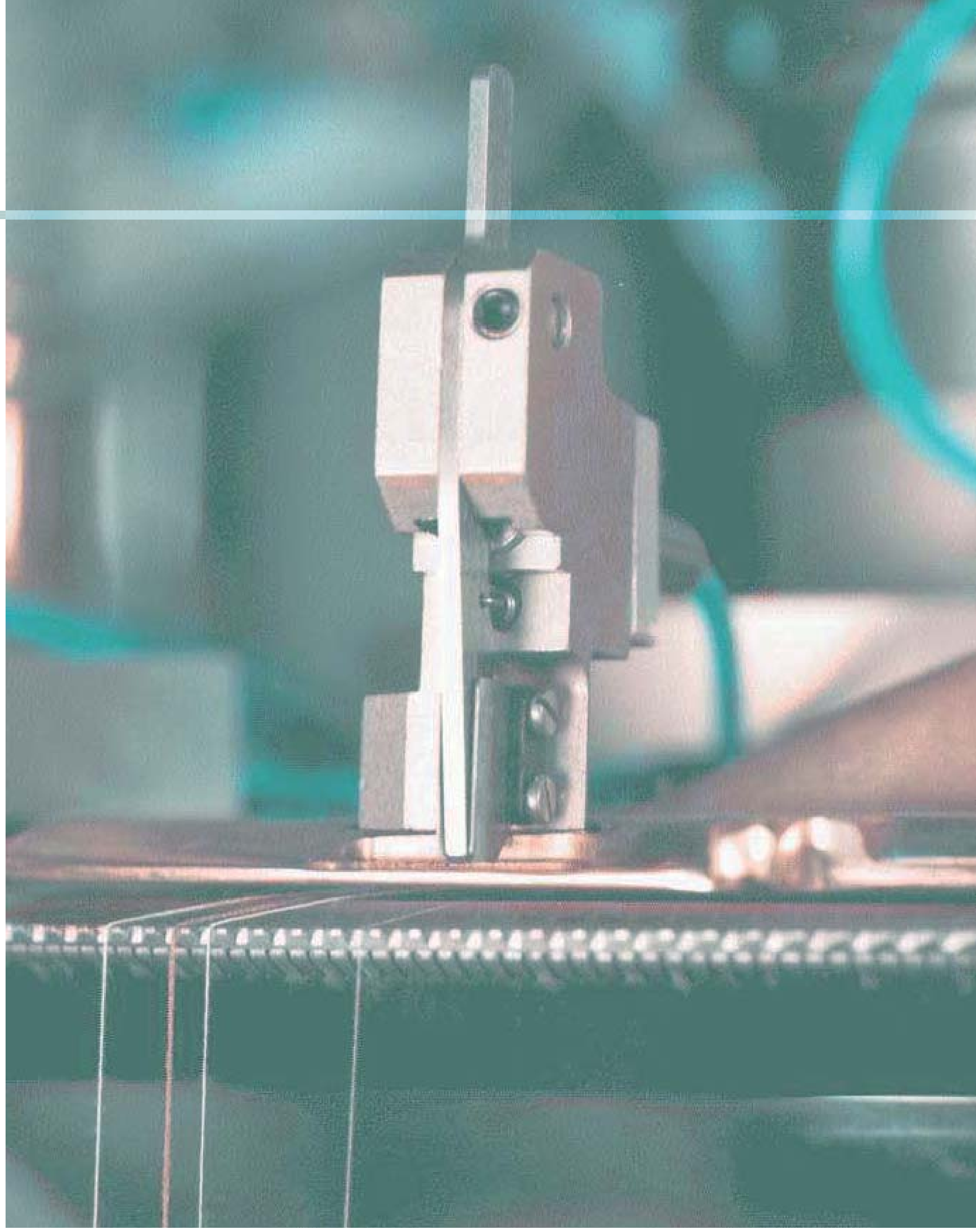
bonny 博尼

2019 Annual Report

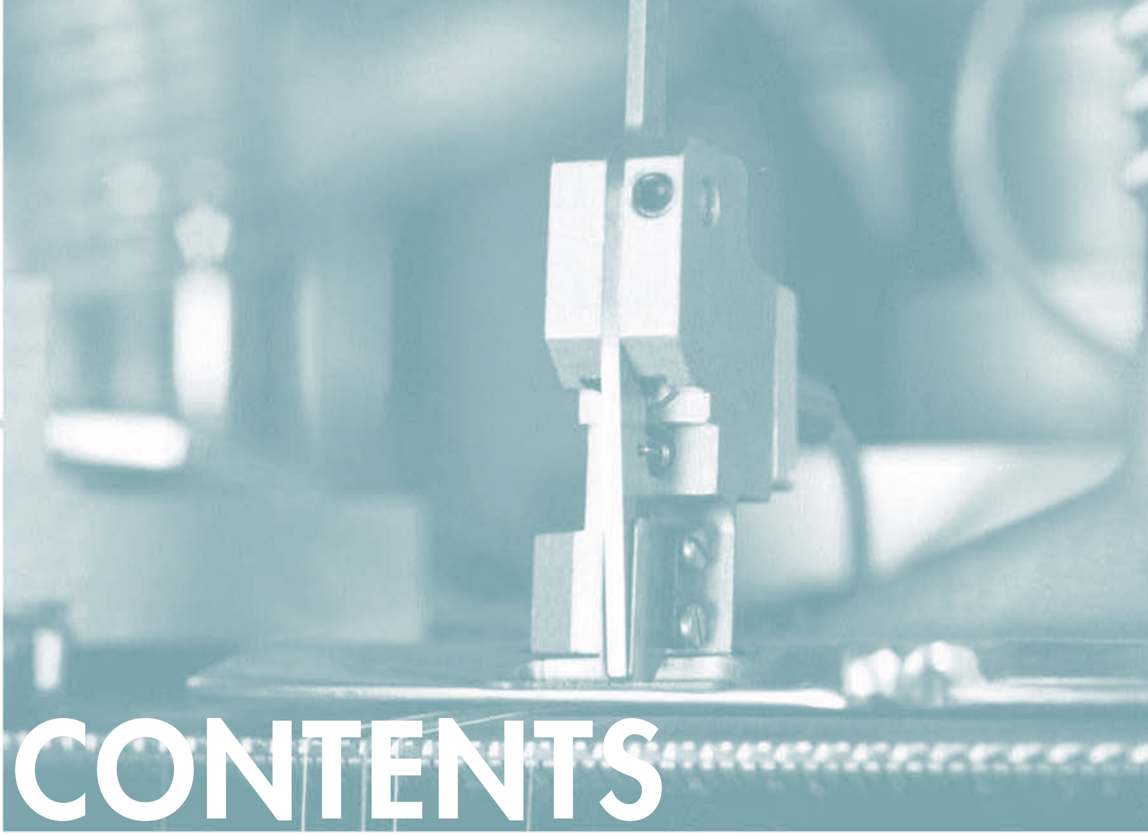


博尼国际控股有限公司

Bonny International