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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 THE YEAR ENDED 31 DECEMBER 2020

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 2020 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	**2020** **RMB'000**	2019 RMB'000
REVENUE	4	**287,809**	284,449
Cost of sales		**(170,093)**	(182,310)
Gross profit		**117,716**	102,139
Other income and gains	4	**76,099**	14,436
Selling and distribution expenses		**(48,534)**	(59,768)
Administrative expenses		**(27,226)**	(38,494)
Impairment losses on financial assets, net		**(15,229)**	(1,347)
Other expenses		**(37,698)**	(18,799)
Finance costs	6	**(10,686)**	(13,886)
PROFIT/(LOSS) BEFORE TAX	5	**54,442**	(15,719)
Income tax (expense)/credit	7	**(6,168)**	3,357
PROFIT/(LOSS) FOR THE YEAR		**48,274**	(12,362)
Attributable to:			
Owners of the parent		**48,281**	(12,199)
Non-controlling interests		**(7)**	(163)
		48,274	(12,362)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF PARENT	9		
Basic and diluted		**RMB4.0 cents**	RMB (1.1 cents)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
PROFIT/(LOSS) FOR THE YEAR	**48,274**	(12,362)
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	**12,298**	(5,005)
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	**(12,655)**	5,759
Gains on property revaluation	**—**	193
Income tax effect	**—**	(29)
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	**(12,655)**	5,923
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(357)**	918
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**47,917**	(11,444)
Attributable to:		
Owners of the parent	**47,924**	(11,281)
Non-controlling interests	**(7)**	(163)
	47,917	(11,444)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**222,679**	172,176
Advance payments for property, plant and equipment		**18,178**	22,617
Investment properties		**—**	46,510
Right-of-use assets		**25,566**	40,028
Intangible assets		**937**	1,174
Deferred tax assets		**—**	2,418
Other non-current assets		**5,170**	5,170
Total non-current assets		**272,530**	290,093
CURRENT ASSETS			
Inventories	*10*	**168,772**	136,053
Trade receivables	*11*	**70,781**	88,776
Prepayments, other receivables and other assets	*12*	**28,446**	34,782
Assets held for sale		**59,503**	—
Financial assets at fair value through profit or loss		**—**	1,321
Due from related parties		**8,710**	375
Pledged deposits		**1,542**	9,629
Cash and cash equivalents		**48,259**	59,165
Total current assets		**386,013**	330,101
CURRENT LIABILITIES			
Trade and bills payables	*13*	**34,986**	43,676
Advances from customers, other payables and accruals	*14*	**147,325**	43,369
Interest-bearing bank and other borrowings	*15*	**124,152**	232,397
Due to related parties		**—**	232
Tax payable		**1,080**	1,035
Provision		**—**	267
Total current liabilities		**307,543**	320,976

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NET CURRENT ASSETS		**78,470**	9,125
TOTAL ASSETS LESS CURRENT LIABILITIES		**351,000**	299,218
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	**366**	1,388
Provision		**927**	—
Deferred tax liabilities		**3,980**	—
Total non-current liabilities		**5,273**	1,388
Net assets		**345,727**	297,830
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	**80,827**	80,827
Share premium	16	**205,242**	205,242
Other reserves		**58,578**	10,997
		344,647	297,066
Non-controlling interests		**1,080**	764
Total equity		**345,727**	297,830

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2020

1. CORPORATE AND GROUP INFORMATION

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

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

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

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. Assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the Conceptual Framework for Financial Reporting 2018 and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The Group has early adopted the amendment to HKFRS 16 on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK$95,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

The amendments did not have any significant impact on the financial position and 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 2020	**ODM products** *RMB'000*	**Brand products** *RMB'000*	**Total** *RMB'000*
Segment revenue *(note 4)*			
Sales to external customers	**232,582**	**55,227**	**287,809**
Segment results	**79,372**	**(10,190)**	**69,182**
Other income and gains			**76,099**
Corporate and other unallocated expenses			**(80,153)**
Finance costs			**(10,686)**
Profit before tax			**54,442**

Year ended 31 December 2020	**ODM products** *RMB'000*	**Brand products** *RMB'000*	**Total** *RMB'000*
Other segment information			
Impairment losses recognised in the statement of profit or loss, net	**18,193**	**2,528**	**20,721**
Depreciation and amortisation	**16,171**	**3,837**	**20,008**
Capital expenditure*	**93,973**	**200**	**94,173**

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 *RMB'000*	Brand products *RMB'000*	Total *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.

Geographic information

(a) Revenue from external customers

	2020 ***RMB'000***	2019 *RMB'000*
Mainland China	**190,140**	167,993
United States of America	**56,953**	39,156
Germany	**15,997**	31,524
Japan	**5,858**	17,014
Canada	**1,718**	6,258
Netherlands	**261**	3,966
Other countries	**16,882**	18,538
	287,809	284,449

The revenue information above is based on the shipment destinations.

