 million.

Brand management

For the Group's branded sales, the Group sell products under the Group's "Bonny" brand and "U+ Bonny" brand through the Group's retail network in the PRC.

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

Sales network

The Group sells its branded products principally through an extensive and structured nationwide retail network in the PRC. In order to optimise cost-effectiveness of the Group's outlets, the Group continued to streamline its retail network in the PRC during the year ended 31 December 2019. The Group appropriately optimised its retail network by closing retail outlets with less satisfactory financial or operational performance so as to enhance the overall efficiency of its sales network.

As at 31 December 2019, the Group had 140 self-operated retail outlets (comprising 130 self-operated concession counters and 10 self-operated standalone stores) and 50 franchised retail outlets, covering 18 provinces, municipalities and autonomous regions in the PRC, and did not involve distributors or multiple layers of franchisees.

The total number of the Group's retail outlets decreased from 198 as at the end of 2018 to 190 (comprising 140 self-operated retail outlets and 50 franchised retail outlets) as at 31 December 2019. During the year ended 31 December 2019, there was a net decrease of 13 self-operated retail outlets of the Group, and a net increase of 5 franchised retail outlets in light of the Group's strategy in maintaining an effective retail network in the PRC by developing the "U+ Bonny" outlets and closing down self-operated retail outlets with less satisfactory financial or operational performance. To a lesser extent, some of the Group's retail outlets closed due to expiry or early termination of concession agreements with the relevant department stores or shopping malls.

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

Product design, research and development

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

During the year ended 31 December 2019, the Group introduced 140 distinct types of products in terms of style, size and colour under different product categories for the Group's branded sales into the domestic retail market. For the year ended 31 December 2019, expenses for product resign, research and development was approximately RMB18.5 million (2018: approximately RMB17.9 million).

As at 31 December 2019, the Group had a total of 76 registered trademarks in the PRC, 1 registered trademark in Hong Kong, 5 registered domain names, 14 registered software copyrights in the PRC, and 30 registered patents in the PRC, including 3 invention patents and 27 utility model patents.

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

Production capacity and outlook

Currently the Group only conducts its production operations at the Group's production base located at Suxi Town, Zhejiang Province, the PRC (the "**Suxi Production Site**"). The construction of phase I of the Group's production base located at Beiyuan Street, Yiwu, Zhejiang Province, the PRC (the "**Beiyuan Production Site**") was completed in September 2016. The construction of phase II of the Beiyuan Production Site is still under construction with construction of the production building approximately 85% completed and the construction of the staff dormitory approximately 75% completed as at 31 December 2019. Phase II of the Beiyuan Production Site is expected to complete construction and commence production in the second half of 2020. During the year ended 31 December 2019, the Group purchased 11 seamless circular knitting machines, which were installed at the Suxi Production Site and commenced operation in October 2019.

Due to the COVID-19 pandemic and its impact on the domestic and global economy, the outlook of future sales prospect is unclear. As a result, the Group has decided to delay the purchase of additional seamless circular knitting machines and other ancillary equipment with unutilised proceeds as described in the section of "Future Plans and Use of Proceeds" in the Prospectus and the announcement of the Company dated 24 May 2019. The Board will consider to resume the proposed purchase and installation of the equipment based on the recovery of product sales and production capacity of the Group at the time.

Human resources

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

The Group enters into individual employment contracts with its employees, and enters into labour dispatch agreements with independent third party employment agents. The number of full-time employees of the Group increased to 779 as at 31 December 2019 (31 December 2018: 737). The employee benefit expense (excluding directors' and chief executive's remunerations) for the year ended 31 December 2019 was approximately RMB52.0 million (2018: approximately RMB57.9 million). The service fee payment to the employment agent for the year ended 31 December 2019 was RMB66,648.5 (2018: RMB118,019.4).

In addition to direct employment and labour dispatch, the Group engages production subcontractors to provide on-site sub-contracting staff. The Group's human resources policy does not apply to workers of the relevant production subcontractor and the Group neither determines nor directly pays wages to the subcontracting staff. Subcontracting fees, calculated based on the quantity of goods or services delivered to the Group for the year ended 31 December 2019 was approximately RMB31.4 million (2018: approximately RMB25.1 million).