Holding Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code:1906



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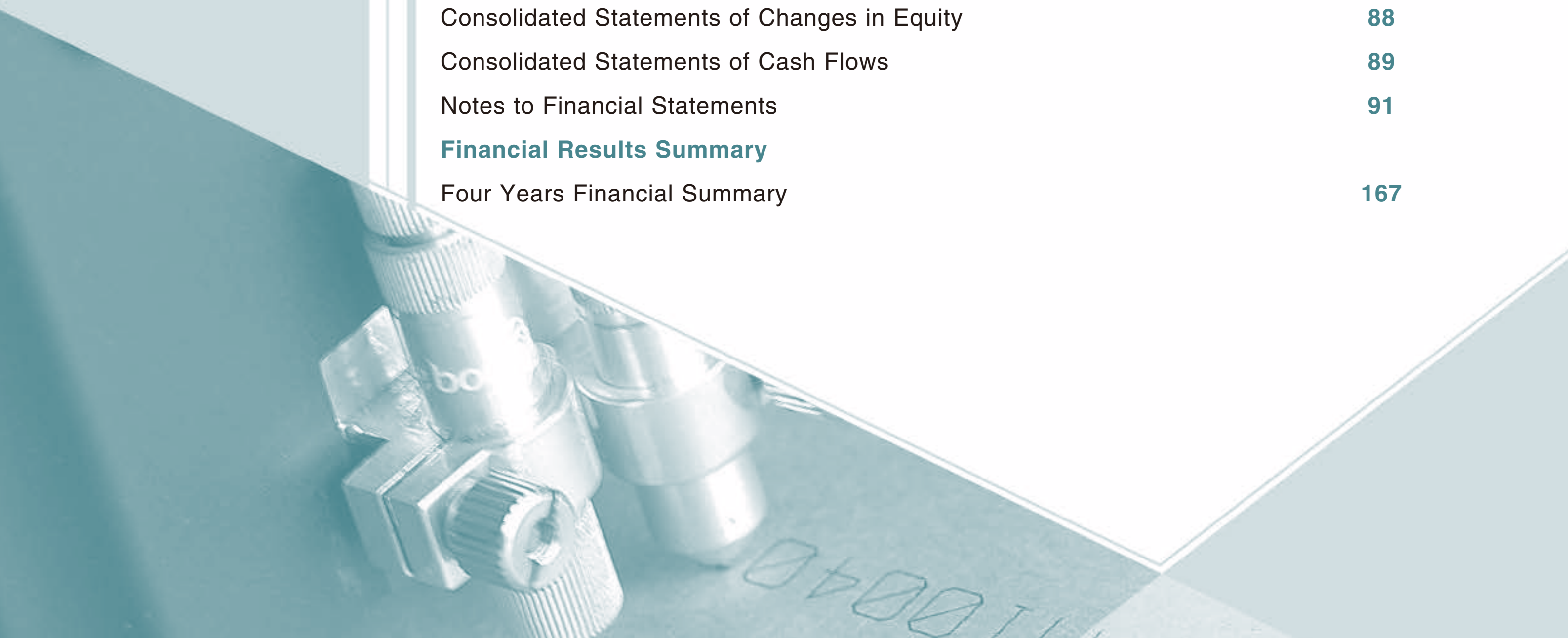


Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Ms. Gong Lijin
Mr. Luo Weixing

Independent Non-executive Directors

Mr. Li Youxing
Mr. Wang Jian
Mr. Zhang Senquan

COMPANY SECRETARY

Ms. Chen Chun

AUTHORISED REPRESENTATIVES

Mr. Jin Guojun
Ms. Chen Chun

AUDIT COMMITTEE

Mr. Zhang Senquan *(Chairman)*
Mr. Wang Jian
Mr. Li Youxing

REMUNERATION COMMITTEE

Mr. Wang Jian *(Chairman)*
Mr. Jin Guojun
Mr. Zhang Senquan

NOMINATION COMMITTEE

Mr. Jin Guojun *(Chairman)*
Mr. Zhang Senquan
Mr. Wang Jian

REGISTERED OFFICE

4th Floor
Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Yiwu Industrial Park
No. 86, Changfu Road
Yiwu City, Zhejiang Province
PRC

WEBSITE OF THE COMPANY

www.bonnychina.com

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
248 Queen's Road East
Wanchai
Hong Kong

COMPLIANCE ADVISER

Innovax Capital Limited

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Fiduciary (Cayman) Limited
4th Floor
Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman, KY1-1002
Cayman Islands

AUDITOR

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

Loeb & Loeb LLP
21st Floor
CCB Tower
3 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

China Construction Bank (Yiwu Branch)
Industrial and Commercial Bank of China Limited (Yiwu Branch)
China Zheshang Bank Co., Ltd (Yiwu Branch)

STOCK CODE

1906

Chairman's Statement

To the Shareholders:

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Bonny International Holding Limited (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2019 (the "**Period**").

BUSINESS REVIEW

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

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

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

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

FUTURE PLAN AND PROSPECTS

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

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

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

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

Due to the COVID-19 pandemic and its impact on the domestic and global economy, the outlook of future sales prospect is unclear. As a result, the Group has decided to delay the 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 announcement of the Company dated 24 May 2019. The Board will consider to resume the proposed purchase and installation of the equipment based on the recovery of product sales and production capacity of the Group. In order to mitigate the impact of the COVID-19 pandemic on the ODM sales and branded sales through retail outlets, the Group will adopt active strategies to develop its business, including: (i) to continue to strengthen its research and development capability by focusing on improving product quality, functionality and designs; (ii) to properly operate the additional seamless environmental protective masks production, details of which are described in the announcement of the Company dated 17 March 2020; (iii) to expand the e-commerce network by expanding online sales channels to include WeChat e-commerce, live cam sales and social media originated sales; and (iv) to leverage the geographical advantage of Hong Kong and the United States offices in developing overseas customers.