(b) ***Non-current assets***

All non-current assets of the Group are located in 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:

	2020	2019
	RMB'000	*RMB'000*
Customer 1	**N/A***	30,080
Customer 2	**87,133**	N/A*
Customer 3	**N/A***	65,020
Customer 4	**39,346**	47,378
	126,479	142,478

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

An analysis of revenue is as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers	**287,809**	284,449

4. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

(a) ***Disaggregated of revenue information***

	2020	2019
	RMB'000	*RMB'000*
Timing of revenue recognition		
Goods transferred at a point in time	**287,809**	284,449

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:

	2020	2019
	RMB'000	*RMB'000*
Sale of goods	**6,092**	5,366

(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 are 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.

At 31 December 2020, the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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

	2020	2019
	RMB'000	*RMB'000*
Other income		
Bank interest income	**188**	273
Other interest income	**986**	1,885
Government grants (a)	**6,240**	6,158
Gross rental income from investment property operating leases	**243**	1,820
Others	**975**	212
	8,632	10,348
Gains		
Gain on Government Acquisition (b)	**65,677**	—
Foreign exchange gains, net	**170**	760
Fair value gains on investment property	**1,620**	3,328
	67,467	4,088
	76,099	14,436

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

(b) Zhejiang Bonny Fashion Holding Group Co., Ltd. ("**Zhejiang Bonny**"), a subsidiary of the Company, entered into the Disposal Agreement of Land and Building with the People's Government of Suxi, Yiwu, Zhejiang, the PRC (the "**Local Government**") and Yiwu Fotang Town Industrial Asset Management Co., Ltd. ("**Yiwu Fotang**") on 31 December 2020, pursuant to which Zhejiang Bonny sold a parcel of land of approximately 40,000 square meters situated at 168 Haopai Road, Suxi, the PRC (the "**Land**") with the carrying amount of RMB3,518,000 together with the buildings to the Local Government ("**the Government Acquisition**") for an aggregate compensation of RMB163,719,000 to be settled by cash. As at 31 December 2020, the Group has received RMB150,172,000 from the Local Government, and the remaining RMB13,547,000 will be paid after completion of relocation.

As at 31 December 2020, Zhejiang Bonny has completed the cancellation of ownership of the Land, and the ownership of the Land has been transferred to the government, the gain on the disposal of the Land with RMB65,677,000 was recognised. Since the relocation of the factory has not been completed, the buildings and other fixed assets with the carrying amount of RMB59,503,000 were transferred to assets held for sale and the relevant receipt from government with RMB80,977,000 was recognised as deferred revenue (note 14).

5. PROFIT/(LOSS) BEFORE TAX

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

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Cost of inventories sold*		**170,093**	182,310
Depreciation of property, plant and equipment		**15,198**	12,546
Depreciation of right-of-use assets		**4,789**	4,042
Amortisation of intangible assets		**654**	731
Research and development costs**		**20,707**	18,496
Lease payments not included in the measurement of lease liabilities		**761**	1,621
Government grants		**(6,240)**	(6,158)
Listing expense		**—**	11,042
Auditors' remuneration		**2,064**	1,550
Outsourced manufacturers		**37,825**	31,441
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**42,254**	47,818
Pension scheme contributions		**2,774**	3,494
Staff welfare expenses		**425**	680
		45,453	51,992
Concession fees		**8,235**	11,290
Foreign exchange differences, net		**(170)**	(760)
Impairment of inventories, net	*10*	**2,988**	3,934
Impairment of trade receivables, net	*11*	**2,605**	1,347
Impairment of other receivables and prepayments	*12*	**15,128**	—
Impairment of property, plant and equipment		**13,505**	—
Changes in fair value of investment properties		**(1,620)**	(3,328)
Rental income		**(243)**	(1,820)
Bank interest income		**(188)**	(273)
Other interest income		**(986)**	(1,885)
Gain on Government Acquisition *(note 4)*		**(65,677)**	—
Loss on disposal of items of property, plant and equipment		**79**	36

* The cost of inventories sold includes RMB33,915,000 (2019: RMB25,587,000), relating to staff cost, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets, the impairment of inventories for the year ended 31 December 2020, which are also included in the respective total amounts disclosed above for each type of expenses.

** The research and development costs include RMB9,587,000 (2019: RMB9,633,000), relating to staff cost, depreciation of property, plant and equipment, and amortisation of intangible assets for the year ended 31 December 2020, 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:

	2020	2019
	RMB'000	*RMB'000*
Interest on bank loans	**10,317**	12,901
Interest on lease liabilities	**369**	985
	10,686	13,886

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% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. The subsidiary of the Group is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2019: Nil) of assessable profits of this subsidiary are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%).

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

Zhejiang Bonny is qualified as a High and New Technology Enterprise and was entitled to a preferential income tax rate of 15% (2019: 15%) during the year.

