

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



bonny 博尼

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 2021**

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 2021 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
REVENUE	4	248,784	287,809
Cost of sales		<u>(183,125)</u>	<u>(170,093)</u>
Gross profit		65,659	117,716
Other income and gains	4	34,225	76,099
Selling and distribution expenses		(51,567)	(48,534)
Administrative expenses		(30,380)	(27,226)
Reversal of impairment losses/(impairment losses) on financial assets, net		3,885	(15,229)
Other expenses		(28,781)	(37,698)
Finance costs		<u>(5,101)</u>	<u>(10,686)</u>
(LOSS)/PROFIT BEFORE TAX	5	(12,060)	54,442
Income tax credit/(expense)	6	<u>5,503</u>	<u>(6,168)</u>
(LOSS)/PROFIT FOR THE YEAR		(6,557)	48,274
Attributable to:			
Owners of the parent		(6,548)	48,281
Non-controlling interests		<u>(9)</u>	<u>(7)</u>
		<u>(6,557)</u>	<u>48,274</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		<u>RMB(0.5 cents)</u>	<u>RMB4.0 cents</u>

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		290,326	222,679
Advance payments for property, plant and equipment		13,570	18,178
Investment properties		14,070	—
Right-of-use assets		31,828	25,566
Intangible assets		550	937
Deferred tax assets		301	—
Other non-current assets		5,170	5,170
Total non-current assets		355,815	272,530
CURRENT ASSETS			
Inventories	<i>9</i>	150,367	168,772
Trade receivables	<i>10</i>	65,058	70,781
Prepayments, other receivables and other assets	<i>11</i>	11,130	28,446
Assets held for sale		—	59,503
Due from related parties		2,660	8,710
Pledged deposits		—	1,542
Cash and cash equivalents		8,701	48,259
Total current assets		237,916	386,013
CURRENT LIABILITIES			
Trade and bills payables	<i>12</i>	38,189	34,986
Advances from customers, other payables and accruals	<i>13</i>	64,120	147,325
Interest-bearing bank and other borrowings	<i>14</i>	59,566	124,152
Tax payable		895	1,080
Total current liabilities		162,770	307,543

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
NET CURRENT ASSETS		<u>75,146</u>	<u>78,470</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>430,961</u>	<u>351,000</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	85,228	366
Provision		—	927
Deferred tax liabilities		—	3,980
Total non-current liabilities		<u>85,228</u>	<u>5,273</u>
Net assets		<u><u>345,733</u></u>	<u><u>345,727</u></u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	80,827	80,827
Share premium	15	205,242	205,242
Other reserves		58,593	58,578
		<u>344,662</u>	<u>344,647</u>
Non-controlling interests		<u>1,071</u>	<u>1,080</u>
Total equity		<u><u>345,733</u></u>	<u><u>345,727</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2021

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 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 following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9,
HKAS 39 and HKFRS 7,
HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform — Phase 2

Amendment to HKFRS 16

Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 17	<i>Insurance Contracts²</i>
Amendments to HKFRS 17	<i>Insurance Contracts^{2, 5}</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information²</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current^{2, 4}</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies²</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates²</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction²</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use¹</i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract¹</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ¹

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

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

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

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

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 2021	ODM products <i>RMB'000</i>	Brand products <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue (note 4)			
Sales to external customers	<u>194,320</u>	<u>54,464</u>	<u>248,784</u>
Segment results	<u>33,377</u>	<u>(19,285)</u>	<u>14,092</u>
Other income and gains			34,225
Corporate and other unallocated expenses			(55,276)
Finance costs			<u>(5,101)</u>
Loss before tax			<u><u>(12,060)</u></u>
Year ended 31 December 2021	ODM products <i>RMB'000</i>	Brand products <i>RMB'000</i>	Total <i>RMB'000</i>
Other segment information			
Impairment losses recognised in the statement of profit or loss, net	1,625	(2,327)	(702)
Depreciation and amortisation	14,924	481	15,405
Capital expenditure*	79,893	9	79,902

Year ended 31 December 2020	ODM products <i>RMB'000</i>	Brand products <i>RMB'000</i>	Total <i>RMB'000</i>
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			<u>54,442</u>

Year ended 31 December 2020	ODM products <i>RMB'000</i>	Brand products <i>RMB'000</i>	Total <i>RMB'000</i>
Other segment information			
Impairment losses recognised in the statement of profit or loss, net	31,698	2,528	34,226
Depreciation and amortisation	16,171	3,837	20,008
Capital expenditure*	93,973	200	94,173

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

Geographic information

(a) Revenue from external customers

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

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:

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

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

An analysis of revenue is as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers	<u>248,784</u>	<u>287,809</u>

4. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

(a) *Disaggregated revenue information*

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Timing of revenue recognition		
Goods transferred at a point in time	<u>248,784</u>	<u>287,809</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Sale of goods	<u>11,790</u>	<u>6,092</u>

(b) *Performance obligations*

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

The performance obligations are satisfied upon delivery, which occurs when the goods are shipped on board 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 letters of credit and some contracts require advances as deposits to transfer goods.