APPRECIATION

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

Jin Guojun
Chairman

Hong Kong, 14 May 2020

BUSINESS AND OPERATIONS REVIEW

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

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

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

The Group had a provision in the amount of approximately RMB0.1 million as at 31 December 2019 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》) (the "**Housing Provident Fund Regulations**") and a provision in the amount of approximately RMB0.3 million as at 31 December 2019 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》) (the "**Social Insurance Law**"). The amount of outstanding housing provident fund contribution of Shanghai Bonny for the Period were approximately RMB0.4 million and the amount of social insurance payment underpaid by Shanghai Bonny for the Period were approximately RMB0.8 million. The Group had a provision in the amount of approximately RMB0.1 million as at 31 December 2019 for the non-compliance of Hunan Bonny Apparel Co., Ltd.* (湖南博尼服裝有限公司) ("**Hunan Bonny**") with the Housing Provident Fund Regulations and a provision in the amount of approximately RMB0.7 million as at 31 December 2019 for the non-compliance of Hunan Bonny with the Social Insurance Law. As at 31 December 2019, the amount of outstanding housing provident fund contribution of Hunan Bonny for the Period were nil and the amount of social insurance payment underpaid by Hunan Bonny for the Period were nil.

Brand management

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

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

Sales network

The Group sells its branded products principally through an extensive and structured nationwide retail network in the PRC. In order to optimise cost-effectiveness of the Group's outlets, the Group continued to streamline its retail network in the PRC during the 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 2019, the Group had 140 self-operated retail outlets (comprising 130 self-operated concession counters and 10 self-operated standalone stores) and 50 franchised retail outlets, covering 18 provinces, municipalities and autonomous regions in the PRC, and did not involve distributors or multiple layers of franchisees. The total number of the Group's retail outlets decreased from 198 as at the end of 2018 to 190 (comprising 140 self-operated retail outlets and 50 franchised retail outlets) as at 31 December 2019. During the Period, there was a net decrease of 13 self-operated retail outlets of the Group, and a net increase of 5 franchised retail outlets in light of the Group's strategy in maintaining an effective retail network in the PRC by developing the "U+ Bonny" outlets and closing down self-operated retail outlets with less satisfactory financial or operational performance. To a lesser extent, some of the Group's retail outlets closed due to expiry or early termination of concession agreements with the relevant department stores or shopping malls.

Meanwhile, the Group's products are also available for sale through its current e-commerce network and different well-recognised e-commerce platforms. In response to the change in consumption pattern towards online shopping in the PRC, the Group is enhancing its current e-commerce network into a comprehensive online shopping platform for intimate wear products, as a complementary sales channel to its physical outlets to allow coherent multichannel 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 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 Period, expenses for product design, research and development was approximately RMB18.5 million (2018: approximately RMB17.9 million).

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

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

Production capacity

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

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

Human resources

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

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

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

Financial Review

Revenue

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

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

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

Gross Profit

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

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

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

Other Income and Gains

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

Selling and Distribution Expenses

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

Administrative and Other Expenses

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

Listing Expenses

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

Finance Costs

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

Income Tax Expense

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

Loss Attributable to Equity Holders of the Parent

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

Future Plan and Prospects

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

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

FOREIGN EXCHANGE RISK

The monetary assets and liabilities and business transaction of the Group are mainly carried out and conducted in Renminbi, U.S. dollars and the European currency unit. In view of the stability of the exchange rate between these currencies, the Directors do not consider that the Group was significantly exposed to foreign exchange risk for the 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 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

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

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

As at 31 December 2019, save for (i) bank deposits of approximately RMB9,629,000 (2018: RMB16,876,000) and unlisted investments with fair value of RMB1,321,000 (2018: Nil) which were pledged for bills payables; and (ii) the Group's leasehold lands with a net carrying amounts of RMB27,155,000 (2018: RMB27,788,000) and certain of the Group's buildings and machinery and equipment with a net carrying amounts of approximately RMB49,220,000 (2018: RMB73,962,000) which were pledged to secure general banking facilities, 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, 15, 22 and 24, 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. In implementing the Group's capacity expansion plan, phase II of the Beiyuan Production Site is still under construction with construction of the production building approximately 85% completed and the construction of the staff dormitory approximately 75% completed as at 31 December 2019. The construction cost and operational expenses of phase II of the Beiyuan Production Site exceeded the planned amount described in the section of "Future Plans and Use of Proceeds" in the Prospectus and the announcement of the Company dated 24 May 2019 by HK$7.5 million. Phase II of the Beiyuan Production Site is expected to complete construction and commence production in the second half of 2020. During the Period, the Group purchased 11 seamless circular knitting machines, which were installed at the Suxi Production Site and commenced operation in October 2019. The unutilised amount of net proceeds at the date of this report are placed in licensed banks in Hong Kong and the PRC.

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

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

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

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

SUBSEQUENT EVENT

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

EMPLOYEE AND REMUNERATION POLICY

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

During the 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 Period.

SIGNIFICANT INVESTMENTS HELD

During the 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 2019, the Group did not have other future plans for material investments and capital assets.