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

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

	2020	2019
	RMB'000	*RMB'000*
Current — Mainland China		
Charge for the year	**25**	—
Overprovision in prior years	**(255)**	—
Deferred	**6,398**	(3,357)
Total tax charge/(credit) for the year	**6,168**	(3,357)

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:

	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
Profit/(loss) before tax	**54,442**		(15,719)	
Tax at the statutory tax rate	**13,611**	**25.0**	(3,929)	25.0
Preferential income tax rate applicable to a subsidiary	**(5,514)**	**(10.1)**	424	(2.7)
Additional deductible allowance for research and development expenses	**(2,250)**	**(4.1)**	(1,985)	12.6
Income not subject to tax	**(145)**	**(0.3)**	—	—
Expenses not deductible for tax	**58**	**0.1**	30	(0.2)
Adjustments in respect of current tax of previous periods	**(255)**	**(0.5)**	—	—
Tax losses utilised from previous periods	**(143)**	**(0.3)**	—	—
Tax losses not recognised	**806**	**1.5**	2,103	(13.4)
Tax charge/(credit) at the Group's effective rate	**6,168**	**11.3**	(3,357)	21.3

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 profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,200,000,000.00 (2019: 211,479,452 shares issued during the year and 894,000,000 shares, which were deemed to have been converted from share premium throughout the year ended 31 December 2019) 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 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

The calculation of basic earnings per share is based on:

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**48,281**	(12,199)

	Number of Shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year	**1,200,000,000**	211,479,452
Effect of conversion of share premium	**—**	894,000,000
	1,200,000,000	1,105,479,452

10. INVENTORIES

	2020	2019
	RMB'000	*RMB'000*
Raw materials	**30,109**	14,586
Work in progress	**23,210**	14,536
Finished goods	**127,664**	116,154
	180,983	145,276
Impairment	**(12,211)**	(9,223)
	168,772	136,053

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

	2020	2019
	RMB'000	*RMB'000*
At beginning of year	**9,223**	5,289
Impairment losses recognised, net	**2,988**	3,934
At end of year	**12,211**	9,223

11. TRADE RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**78,327**	93,718
Impairment	**(7,546)**	(4,942)
	70,781	88,776

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:

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**37,769**	64,830
3 to 6 months	**4,309**	15,561
6 to 12 months	**9,648**	2,575
1 to 2 years	**18,973**	5,597
2 to 3 years	**82**	213
	70,781	88,776

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

	2020	2019
	RMB'000	*RMB'000*
At beginning of year	**4,942**	3,595
Impairment losses, net	**2,605**	1,347
Exchange realignment	**(1)**	—
At end of year	**7,546**	4,942

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

	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		4,942

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020	2019
	RMB'000	*RMB'000*
Prepayments	**12,642**	25,970
Prepaid expenses	**12,438**	3,201
Deposits and other receivables	**18,494**	5,567
Tax recoverable	**—**	44
	43,574	34,782
Impairment losses recognised:		
Prepayments	**(2,504)**	—
Deposits and other receivables	**(12,624)**	—
	28,446	34,782

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

	2020	2019
	RMB'000	*RMB'000*
At beginning of the year	**—**	—
Impairment losses recognised	**15,128**	—
At the end of year	**15,128**	—

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

13. TRADE AND BILLS PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**34,498**	24,357
Bills payables	**488**	19,319
	34,986	43,676

As at 31 December 2020, the bills payables were secured by the pledge of the Group's deposits of RMB488,000 (2019: RMB9,629,000) and unlisted investments with a fair value of nil (2019: RMB1,321,000).

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:

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**17,214**	28,725
3 to 6 months	**8,515**	14,397
6 to 12 months	**7,832**	364
Over 12 months	**1,425**	190
	34,986	43,676

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

14. OTHER PAYABLES AND ACCRUALS

	Notes	**2020** **RMB'000**	2019 *RMB'000*
Deferred revenue *(note 4(b))*		**80,977**	—
Contract liabilities		**11,790**	6,092
Advances from a customer		**15,947**	—
Payroll payables		**3,630**	7,448
Tax payable other than income tax		**9,923**	9,133
Accruals		**559**	602
Payable for property, plant and equipment and other intangible assets	*(a)*	**9,774**	5,657
Interest payable		**570**	364
Other payables	*(b)*	**14,155**	14,073
		147,325	43,369

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2020 ***RMB'000***	31 December 2019 *RMB'000*	1 January 2019 *RMB'000*
Short-term advances received from customers			
Sale of goods	**11,790**	6,092	5,366

Contract liabilities represented the obligations to transfer goods to a customer for which the Group has received consideration. The amount was included in "Other payables and accruals" in the consolidated statement of financial position. As at 31 December 2020 no contract liabilities were resulted from loyalty points programme (2019: 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.