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

At 31 December 2021, the remaining performance obligations (unsatisfied or partially unsatisfied) 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:

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

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

As at 31 December 2020, Zhejiang Bonny has completed the cancellation of ownership of the Land, 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 the government with RMB80,977,000 was recognised as deferred revenue (note 13) as at 31 December 2020.

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

5. (LOSS)/PROFIT BEFORE TAX

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

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
Cost of inventories sold*		183,125	170,093
Depreciation of property, plant and equipment		12,059	15,198
Depreciation of right-of-use assets		3,611	4,789
Amortisation of intangible assets		417	654
Research and development costs**		25,702	20,707
Lease payments not included in the measurement of lease liabilities		330	761
Government grants		(2,951)	(6,240)
Auditors' remuneration		2,033	2,064
Outsourced manufacturers		27,843	37,825
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		54,416	42,254
Pension scheme contributions		5,853	2,774
Staff welfare expenses		1,832	425
		62,101	45,453
Concession fees		7,985	8,235
Foreign exchange differences, net		32	(170)
Impairment of inventories, net	<i>9</i>	4,502	2,988
(Reversal of impairment)/impairment of trade receivables, net	<i>10</i>	(3,885)	2,605
Impairment of other receivables and prepayments	<i>11</i>	—	15,128
Impairment of property, plant and equipment		113	13,505
Changes in fair value of investment properties		10	(1,620)
Rental income		(715)	(243)
Bank interest income		(49)	(188)
Other interest income		—	(986)
Gain on Government Acquisition (<i>note 4</i>)		(29,471)	(65,677)
Loss on disposal of items of property, plant and equipment		2,219	79

- * The cost of inventories sold includes RMB36,563,000 (2020: RMB33,915,000) relating to staff cost, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets, and impairment of inventories for the year ended 31 December 2021, which are also included in the respective total amounts disclosed above for each type of expenses.
- ** The research and development costs include RMB11,201,000 (2020: RMB9,587,000) relating to staff cost, depreciation of property, plant and equipment and amortisation of intangible assets for the year ended 31 December 2021, which are also included in the respective total amounts disclosed above for each type of expenses.

6. INCOME TAX

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

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

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% (2020:16.5%) on the estimated assessable profits arising in Hong Kong during the year. The subsidiary of the Group is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%).

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

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

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

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

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

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

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

7. DIVIDENDS

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

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

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

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

The calculation of basic and diluted (loss)/earnings per share are based on:

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

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year	<u><u>1,200,000,000</u></u>	<u><u>1,200,000,000</u></u>

9. INVENTORIES

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

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

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

10. TRADE RECEIVABLES

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

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:

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

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

	2021	2020
	RMB'000	RMB'000
At beginning of year	7,546	4,942
(Reversal of impairment losses)/ impairment losses, net (<i>note 5</i>)	(3,885)	2,605
Exchange realignment	<u>—</u>	<u>(1)</u>
At end of year	<u>3,661</u>	<u>7,546</u>

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

	As at 31 December 2020		
	Amount <i>RMB'000</i>	Expected credit loss rate	Impairment <i>RMB'000</i>
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
	<u>78,168</u>		<u>7,387</u>
Individually identified as high expected credit loss rate while the ageing is less than three years			
	<u>159</u>	100.00%	<u>159</u>
	<u><u>78,327</u></u>		<u><u>7,546</u></u>

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

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

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

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

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

12. TRADE AND BILLS PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	38,189	34,498
Bills payables	<u>—</u>	<u>488</u>
	<u>38,189</u>	<u>34,986</u>

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

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:

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

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

13. ADVANCES FROM CUSTOMERS, OTHER PAYABLES AND ACCRUALS

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
Deferred revenue (<i>note 4</i>)		—	80,977
Contract liabilities	(a)	6,184	11,790
Advances from a customer		15,582	15,947
Payroll payables		11,912	3,630
Tax payable other than income tax		5,883	9,923
Accruals		559	559
Payable for property, plant and equipment and other intangible assets		13,290	9,774
Interest payable		224	570
Other payables	(b)	10,486	14,155
		<u>64,120</u>	<u>147,325</u>

Notes:

(a) Details of contract liabilities are as follows:

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

Contract liabilities represented the obligations to transfer goods to a customer for which the Group has received consideration. The amount was included in “Other payables and accruals” in the consolidated statement of financial position. As at 31 December 2021, no contract liabilities were resulted from the loyalty points programme (2020: nil).