EXECUTIVE DIRECTORS

Mr. Jin Guojun (金國軍), aged 43, is our chairman and was appointed as a Director on 19 July 2017 and was re-designated as an executive Director and appointed as the chief executive officer on 19 September 2018. He co-founded our Group with Ms. Gong on 21 August 2001 and is primarily responsible for overseeing the daily operational management and the business performance of our Group, as well as for the overall strategy planning and management of our Company's business. Mr. Jin is currently the director of each of our Company's subsidiaries (except Yiwu Bonny E-Commerce Co., Ltd.* (義烏博尼電子商務有限公司) ("**Yiwu Bonny**")), namely, Hong Kong Bonny Ltd. ("**Bonny HK**"), Zhejiang Bonny Fashion Holding Group Co., Ltd.* (浙江博尼時尚控股集團有限公司) ("**Zhejiang Bonny**"), Shanghai Bonny, Yiwu Fayue Apparel Co., Ltd.* (義烏法悦服飾有限公司) ("**Yiwu Fayue**"), Yiwu Bonny Sportswear Co., Ltd.* (義烏博尼運動服裝有限公司) ("**Yiwu Sportswear**"), Yiwu Leyishang Apparel Co., Ltd.* (義烏樂衣尚服飾有限公司) ("**Yiwu Leyishang**") and Hunan Bonny. He is also the manager of Zhejiang Bonny, Shanghai Bonny, Yiwu Fayue, Yiwu Sportswear, Yiwu Leyishang and Hunan Bonny. Mr. Jin is the chairman of the nomination committee of the Company (the "**Nomination Committee**") and a member of the Remuneration Committee of the Company (the "**Remuneration Committee**").

Mr. Jin has over 17 years of experience in the intimate wear manufacturing industry. Mr. Jin established our Group's business through Zhejiang Bonny on 21 August 2001 and has since been serving as the chairman of the board of Zhejiang Bonny. Prior to founding our Group, Mr. Jin worked at Yiwu Office of State Administration of Taxation (義烏市國家税務局) of Zhejiang Province from October 1997 to September 2001. He co-founded Bode Holding Co., Ltd.* (博德控股集團有限公司) ("**Bode Holding**") in September 2007 with Ms. Gong Lijin, our non-executive Director and spouse of Mr. Jin, in which he has served as the chairman of the board. During the Period, the entire equity interest of Bode Holding was held by Mr. Jin, until December 2019 when Mr. Jin transferred his 100% equity interests in Bode Holding to his sister and a PRC company owned by his sister and her husband, and resigned as the chairman of Bode Holding. Mr. Jin acted as the chairman of the board of the subsidiaries of Bode Holding, namely, Zhejiang Deshipu Polyamide Technology Co., Ltd.* (浙江德施普錦綸科技有限公司) ("**Deshipu Polyamide**") and Zhejiang Deshipu New Materials Technology Co., Ltd.* (浙江德施普新材料科技有限公司) ("**Deshipu New Materials**") from December 2006 to January 2020 and from December 2010 to January 2020, respectively. Since November 2016, Mr. Jin has been acting as executive director and manager of Zhejiang Baicheng Trading Co., Ltd. (浙江柏成貿易有限公司) (formerly known as Yiwu Junhe Cross-Border Electronic Commerce Industrial Park Management Co., Ltd.* (義烏俊和跨境電商產業園管理有限公司)), a company jointly controlled by Mr. Jin and Ms. Gong Lijin, our non-executive Director and spouse of Mr. Jin. Mr. Jin has also worked as the supervisor of Yiwu Junhe Intelligent Technology Co., Ltd.* (義烏俊和智能科技有限公司) since April 2011. Mr. Jin has been the vice president of the 10th Executive Committee of Yiwu Association of Industry and Commerce* (義烏市工商業聯合會第十屆執行委員會) since July 2017 and the executive president of Zhejiang Seamless Knitting Association* (浙江省無縫織造行業協會) since December 2011. Mr. Jin graduated from Correspondence College of the Party School of the Central Committee of C.P.C* (中共中央黨校函授學院) in the PRC majoring in economic management through distance learning in June 2001 and Chongqing University (重慶大學) in the PRC majoring in engineering management through distance learning in January 2014.

Mr. Jin is the spouse of Ms. Gong Lijin, our non-executive Director. He is one of the controlling shareholders of the Company.