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2020			31 December 2019		
	Effective interest rate *(%)*	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Lease liabilities	**4.75**	**2021**	**2,502**	4.75-10.67	2020	7,297
Bank loans — secured	**4.15-5.20**	**2021**	**121,650**	4.79-6.96	2020	225,100
			124,152			232,397
Non-current						
Lease liabilities	**4.75**	**2022**	**366**	4.75	2021	1,388
			124,518			233,785

	2020 ***RMB'000***	2019 *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**121,650**	225,100
Other borrowings repayable:		
Within one year	**2,502**	7,297
In the second year	**366**	1,388
	2,868	8,685
	124,518	233,785

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 a net carrying value of RMB106,121,000 as at 31 December 2020 (2019: RMB49,220,000);

(ii) the Group's leasehold land situated in Mainland China, which had a net carrying value of RMB21,740,000 as at 31 December 2020 (2019: RMB27,155,000); and

(iii) the Group's trademarks, which had a net carrying value of RMB11,000 as at 31 December 2020 (2019: Nil).

(b) Bode Holding Group Co., Ltd. ("**Bode Holding**"), an entity controlled by the ultimate controlling shareholder's sister, has guaranteed certain of the Group's bank loans of up to RMB83,100,000 as at 31 December 2020 (2019: RMB83,100,000).

(c) Mr. Jin Guojun, the Chairman, has guaranteed certain of the Group's bank loans of up to RMB316,020,000 as at 31 December 2020 (2019: RMB203,000,000).

(d) Ms. Gong Lijin, a shareholder and the wife of the Chairman, has guaranteed certain of the Group's bank loans of up to RMB316,020,000 as at 31 December 2020 (2019: RMB203,000,000).

(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 2020 (2019: RMB117,100,000).

(f) Ms. Jin Xiaohong, a shareholder of the Company, has guaranteed certain of the Group's bank loans of Nil as at 31 December 2020 (2019: RMB13,000,000).

(g) Zhejiang Yitong Textile Co., Ltd., an independent third party, has guaranteed certain of the Group's bank loans of Nil as at 31 December 2020 (2019: RMB13,000,000).

(h) Mr. Ren Chengxiu and Ms. Jin Qiumei, independent third parties, have guaranteed certain of the Group's bank loans of up to RMB8,700,000 as at 31 December 2020 (2019: RMB17,040,000).

(i) Zhejiang Aolai Textile Co., Ltd., an independent third party, has guaranteed certain of the Group's bank loans of up to RMB8,700,000 as at 31 December 2020 (2019: RMB17,040,000).

(j) 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 2020 (2019: RMB33,040,000).

(k) Zhejiang Deshipu New Material Technology Co., Ltd. ("**Deshipu New Material**"), an entity controlled by the ultimate controlling shareholder's sister, has guaranteed certain of the Group's bank loans of Nil as at 31 December 2020 (2019: RMB30,000,000).

16. SHARE CAPITAL

Shares

	2020	2019
	RMB'000	*RMB'000*
Issued and fully paid:		
1,200,000,000 (2019: 1,200,000,000) ordinary shares	**80,827**	80,827

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

	Number of shares in issue	**Share capital** ***RMB'000***	**Share premium** ***RMB'000***
At 1 January 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 and 31 December 2020	**1,200,000,000**	**80,827**	**205,242**

In connection with the Company's initial public offering, 300,000,000 ordinary shares of US$0.01 each were issued at a price of HK$0.58 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 HK$70,125,000 (equivalent to RMB60,170,000) were converted into 894,000,000 ordinary shares at USD0.01 each.

17. 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 2020 and 31 December 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and bills payables, and certain other payables and accruals, 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 2020 *RMB'000*	31 December 2019 *RMB'000*
Interest-bearing bank and other borrowings	**124,518**	233,785
Due to related parties	**—**	232
Trade and bills payables	**34,986**	43,676
Other payables and accruals excluding deferred revenue	**66,348**	43,369
Less: Cash and cash equivalents	**(48,259)**	(59,165)
Pledged time deposits	**(1,542)**	(9,629)
Net debt	**176,051**	252,268
Equity attributable to owners of the parent	**344,647**	297,066
Total capital and net debt	**520,698**	549,334
Gearing ratio	**34%**	46%

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's original design manufacturer ("**ODM**") sales products segment sells one-piece intimate wear to ODM's 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 Company faced huge difficulties and challenges in 2020. At the beginning of 2020, the wide-spreading COVID-19 pandemic in the PRC and overseas countries resulted in the delay in resumption of production, the suspension of operation of brand stores and the cancellation of ODM orders of the Company, which inevitably and materially affected the ODM business and branded business of the Company. In order to tide over such difficult time, the Board and management of the Company took various measures to maintain the stable operation of the Company, including:

i) engaging in new facial masks production and sales business;

ii) leveraging the communication functions of Hong Kong and the United State offices to keep abreast of the latest COVID-19 pandemic development in overseas regions and the operation and demands of key customers;

iii) providing domestic ODM customers, particularly e-commerce customers who have emerged during the COVID-19 pandemic, with more tailor-made services and accelerating research and development and production progress; and

iv) controlling costs and expenses. As the COVID-19 pandemic had been quickly contained in China and the facial masks project had supported the stable operation of the Company, the ODM business and branded business of the Company showed rapid recovery in the second half of the year.