Financial Review

Revenue

Revenue for the year ended 31 December 2019 was approximately RMB284.5 million, representing a decrease of approximately RMB49.3 million, or approximately 14.8%, from approximately RMB333.7 million for the corresponding period last year.

The ODM products segment revenue for the year ended 31 December 2019 was approximately RMB201.3 million, representing a decrease of approximately RMB42.2 million, or approximately 17.3%, from segment revenue of approximately RMB243.5 million for the corresponding period last year. This decrease was primarily due to the decrease in the Group's ODM sales in the PRC and overseas.

The brand products segment revenue for the year ended 31 December 2019 was approximately RMB83.1 million, representing a decrease of approximately RMB7.1 million, or approximately 7.9% for the corresponding period last year (2018: approximately RMB90.2 million). Such decrease was primarily due to the decrease in the number of "Bonny" retail outlets.

Gross Profit

Gross profit for the year ended 31 December 2019 was approximately RMB102.1 million, representing a decrease of approximately RMB43.3 million, or approximately 29.8%, from approximately RMB145.4 million for the corresponding period last year due to: (i) the decrease in ODM sales and branded sales product revenue; and (ii) the decrease in gross profit margin of ODM sales as compared to the corresponding period in 2018.

Segment gross profit for ODM products for the year ended 31 December 2019 was approximately RMB56.8 million which decreased from approximately RMB93.8 million for the corresponding period last year due to: (i) the decrease in export trade income and e-commerce platforms sales revenue; (ii) the decrease in customers' order for products of high gross profit margin; (iii) the decrease of sales prices due to the reduction of value added tax in the PRC; and (iv) the increase in labour costs and manufacturing costs.

Segment gross profit for brand products for year ended 31 December 2019 was approximately RMB45.3 million, which decreased for the corresponding period last year (2018: approximately RMB51.6 million) primarily due to the decrease in "Bonny" brand revenue as the number of "Bonny" retail outlets decreased.

Other Income and Gains

Other income and gains for the year ended 31 December 2019 was approximately RMB14.4 million, representing an increase of approximately RMB9.4 million, or approximately 187.1%, from approximately RMB5.0 million for the corresponding period last year. The increase was primarily due to the increase of other interest income, government grants and fair value gains on investment property.

Selling and Distribution Expenses

Selling and distribution expenses for the year ended 31 December 2019 were approximately RMB59.8 million, which was similar to that for the corresponding period last year of approximately RMB59.9 million.

Administrative and Other Expenses

Administrative and other expenses for the year ended 31 December 2019 were approximately RMB57.3 million, as compared to approximately RMB47.5 million for the corresponding period last year due to the incurred listing expenses and the increase in administrative expenses arising from the establishment of a factory in Hunan Province, the PRC and sales representation offices in the United States and Hong Kong.

Listing Expenses

Listing expenses for the year ended 31 December 2019 were approximately RMB11.0 million, as compared to approximately RMB7.9 million for the corresponding period last year.

Finance Costs

Finance costs for the year ended 31 December 2019 were approximately RMB13.9 million, which increased as compared to the corresponding period last year (2018: approximately RMB12.7 million) due to the increase in interest on bank loans and interest on lease liabilities.

Income Tax Credit

Income tax credit for the year ended 31 December 2019 were approximately RMB3.4 million, which increased as compared to the corresponding period last year (2018: income tax expense approximately RMB4.0 million) due to a loss recorded by the Group for the year ended 31 December 2019.

Loss Attributable to Ordinary Equity Holders of the Parent

As a result of foregoing, loss attributable to ordinary equity holders of the parent for the year ended 31 December 2019 was approximately RMB12.2 million, representing a decrease of approximately RMB38.9 million, or approximately145.7%, from a profit of approximately RMB26.7 million for the corresponding period last year.

Future Plan and Prospects

As a major manufacturer in the intimate wear industry in the PRC, the Group will closely follow the market changes, adopt flexible and diversified development strategies in a timely manner, respond quickly to market changes and promptly seize the market opportunities.

In addition to the retail outlets network, the Group's products are also sold through different online platforms to enhance brand awareness and expand customer base. The Group will continue to optimise its sales network structure and close underperforming stores, thereby raising overall operating efficiency.