Mr. Zhao Hui (趙輝), aged 50, was appointed as a Director on 19 July 2017 and was re-designated as an executive Director on 19 September 2018. He joined our Group on 26 December 2007 and has acted as the chief financial officer of Zhejiang Bonny, and since November 2013, Mr. Zhao has acted as the secretary to the board and deputy general manager of Zhejiang Bonny. He is primarily responsible for overseeing our Group's financial strategies and management and internal compliance.

Mr. Zhao has over 27 years of experience in accounting and management in the textiles and clothing industry. Prior to joining our Group, from July 1990 to May 2003, he worked at Ezhou General Textiles Mill* (鄂州市針織總廠), which principally engages in the production and sale of socks and Mr. Zhao was primarily responsible for calculating wages and financial reporting of the company. From June 2003 to December 2007, Mr. Zhao served as the chief financial officer and deputy general manager of Zhejiang Hengxiang Cotton Textile Limited* (浙江恒祥棉紡織造有限公司), a company engages in the production and sale of cotton yarn and Mr. Zhao was primarily responsible for the financial management of the company.

Mr. Zhao graduated from Wuhan University of Technology (武漢理工大學) in the PRC majoring in accounting through distance learning in July 2013.

NON-EXECUTIVE DIRECTORS

Ms. Gong Lijin (龔麗瑾), aged 41, was appointed as a Director on 19 July 2017 and re-designated as a non-executive Director on 19 September 2018. She co-founded our Group with Mr. Jin and is primarily responsible for providing strategic advice on the operations and management of our Group. She joined our Group as the general manager of the International Business Department of Zhejiang Bonny on 21 August 2001, and has served as the supervisor of Shanghai Bonny since December 2007 and the executive director and manager of Yiwu Leyishang in March 2016, respectively. Ms. Gong resigned from the positions in Zhejiang Bonny and Yiwu Leyishang on 31 December 2013 and 6 February 2018, respectively. Since June 2019, she has also been acting as the supervisor of Hunan Bonny.

Ms. Gong has nearly 17 years of experience in accounting and management. Prior to joining our Group, she worked as an accountant in Yiwu Zhicheng Accounting Firm* (義烏市至誠會計師事務所) from September 1995 to January 2002. Ms. Gong has been serving as the supervisor of Deshipu Polyamide, Bode Holding and Deshipu New Materials since December 2006, September 2007 and December 2010, respectively.

Ms. Gong graduated from Yiwu Industrial School* (義烏市工業學校) in the PRC majoring in computer accounting in June 1995 and Correspondence College of the Central Party School of the Communist Party of China* (中共中央黨校函授學院) in the PRC majoring in economic management through distance learning in June 2001.

Ms. Gong is the spouse of Mr. Jin Guojun, our executive Director.

Mr. Luo Weixing (駱衛星), aged 44, was appointed as a Director on 19 July 2017 and re-designated as a non-executive Director on 19 September 2018. He is primarily responsible for providing strategic advice on the operations and management of our Group. Prior to joining our Group, from December 2010 to March 2017, Mr. Luo served as an executive director at Yiwu Yashi Accessories Co., Ltd.* (義烏市雅詩飾品有限公司), a company engages in the production and sale of accessories and crafts and in which he was primarily responsible for the overall operation of the company. In January 2011, he started his own business, Kunming Weixing Economic Information Consulting Co., Ltd.* (昆明偉興經濟資訊諮詢有限公司) in which he has served as the executive director and general manager since then. He has also been serving as the vice president of Yiwu Loving Commune Charity Association* (義烏市愛心公社公益協會) since October 2014.

Mr. Luo graduated from Yiwu Xialuozhai Middle School* (義烏市下駱宅初級中學) in the PRC in June 1991.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Youxing (李有星), aged 57, was appointed as an independent non-executive Director on 19 March 2019. He is a member of the audit committee of the Company (the "**Audit Committee**").

Mr. Li has been a professor at Zhejiang University Guanghua Law School (浙江大學光華法學院) since April 2003. Mr. Li was appointed as an independent director of Zhejiang Bonny on 10 December 2013 until 21 June 2017 in view of restructuring of our Group. Mr. Li has been the standing director of the Institution of Securities Law under China Law Society* (中國法學會證券法學研究會) from December 2008 to December 2013. Mr. Li was awarded the Zhejiang Outstanding Young and Middle-aged Jurists* (浙江省優秀中青年法學專家) in December 2009. Mr. Li was an independent director of Zhejiang Sunriver Culture Co., Ltd* (浙江祥源文化股份有限公司) (a company listed on Shanghai Stock Exchange, stock code: 600576) from June 2012 to September 2018. He was an independent director of Hangxiao Steel Structure Co., Ltd* (杭蕭鋼構股份有限公司) (a company listed on Shanghai Stock Exchange, stock code: 600477) from September 2013 to May 2019, and of Jack Sewing Machine Co., Ltd.* (傑克縫紉機股份有限公司) (a company listed on Shanghai Stock Exchange, stock code: 603337) from April 2017 to April 2020.