During the Reporting Period, the Group's total revenue amounted to approximately RMB287.8 million, representing an increase of approximately 1.2% as compared to 2019 (2019: approximately RMB284.5 million). The Group recorded a gross profit of approximately RMB117.7 million (2019: approximately RMB102.1 million) with a gross profit margin of approximately 40.9% (2019: approximately 35.9%).

The Group recorded a profit attributable to owners of the Company for the Reporting Period of approximately RMB48.3 million (2019: a loss of approximately RMB12.2 million). The profit for the Reporting Period was mainly attributable to an increase in other income and gains as compared with the same period of last year as a result of the gain on disposal of land due to the disposal of the production site of the Group at Suxi Town, Yiwu, Zhejiang, the PRC (the "**Suxi Production site**").

Brand management

For the Group's branded sales, the Group sells 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 Reporting Period. The Group appropriately optimised its retail network by closing retail outlets with less satisfactory financial or operational performance so as to enhance the overall efficiency of its sales network.

As at 31 December 2020, the Group had 137 self-operated retail outlets (comprising 129 self-operated concession counters and 8 self-operated standalone stores) and 42 franchised retail outlets, covering 14 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 190 as at 31 December 2019 to 179 as at 31 December 2020. The decrease was mainly because of the early close-down and termination of agreement of certain loss-making stores during the COVID-19 pandemic.

Meanwhile, the Group's products are also available for sale through its current e-commerce network and different well-recognised e-commerce platforms. In response to the change in consumption pattern towards online shopping in the PRC, the Group 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 Reporting Period, the Group introduced 118 distinct types of products in terms of style, size and colour under different product categories for the Group's branded sales into the domestic retail market. For the Reporting Period, expenses for product design, research and development was approximately RMB20.7 million (2019: approximately RMB18.5 million).

As at 31 December 2020, the Group had a total of 78 registered trademarks in the PRC, 1 registered trademark in Hong Kong, 5 registered domain names, 4 registered software copyrights in the PRC, and 26 registered patents in the PRC, including 3 invention patents and 23 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

During the Reporting Period, the Group only conducts its production operations at the Suxi Production Site. The construction of phase I of the production site of the Group at Beiyuan Street, Yiwu, Zhejiang, the PRC (the "**Beiyuan Production Site**") was completed in September 2016. The construction of phase II of the Beiyuan Production Site was completed as at 30 September 2020. Since the disposal of the Suxi Production Site on 31 December 2020, the Company has relocated its production and office facilities to the Beiyuan Production Site. Phase I and phase II of the Beiyuan Production Site have commenced operation officially. During the Reporting Period, there was no change in the seamless production capacity of the Company.

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 Company's prospectus dated 12 April 2019 (the "**Prospectus**") and the announcements of the Company dated 24 May 2019 and 29 May 2020, respectively. 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.

On 31 December 2020 (after trading hours), Zhejiang Bonny Fashion Holding Group Co., Ltd.* (浙江博尼時尚控股集團有限公司) ("**Zhejiang Bonny**"), a wholly-owned subsidiary of the Company, entered into a disposal agreement (the "**Disposal Agreement**") with the People's Government of Suxi, Yiwu, Zhejiang, the PRC (the "**Local Government**") and the Local Government's nominee, pursuant to which Zhejiang Bonny will sell the parcel of land (the "**Land**") of approximately 40,000 square meters situated at 168 Haopai Road, Suxi, the PRC together with the buildings thereon to the Local Government for an aggregate Compensation of RMB163,719,238 to be settled by cash. The Suxi Production Site is situated on the Land. According to the Disposal Agreement, it is expected that the production facilities at the Suxi Production Site shall be vacated within six months upon receiving the first part of the Compensation. The Group has formulated a relocation timetable and will ensure that the Suxi Production Site will be relocated to the Beiyuan Production Site in accordance with the timetable. The Beiyuan Production Site has been fully renovated and has more useable area than the Suxi Production Site and will be installed with automatic production system to significantly increase the production capacity of the Group. The Suxi Production Site can accommodate 271 sets of machines for the production of seamless intimate wear products while the phase II of the Beiyuan Production Site, the construction of which is completed, can accommodate up to 400 sets of machines. Phase III of the Beiyuan Production Site, which is under construction, is expected to be completed by 30 June 2022. Accordingly, the Company considers that the second phase of the Beiyuan Production Site alone can meet the expected production capacity after the disposal of the Suxi Production Site. For details, please refer to the announcement of the Company dated 31 December 2020 and the circular of the Company dated 26 March 2021.

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 decreased to 720 as at 31 December 2020 (31 December 2019: 779). The employee benefit expense (excluding directors' and chief executive's remunerations) for the Reporting Period was approximately RMB42.3 million (2019: approximately RMB47.8 million). The service fee payment to the employment agent for the Reporting Period was RMB64,800 (2019: RMB66,648.5).