In view of the expected growth of the intimate wear market in the long term, the Group will continue to enhance product design and research and development capability, as well as develop diversified products based on market needs.

In implementing the Group's capacity expansion plan, phase II of the Beiyuan Production Site is still under construction with construction of the production building approximately 85% completed and the construction of the staff dormitory approximately 75% completed as at 31 December 2019. Phase II of the Beiyuan Production Site is expected to complete construction and commence production in the second half of 2020. During the year ended 31 December 2019, the Group purchased 11 seamless circular knitting machines, which were installed at Suxi Production Site and commenced operation in October 2019.

Due to the COVID-19 pandemic and its impact on the domestic and global economy, the outlook of future sales prospect is unclear. As a result, the Group has decided to delay the additional purchase of seamless circular knitting machines and other ancillary equipment with unutilised proceeds as described in the section of "Future Plans and Use of Proceeds" in the Prospectus and the announcement of the Company dated 24 May 2019. The Board will consider to resume the proposed purchase and installation of the equipment based on the recovery of product sales and production capacity of the Group at the time.

In order to mitigate the impact of the COVID-19 pandemic on the ODM sales and branded sales through retail outlets, the Group will adopt active strategies to develop its business, including; (i) to continue to strengthen its research and development capability by focusing on improving product quality, functionality and designs; (ii) to properly operate the additional seamless environmental protective masks production to improve the structure of product offerings, details of which are described in the announcement of the Company dated 17 March 2020; (iii) to expand the e-commerce network by expanding online sales channels to include WeChat e-commerce, live cam sales and social media originated sales; and (iv) to leverage the geographical advantage of the Hong Kong and the United States offices in developing overseas customers.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers. As at 31 December 2019, the Group had cash and cash equivalents of approximately RMB59.2 million (31 December 2018: approximately RMB25.4 million). Such increase was mainly a result of the cash flow from the net proceeds generated from the Listing during the year ended 31 December 2019. The interest-bearing liabilities as at 31 December 2019 was approximately RMB233.8 million (2018: approximately RMB253.1 million) with interest rates ranging from approximately 4.8% to 10.7% per annum. The Group's gearing ratio as at 31 December 2019, calculated based on net debts to the total capital and net debts, was approximately 46% (31 December 2018: approximately 65%). The Group recorded net current asset of approximately RMB9.1 million as of 31 December 2019, primarily due to the proceeds from the Listing. Following the completion of the construction of phase II of the Beiyuan Production Site at the end of 2019, the Group did not incur any material capital expenditure for further expansion of the production bases. The existing bank borrowings and payables for construction-in-progress will be repaid by instalment using the Group's internal resources according to their respective payment schedule. As a result, the Group's net current asset position and the gearing ratio has improved at the year end of 2019. The management believes that the Group has maintained adequate financial resources to fulfil its working capital requirements.

FOREIGN EXCHANGE RISK

The monetary assets and liabilities and business transaction of the Group are mainly carried out and conducted in Renminbi, U.S. dollars and the European currency unit. In view of the stability of the exchange rate between these currencies, the Directors do not consider that the Group was significantly exposed to foreign exchange risk for the year ended 31 December 2019. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. During the year ended 31 December 2019, no forward foreign exchange or hedging contracts had been entered into by the Group. The Group will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2019, the Group has made no material acquisitions or disposals of subsidiaries, associates and joint ventures.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities.

USE OF PROCEEDS

The net proceeds of the Group raised from the initial public offering were approximately HKD131.3 million, after deducting the underwriting fees, commissions and other listing expenses. In implementing the Group's capacity expansion plan, phase II of the Beiyuan Production Site is still under construction with construction of the production building approximately 85% completed and the construction of the staff dormitory approximately 75% completed as at 31 December 2019. The construction cost and operational expenses of phase II of the Beiyuan Production Site exceeded the planned amount described in the section of "Future Plans and Use of Proceeds" in the Prospectus and the announcement of the Company dated 24 May 2019 by HKD7.5 million. Phase II of the Beiyuan Production Site is expected to complete construction and commence production in the second half of 2020. During the year ended 31 December 2019, the Group purchased 11 seamless circular knitting machines, which were installed at the Suxi Production Site and commenced operation in October 2019. The unutilised amount of net proceeds at the date of this announcement are placed in licensed banks in Hong Kong and the PRC.