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

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2021			31 December 2020		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Lease liabilities	4.75	2022	3,366	4.75	2021	2,502
Bank loans — secured	4.35–5.60	2022	<u>56,200</u>	4.15–5.20	2021	<u>121,650</u>
			<u>59,566</u>			<u>124,152</u>
Non-current						
Lease liabilities	4.75	2023–2027	5,228	4.75	2022	366
Bank loans — secured	6.00	2024–2029	<u>80,000</u>			<u>—</u>
			<u>85,228</u>			<u>366</u>
			<u>144,794</u>			<u>124,518</u>
				2021	2020	
				RMB'000	RMB'000	
Analysed into :						
Bank loans repayable:						
Within one year or on demand				56,200		121,650
In the third to fifth years, inclusive				54,000		—
Beyond five years				<u>26,000</u>		<u>—</u>
				<u>136,200</u>		<u>121,650</u>
Other borrowings repayable:						
Within one year				3,366		2,502
In the second year				2,391		366
In the third to fifth years, inclusive				<u>2,837</u>		<u>—</u>
				<u>8,594</u>		<u>2,868</u>
				<u>144,794</u>		<u>124,518</u>

Notes:

- (a) Certain of the Group's bank loans are secured by:
- (i) the Group's buildings and machinery and equipment situated in Mainland China, which had a net carrying value of RMB100,610,000 as at 31 December 2021 (2020: RMB106,121,000);
 - (ii) the Group's leasehold land situated in Mainland China, which had a net carrying value of RMB21,741,000 as at 31 December 2021 (2020: RMB21,740,000); and
 - (iii) the Group's trademarks, which had a net carrying value of nil as at 31 December 2021 (2020: RMB11,000).
- (b) Bode Holding Group Co., Ltd. ("**Bode Holding**"), an entity controlled by the ultimate controlling shareholder's sister, has guaranteed certain of the Group's bank loans of up to nil as at 31 December 2021 (2020: RMB83,100,000).
- (c) Mr. Jin Guojun, the Chairman, has guaranteed certain of the Group's bank loans of up to RMB143,020,000 as at 31 December 2021 (2020: RMB316,020,000).
- (d) Ms. Gong Lijin, a shareholder and the wife of the Chairman, has guaranteed certain of the Group's bank loans of up to RMB143,020,000 as at 31 December 2021 (2020: RMB316,020,000).
- (e) Mr. Jin Guojun and Ms. Gong Lijin have guaranteed certain of the Group's bank loans of up to RMB208,700,000 as at 31 December 2021 (2020: RMB117,100,000).
- (f) Mr. Ren Chengxiu and Ms. Jin Qiumei, independent third parties, have guaranteed certain of the Group's bank loans of up to RMB8,700,000 as at 31 December 2021 (2020: RMB8,700,000).
- (g) Zhejiang Aolai Textile Co., Ltd., an independent third party, has guaranteed certain of the Group's bank loans of up to RMB8,700,000 as at 31 December 2021 (2020: RMB8,700,000).
- (h) Yiwu Furuiduo Ecological Technology Co., Ltd., an independent third party, has guaranteed certain of the Group's bank loans of up to RMB17,040,000 as at 31 December 2021 (2020: RMB33,040,000).

15. SHARE CAPITAL

Shares

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Issued and fully paid:		
1,200,000,000 (2020: 1,200,000,000) ordinary shares	<u><u>80,827</u></u>	<u><u>80,827</u></u>

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

	Number of shares in issue	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>
At 1 January 2020 and 31 December 2020 and 31 December 2021	<u><u>1,200,000,000</u></u>	<u><u>80,827</u></u>	<u><u>205,242</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operations Review

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

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

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

Brand management

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

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

Sales network

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

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

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

Product design, research and development

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

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

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

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

Production capacity

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

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

Human resources

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

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

In addition to direct employment, the Group engages production subcontractors to provide on-site sub-contracting staff. The Group's human resources policy does not apply to workers of the relevant production subcontractors and the Group neither determines nor directly pays wages to the subcontracting staff. Subcontracting fees, calculated based on the quantity of goods or services delivered to the Group for the Reporting Period was approximately RMB27.8 million (2020: approximately RMB37.8 million).

Financial Review

Revenue

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

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

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

Gross Profit

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

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

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

Other Income and Gains

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

Selling and Distribution Expenses

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

Administrative and Other Expenses

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

Finance Costs

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

Income Tax Credits/Expense

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

Loss/Profit Attributable to Equity Holders of the Parent

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

Advances from customers, other payables and accruals

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

Future Plan and Prospects

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

- 1) actively respond to the product design and delivery requirements of premium international brand partners, to ensure steady increase in overseas ODM orders;
- 2) leverage on the rapid development of domestic service brands, actively identify new domestic brand partners and strive to achieve domestic ODM orders growth;

- 3) actively develop online retail channels, leverage the advantages of the Company's supply chains and online and offline retail channels to rapidly respond to evolving consumer's need and produce and promote "red hot" products so as to increase the online sales;
- 4) follow the predetermined timetable and quickly close down self-operated brand stores that suffered loss so as to enlarge the effects of profitable stores and aim to turn the self-operated brand segment into profit-making; and
- 5) reduce management cost, implement stringent control over procurement cost, actively optimise production procedures to enhance productivity.