Mr. Li obtained a bachelor of commercial electronic technology from Hangzhou College of Commerce* (杭州商學院) in the PRC in July 1984. He obtained a master of law and a doctor of economics from Zhejiang University (浙江大學) in the PRC in January 1996 and June 2007, respectively.

Mr. Wang Jian (王健), aged 59, was appointed as an independent non-executive Director on 19 March 2019. He is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. Wang served as a lecturer and an associate professor at the Physical Education Science and Technology Research Center of Hangzhou University (now known as Zhejiang University)* (杭州大學體育科學與技術研究所) from 1987 to 1998. From 1998 to 2017, he served as an associate professor and a professor at the College of Education of Zhejiang University* (浙江大學教育學院). He currently serves as the head of the Physical Education department of the College of Education of Zhejiang University (浙江大學教育學院體育學系) a professor of the Center for Psychological Sciences at Zhejiang University* (浙江大學心理科學研究中心) and head of Sports Science and Health Engineering Research Institute at Zhejiang University.

Mr. Wang has been the director of the Chinese Ergonomics Society (中國人類工效學學 會) from 2012 to 2016. He has also been the vice chairman of the Health Industry Professional Committee* (健康產業專業委員會) of China International Exchange and Promotive Association for Medical and Health Care (中國醫療保健國際交流促進會) since August 2014 and the vice chairman of Zhejiang Provincial Sports Reform and Development Committee* (浙江省體育改革發展委員會) since April 2016. Mr. Wang has also served as a member of the China Health Care Association* (中國保健協會), a member of the expert committee and the chairman of its Healthy Textile Branch* (健康紡織分會) of such association since December 2016 and the chairman of the Human-Computer Interaction Professional Committee of the Innovation Design Alliance of China* (中國創新設計產業聯盟) since November 2017.

Mr. Wang obtained a bachelor of exercise physiology from Shanxi University* (山西大學) in the PRC in August 1982. He obtained a master of education and a doctor of engineering from Hangzhou University* (杭州大學) in the PRC in September 1987 and June 1996, respectively.

Mr. Zhang Senquan (張森泉**)**, formerly known as Zhang Min (張敏), aged 43, was appointed as an independent non-executive Director on 19 March 2019. He is the independent non-executive Director who has the qualifications and experience to meet the requirements under Rule 3.10(2) of the Listing Rules.

Mr. Zhang is the chairman of the Audit Committee, and a member of the Nomination Committee and the Remuneration Committee.

Mr. Zhang received his bachelor's degree in economics from Fudan University in July 1999. He is a member of Hong Kong Institute of Certified Public Accountants, China Institute of Certified Public Accountants and American Institute of Certified Public Accountants, and has more than 10 years of experience in accounting and auditing. Mr. Zhang Senquan worked at Ernst & Young, KPMG and Deloitte Touche Tohmatsu serving several positions from audit staff to audit partner from October 1999 to October 2012.

Mr. Zhang currently is an independent non-executive director of Jiande International Holdings Limited, a company listed on the Stock Exchange (stock code: 865); an independent non-executive director of Natural Food International Holding Limited, a company listed on the Stock Exchange (stock code: 1837); an independent non-executive director of Beijing Digital Telecom Co., Ltd., a company listed on the Stock Exchange (stock code: 6188); and an independent non-executive director of Sang Hing Holdings (International) Ltd., a company listed on the Stock Exchange (stock code: 1472).

Currently, Mr. Zhang is also an independent director of Jiangsu Aidea Pharmaceutical Co., Ltd. (江蘇艾迪藥業股份有限公司), the chief executive officer of Zhong Rui Capital (Hong Kong) Limited, a consultancy company, and serves as the company secretary of Pengrun Holding Limited (鵬潤控股有限公司) since February 2020 and the company secretary of Kunda Mining Holdings Company Limited (坤達礦業控股有限公司) since March 2020. Mr. Zhang was the head of the Strategic Development Department of Goodbaby International Holdings Limited, a company listed on the Stock Exchange (stock code: 1086), from March 2013 to April 2014; the chief financial officer and joint company secretary of Huazhong In-Vehicle Holdings Company Limited, a company listed on the Stock Exchange (stock code: 6830), from May 2014 to July 2015; an independent director of Topchoice Medical Investment Co. Inc., a company listed on the Shanghai Stock Exchange (stock code: 600763), from December 2014 to March 2017, an independent non-executive director of Casablanca Group Limited, a company listed on the Stock Exchange (stock code: 2223), from April 2015 to April 2018; and the managing director of Southwest Securities International Securities Limited, a company listed on the Stock Exchange (stock code: 812), from February 2016 to March 2020.