Due to the COVID-19 pandemic and its impact on the domestic and global economy, the outlook of future sales prospect is unclear. As a result, the Group has decided to delay the purchase of additional seamless circular knitting machines and other ancillary equipment with unutilised proceeds as described in the section of "Future Plans and Use of Proceeds" in the Prospectus and the announcement of the Company dated 24 May 2019. The Board will consider to resume the proposed purchase and installation of the equipment based on the recovery of product sales and production capacity of the Group at the time.

The table below sets out the use of net proceeds from the initial public offering and the unutilised amounts as at 31 December 2019.

	% of total amount	Net proceeds	Utilised amounts in 2019	Unutilised amounts in 2019
	%	*HKD million*	*HKD million*	*HKD million*
Beiyuan Production Site for expansion of our seamless production capacity				
— construction of phase II of the Beiyuan Production Site	20%	26.3	33.8	(7.5)*(Note)*
— acquisition and implementation of additional production equipment at the Beiyuan Production Site	60%	78.8	4.3	74.5
Enhancing our product design, research and development capability	10%	13.1	13.5	(0.4)
Working capital and general corporate purposes	10%	13.1	13.8	(0.7)
Total	100%	131.3	65.4	65.9

Note: The utilised amount for the construction of phase II of the Beiyuan Production site exceeded the initially planned amount by HK$7.5 million due to: (i) an additional amount utilised for an improved design of the factory blueprint in order to raise the utilisation rate of the production space and the quality of basic constructions; and (ii) multiple rounds of modifications to the construction blueprint and adjustments made in implementing the construction accordingly.

SUBSEQUENT EVENT

At present, the Group expects the COVID-19 pandemic to have limited impact on its business. However, it is difficult to estimate the full impact in the coming months given the dynamic nature of these circumstances. The Group will pay continuous attention to the development of the COVID-19 pandemic, assess the situation and react timely to its impact.

EMPLOYEE AND REMUNERATION POLICY

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

SIGNIFICANT INVESTMENTS HELD

During the year ended 31 December 2019, the Group did not hold any significant investment in equity interest in any other company.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the period from the Listing Date and up to the date of this announcement.

CORPORATE GOVERNANCE MEASURES

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

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

Save as disclosed above, during the period from the Listing Date and up to 31 December 2019, the Company has complied with the CG Code.

AUDIT COMMITTEE

The Company's audit committee (the "**Audit Committee**") consists of three independent non-executive Directors, being Mr. Zhang Senquan, Mr. Wang Jian and Mr. Li Youxing. Mr. Zhang Senquan currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed with management the Group's consolidated financial statements for the year ended 31 December 2019, the accounting principles and practices adopted and discussed auditing, internal control and financial reporting matters.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Upon specific enquiry, all Directors have confirmed that they have complied with the Model Code during the period from the Listing Date and up to 31 December 2019. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the period from the Listing Date and up to 31 December 2019.

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2019 (31 December 2018: nil).

SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITORS

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2019, but represents an extract from the consolidated financial statements for the year ended 31 December 2019 which have been audited by the auditor of the Company, Ernst & Young in accordance with Hong Kong Standards of Auditing issued by the Hong Kong Institute of Certified Public Accountants. The financial information has been received by the Audit Committee and approved by the Board.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement of the Group for the year ended 31 December 2019 is available for viewing on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.bonnychina.com.

An annual report of the Group for the year ended 31 December 2019, containing all the information required by the Listing Rules, will be despatched to the shareholders of the Company and published on the above websites in due course.

By Order of the Board
Bonny International Holding Limited
Jin Guojun
Chairman

Hong Kong, 31 March 2020

As at the date of this announcement, the Board consists of two executive Directors, namely Mr. Jin Guojun, and Mr. Zhao Hui; two non-executive Directors, namely Ms. Gong Lijin and Mr. Luo Weixing; and three independent non-executive Directors, namely Mr. Li Youxing, Mr. Wang Jian and Mr. Zhang Senquan.