LIQUIDITY AND FINANCIAL RESOURCES

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

FOREIGN EXCHANGE RISK

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

CAPITAL COMMITMENTS

As at 31 December 2021, the Group had total capital commitments of RMB58.5 million (as at 31 December 2020: RMB93.8 million), primarily related to the construction of phase III of the Beiyuan Production Site.

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

CONTINGENT LIABILITIES

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

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

PLEDGE OF ASSETS

As at 31 December 2021, save for (i) the Group’s leasehold lands with a net carrying amounts of RMB21,741,000 (2020: RMB21,740,000) and certain of the Group’s buildings and machinery and equipment with a net carrying amounts of approximately RMB100,610,000 (2020: RMB106,121,000) which were pledged to secure general banking facilities and (ii) certain of the Group’s machinery and equipment with a net carrying amount of RMB15,907,000 (2020: RMB17,586,000) were pledged to secure the property preservation applied by A Barcs & Co Nominees Pty Ltd who has a legal arbitration of contract dispute with the Group, the Group did not pledge any other assets. Details of the Group’s assets pledged for Group’s bank loans, and for bills payables granted to major suppliers are included in Notes 12 and 14 respectively, to the consolidated financial statements.

USE OF PROCEEDS

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

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

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

	Planned allocation of Net Proceeds as stated in the Prospectus <i>HK\$ million</i>	Amount unutilised as at 31 December 2020 (before revised allocation on 30 November 2021) <i>HK\$ million</i>	Remaining net proceeds to be utilised (after revised allocation on 30 November 2021) <i>HK\$ million</i>	Amount utilised as at 31 December 2021 <i>HK\$ million</i>	Amount unutilised as at 31 December 2021 <i>HK\$ million</i>	Expected timeline for full utilisation
Beiyuan Production Site for expansion of our seamless production capacity						
— construction of phase II of the Beiyuan Production Site	26.3	—	—	—	—	N/A
— acquisition and implementation of additional production equipment at the Beiyuan Production Site	78.8	24.5	—	—	—	N/A
Enhancing product design, research and development capability	13.1	—	—	—	—	N/A
Working capital and general corporate purposes	13.1	—	—	—	—	N/A
Acquisition mask production line and ancillary equipment and constructing medical mask production workshop	—	—	—	—	—	N/A
Preparation for the construction of the Jiangxi Shangrao Production Site	—	—	5.5 ^(Note 1)	0.5	5.0	Before 31 December 2024
General working capital	—	—	19.0 ^(Note 2)	15.9	3.1	Before 31 December 2022
Total	131.3	24.5	24.5	16.4	8.1	

Notes:

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

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

SUBSEQUENT EVENT

Up to the date of this 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 2019 as incentive or reward to the Directors, senior management and other selected participant.

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

SIGNIFICANT INVESTMENTS HELD

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

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.

The Company had complied with all the applicable code provisions under the CG Code during the Reporting Period, save and except for deviation from code provision A.2.1 of the CG Code (which has been re-numbered as code provision C.2.1 since 1 January 2022).

Mr. Jin Guojun is the chairman of the Board and chief executive officer of the Company. Although this deviates from the practice under code provision A.2.1 of the CG Code (which has been re-numbered as code provision C.2.1 since 1 January 2022), where it provides that the two positions should be held by two different individuals, as Mr. Jin has considerable experience in the enterprise operation and management of the Company, the Board believes that it is in the best interests of the Company and its shareholders as a whole to continue to have Mr. Jin as chairman of the Board so that it can benefit from his experience and capability in leading the Board in the long-term development of the Company. From a corporate governance point of view, the decisions of the Board are made collectively by way of voting and therefore the chairman should not be able to monopolize the decision-making of the Board. The Board considers that the balance of power between the Board and management can still be maintained under the current structure. The Board shall review the structure from time to time to ensure appropriate action be taken should the need arise.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, being Mr. Chan Yin Tsung, Mr. Chow Chi Hang Tony and Dr. Wei Zhongzhe. 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 2021, 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.

DIVIDENDS

The Board does not recommend a final dividend for the Reporting Period (2020: 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 2021, but represents an extract from the consolidated financial statements for the year ended 31 December 2021 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 2021 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 2021, 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 2022

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. Chan Yin Tsung, Mr. Chow Chi Hang Tony and Dr. Wei Zhongzhe as independent non-executive Directors.