In addition to direct employment and labour dispatch, the Group engages production subcontractors to provide on-site sub-contracting staff. The Group's human resources policy does not apply to workers of the relevant production subcontractor and the Group neither determines nor directly pays wages to the subcontracting staff. Subcontracting fees, calculated based on the quantity of goods or services delivered to the Group for the Reporting Period was approximately RMB37.8 million (2019: approximately RMB31.4 million).

Financial Review

Revenue

Revenue for the Reporting Period was approximately RMB287.8 million, representing an increase of approximately RMB3.4 million, or approximately 1.2%, from approximately RMB284.5 million for the corresponding period last year.

The ODM products segment revenue for the Reporting Period was approximately RMB232.6 million, representing an increase of approximately RMB31.3 million, or approximately 15.5%, from segment revenue of approximately RMB201.3 million for the corresponding period last year. This increase was primarily due to income from the sales of facial masks.

The brand products segment revenue for the Reporting Period was approximately RMB55.2 million, representing a decrease of approximately RMB27.9 million, or approximately 33.6% for the corresponding period last year. Such decrease was primarily due to i) temporary suspension of business of certain stores under measures on COVID-19 pandemic prevention and control during the first half of the Reporting Period; ii) the Company closing down 42 loss-making brand stores and delayed its plans to open new stores; and iii) the number of customers decreased due to the outbreak of COVID-19.

Gross Profit

Gross profit for the Reporting Period was approximately RMB117.7 million, representing an increase of approximately RMB15.6 million, or approximately 15.3%, from approximately RMB102.1 million for the corresponding period last year due to the higher gross profit of new facial masks business.

Segment gross profit for ODM products for the Reporting Period was approximately RMB88.8 million which increased from approximately RMB56.8 million for the corresponding period last year due to i) an increase of approximately 14.7% in the income from ODM products segment; and ii) the higher gross profit of facial mask products.

Segment gross profit for brand products for the Reporting Period was approximately RMB27.6 million, which decreased from approximately RMB45.3 million for the corresponding period last year primarily due to a decrease in income from brand products segment.

Other Income and Gains

Other income and gains for the Reporting Period was approximately RMB76.1 million, representing an increase of approximately RMB61.7 million, or approximately 428.5%, from approximately RMB14.4 million for the corresponding period last year. The increase was primarily due to the gain on disposal of land due to the disposal of the Suxi Production Site.

Selling and Distribution Expenses

Selling and distribution costs for the Reporting Period were approximately RMB48.5 million, representing a decrease of approximately RMB11.3 million, or approximately 18.9%, from approximately RMB59.8 million for the corresponding period last year. The decrease was primarily due to a decrease in the number of promotion activities of our stores and the concession fees.

Administrative and Other Expenses

Administrative and other expenses for the Reporting Period were approximately RMB64.9 million, representing an increase of approximately RMB7.6 million, or approximately 13.3%, from approximately RMB57.3 million for the corresponding period last year due to i) an increase of approximately RMB2.2 million in research and development expenses; and ii) an increase of approximately RMB16.0 million in impairment of other assets as a result of the depreciation of equipment and raw materials for facial mask production. The above increase was partially netted off by the decrease of listing expenses, which were nil for the Reporting Period compared with approximately RMB11.0 million for the corresponding period last year.

Finance Costs

Finance costs for the Reporting Period were approximately RMB10.7 million, representing a decrease of approximately RMB3.2 million, or approximately 23%, from approximately RMB13.9 million for the corresponding period last year due to bank loan concession policies offered by banking institutions during the COVID-19 pandemic as advocated by the government.

Income Tax Expense

Income tax expense for the Reporting Period were approximately RMB6.2 million as compared to the income tax credit of RMB3.4 million for the corresponding period last year. The income tax expenses incurred during the Reporting Period was due to the positive profits of the Group.

Profit Attributable to Equity Holders of the Parent

As a result of foregoing, profit attributable to ordinary equity holders of the parent for the Reporting Period was approximately RMB48.3 million, representing an increase of approximately RMB60.5 million, or approximately 495.9%, from a loss of approximately RMB12.2 million for the corresponding period last year.

Other payables and accruals

Other payables and accruals for the year ended 31 December 2020 were approximately RMB147.3 million, representing an increase of approximately RMB103.9 million, or approximately 239.4%, from approximately RMB43.4 million for the corresponding period last year. The increase was primarily due to the increase of deferred revenue. Since the relocation of the factory of the Suxi Production Site has not been completed, the relevant receipt from government with approximately RMB81.0 million was recognised as deferred revenue.

Future Plan and Prospects

Looking ahead to 2021, it is expected that the COVID-19 pandemic will linger and the Company will face risks in relation to the changes in economic conditions, the fluctuation in exchange rate and rising costs and expense, which will post huge challenges to the operation of the Company. The Company is well-prepared for mitigating all kinds of risks and will focus on providing one-stop in-house intimate wear manufacturing solutions to ODM customers in the PRC and overseas countries. Since the disposal of the Suxi Production Site on 31 December 2020, the Company has relocated its production and office facilities to the Beiyuan Production Site. The Company intends to grasp the opportunities arising from the relocation of production site to overcome internal and external challenges with "optimized structure and new initiatives". Major initiatives include:

i) establishing automatic and informatized production and management system and upgrading the intelligent production system to improve production efficiency;

ii) reducing costs and improving efficiency by refining internal management;

iii) putting efforts in supporting potential high-quality customers, in particular e-commerce customers, to grasp the emerging opportunities for growth arising from domestic online retail customers; and

iv) further improving and upgrading the brand image while expanding e-commerce network by extending online sales channels (including micronets, live-streaming sales and social media sales).

Phase III of the Beiyuan Production Site is under construction and is expected to be completed by 30 June 2022.

As mentioned in the 2019 annual report and 2020 interim report of the Group, 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 headed "Future Plans and Use of Proceeds" in the Prospectus and the announcements of the Company dated 24 May 2019 and 29 May 2020. 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.

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 2020, the Group had cash and cash equivalents, which are mostly denominated in Renminbi, U.S. dollars and Hong Kong dollars currency unit, of approximately RMB48.3 million (31 December 2019: approximately RMB59.2 million). The interest-bearing liabilities as at 31 December 2020 was approximately RMB124.5 million (2019: approximately RMB233.8 million) with interest rates ranging from approximately 4.15% to 5.20% per annum. The Group's gearing ratio as at 31 December 2020, calculated based on net debts to the total capital and net debts, was approximately 33.7% (as at 31 December 2019: approximately 46.0%). The Group recorded net current assets of approximately RMB78.5 million as of 31 December 2020. The Group intends to incur material capital expenditure for construction of phase III of the Beiyuan Production Site upon obtaining additional bank loans. The management believes that the Group has maintained adequate financial resources to fulfil its working capital requirements. During the Reporting Period, no financial instruments had been used for hedging purpose.

FOREIGN EXCHANGE RISK

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had total capital commitments of RMB93.8 million (as at 31 December 2019: RMB22.1 million), primarily related to the construction of phase III of the Beiyuan Production Site.

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

CONTINGENT LIABILITIES

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

A subsidiary of the Group is currently a defendant in a lawsuit brought by Shanghai Yuli Import & Export Co., Ltd. ("**Yuli**") that the subsidiary breached a procurement contract pursuant to which Yuli procured face masks from the subsidiary. Yuli claimed for the return of prepayment in the amount of RMB240,000 plus interest thereon, as well as for the termination of the contract and legal costs. The Directors, based on the advice from the Group's legal counsel in the PRC, believe that the subsidiary has a valid defence against the allegation and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs.

A subsidiary of the Group is in a lawsuit brought by E&B Trading Co., Ltd ("**E&B**") that the subsidiary breached a procurement contract pursuant to which E&B procured face masks from the subsidiary. E&B claimed for RMB1,360,000, which is two times of the deposit paid by E&B, as well as the termination of the contract and legal costs. Based on the advice from the external legal counsel in the PRC, the Directors believe that E&B defaulted the contract at the beginning, thus, the subsidiary has not provided for any claim arising from the litigation, other than the related legal and other costs.

Saved as disclosed above, as at 31 December 2020, the Group did not have any significant contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2020, save for (i) bank deposits of approximately RMB488,000 (2019: RMB9,629,000) and unlisted investments with a fair value of nil (2019: RMB1,321,000) which were pledged for bills payables; (ii) the Group's leasehold lands with a net carrying amounts of RMB21,740,000 (2019: RMB27,155,000) and certain of the Group's buildings and machinery and equipment with a net carrying amounts of approximately RMB106,121,000 (2019: RMB49,220,000) which were pledged to secure general banking facilities, (iii) certain of the Group's machinery and equipment with a net carrying amount of RMB17,586,000 (2019: Nil) were pledged to secure the property preservation applied by A Barcs & Co. Nominees Pty. Ltd. who has a legal arbitration of contract dispute with the Group, and (iv) the Group's deposits with a net carrying amount of RMB1,054,000 (2019: Nil) was frozen to secure the property preservation applied by E&B who has a legal dispute with a subsidiary of the Group, the Group did not pledge any other assets. Details of the Group's assets pledged for Group's bank loans, and for bills payables granted to major suppliers are included in Notes 13 and 15 to the consolidated financial statements, respectively, to the consolidated financial statements.

USE OF PROCEEDS

The net proceeds of the Group raised from the initial public offering were approximately HK$131.3 million, after deducting the underwriting fees, commissions and other listing expenses. The unutilised amount of net proceeds at the date of this announcement are placed in licensed banks in Hong Kong and the PRC.

On 29 May 2020, the Board reallocated (the "**Change of Use of Net Proceeds**") HK$50 million from the unutilised net proceeds of HK$74.5 million originally allocated for the acquisition and implementation of additional production equipment at the Beiyuan Production Site to acquisition of mask production line and ancillary equipment and constructing medical mask production workshop. The Board was of the view that the Change of Use of Net Proceeds is fair and reasonable, allowing the Group to use its financial resources in a more favourable and effective way. The Board believed that, despite the above-mentioned Change of Use of Net Proceeds, the business development direction of the Group in the long run remains consistent with that disclosed in the Prospectus, and the mask production business will be a complementary business to the Company's production of seamless and traditional intimate wear products to mitigate adverse impact under current economic situation. The above-mentioned Change of Use of Net Proceeds can better serve the interest of the Group and its shareholders as a whole, and will not cause any material and adverse impact on the existing business and operation of the Group. The Board believed that the income from ODM orders and brands of the Group will improve once the retail industry recovers. For details, please refer to the announcement of the Company dated 29 May 2020.

The table below sets out the use of net proceeds from the initial public offering and the unutilised amounts as at 31 December 2020:

Use of Net Proceeds	**Planned allocation of Net Proceeds as stated in the Prospectus** *HK$ million*	**Remaining net proceeds to be utilised for such item after revised allocation** *HK$ million*	**Utilised amount as at 31 December 2020** *HK$ million*	**Unutilised amount as at 31 December 2020** *HK$ million*	**Expected timeline of fully utilization of the remaining proceeds**
Beiyuan Production Site for expansion of our seamless production capacity					
— construction of phase II of the Beiyuan Production Site	26.3	(7.5)[Note 1, 2]	26.3	—	N/A
— acquisition and implementation of additional production equipment at the Beiyuan Production Site	78.8	24.5	4.3	24.5	31 December 2026
Enhancing product design, research and development capability	13.1	(0.4)[Note 2]	13.1	—	N/A
Working capital and general corporate purposes	13.1	(0.7)[Note 2]	13.1	—	N/A
Acquiring mask production line and ancillary equipment and constructing medical mask production workshop	—	50	50	—	N/A
Total	**131.3**	**65.9**	**106.8**	**24.5**	

Notes:

1. 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.

2. The aforesaid HK$7.5 million incurred on the construction of phase II of the Beiyuan Production Site, HK$0.4 million incurred on enhancing product design, research and development capability, HK$0.7 million used for working capital and general corporate purposes were sourced from internal funds of the Company.

SUBSEQUENT EVENT

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

EMPLOYEE AND REMUNERATION POLICY

The Group's remuneration policy is to compensate its employees based on their performance, qualifications and the Group's operational results. The total remuneration of employees includes basic salaries and performance bonus. Directors and senior management of the Group receive compensation in the form of fees, salaries, allowances, discretionary bonus, defined contribution plans and other benefits in kind with reference to those paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses its Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation packages (including incentive plans) of its Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of its Directors and senior management and the performance of the Group. The Company has adopted a share option scheme on 19 March 2020 as incentive or reward to the Directors, senior management and other selected participant.

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

SIGNIFICANT INVESTMENTS HELD

During the Reporting Period, the Group did not 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 2020, 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 had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

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.

During the Reporting Period, the Company has complied with all the applicable code provisions of the CG Code, except for code provision A.2.1 and code provision A.5.1.

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.

Mr. Zhang Senquan resigned as an independent non-executive Director, the chairman of the audit committee of the Company (the "**Audit Committee**") and members of each of the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") of the Company with effect from 19 June 2020. Following the resignation of Mr. Zhang Senquan, the Company failed to meet the requirements under Rules 3.10(1), 3.10(2), 3.10A, 3.21 and 3.25 of the Listing Rules and under the code provision A.5.1 of the CG Code. The Company subsequently appointed Mr. Chan Yin Tsung as an independent non-executive Director, the chairman of the Audit Committee and members of each of the Remuneration committee and the Nomination Committee with effect from 1 July 2020. Following the appointment of Mr. Chan Yin Tsung, the Company had complied with the requirements under Rules 3.10(1), 3.10(2), 3.10A, 3.21 and 3.25 of the Listing Rules and the code provision A.5.1 of the CG Code again. For details, please refer to the announcements of the Company dated 18 June 2020 and 30 June 2020, respectively.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, being Mr. Chan Yin Tsung, Mr. Wang Jian and Mr. Chow Chi Hang Tony. Mr. Chan Yin Tsung 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 2020, 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 Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the Reporting Period.

DIVIDEND

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

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 2020, but represents an extract from the consolidated financial statements for the year ended 31 December 2020 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 2020 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 2020, 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 2021

As at the date of this announcement, the Board comprises Mr. Jin Guojun and Mr. Zhao Hui as executive Directors; Ms. Gong Lijin and Ms. Huang Jingyi as non-executive Directors; and Mr. Wang Jian, Mr. Chan Yin Tsung and Mr. Chow Chi Hang Tony as independent non-executive Directors.