SENIOR MANAGEMENT

Mr. Li Zhanhai (李占海), aged 40, joined our Group as the administration and human resource manager in August 2008 and has been the vice general manager of the corporate management centre of our Group since July 2012. He is primarily responsible for the administrative and human resource management of our Group.

Mr. Li has nearly 13 years of experience in administrative management. Prior to joining our Group, he was the office manager of Yiwu Huafeng Hotel Co., Ltd.* (義烏市華豐賓館有限公司) from July 2004 to June 2008. He subsequently worked for Zhejiang Gangmei Fashion Co., Ltd.* (浙江港美服飾有限公司) as the executive vice president (常務副總) from July 2011 to June 2012.

Mr. Li graduated from Longdong College* (隴東學院) in the PRC majoring in politics and history education in June 2004.

Mr. Gao Jiangpeng (高江鵬), aged 35, joined our Group as the manager of the Shanxi Office of Zhejiang Bonny on 21 March 2011. He subsequently worked as the director overseeing the northwest area of the PRC for Zhejiang Bonny from January 2014 to October 2016 and the director of the brand project department of Shanghai Bonny from November 2016 to July 2017. Since July 2017, he has been promoted as the deputy general manager of Shanghai Bonny. He is primarily responsible for the retail operation of our Group.

Mr. Gao has over 10 years of experience in the intimate apparel industry. Prior to joining our Group, he worked as the manager of the Xi'an Office at Embry (China) Fashion Co., Ltd.* (安莉芳(中國)服裝有限公司), a company engages in the production and sale of intimate wear from April 2006 to February 2011, and was responsible for the retail operation of the company.

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

Ms. Dong Lan (董瀾), aged 41, joined our Group in August 2016 and has since acted as the technical director of the Shanghai research and development centre of our Group. She is primarily responsible for the research and development and design of the retail system of our Group.

Ms. Dong has over 7 years of experience in intimate apparel design. Prior to joining our Group, she worked at the business planning department at Wacoal Corp., a leading intimate apparel manufacturing company in Japan, from April 2005 to March 2006. She also worked at the business planning department at Wacoal (China) Apparel Co., Ltd.* (華歌爾(中國)時裝有限公司) from July 2006 to June 2007. She then worked at Wacoal (China) Apparel Co., Ltd. Shanghai Office* (華歌爾(中國)時裝有限公司上海分公司) from December 2007 to June 2009.

Ms. Dong also served as a director of the intimate apparel business planning department of Yuxu Apparel (Shanghai) Co., Ltd.* (宇旭時裝(上海)有限公司), a company engages in the production and sale of apparel, accessories and fabric items, and she was responsible for corporate planning, from December 2009 to June 2010.

Ms. Dong obtained a master of clothing from Kyoritsu Women's University in Japan in March 2005. In July 2000, Ms. Dong obtained a diploma in fashion design from Donghua University* (東華大學).

Mr. Zhu Zhengxi (朱正喜**)**, aged 35, joined our Group as the secretary to the chairman on July 2008 and has been working as the director of the cross-border e-commerce centre of Zhejiang Bonny since 16 December 2015. He is primarily responsible for the e-commerce operation of our Group.

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

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

Mr. Zhou Donggen (周冬根**)**, aged 44, joined our Group on 23 January 2011 and has acted as the general manager of our intimate wear production centre of Zhejiang Bonny. Since June 2016, he has been promoted as the production manager of Zhejiang Bonny. He is primarily responsible for research and development, production and quality control of the company.

Mr. Zhou has over 15 years of experience in the intimate apparel industry. Prior to joining our Group, he worked as the director at Guangzhou Painter Clothing Co., Ltd.* (廣州市畫爾服飾有限公司) from March 2008 to January 2011. He worked as the assistant general manager t Shenzhen Yves Clothing Co., Ltd.* (深圳市伊維斯服裝有限公司), a company engages in the production and sale of intimate wear from June 2003 to June 2007. He also worked as the assistant general manager at Guangdong Dongguan Yongcheng Garment Co., Ltd.* (廣東省東莞永誠製衣有限公司) from June 1997 to August 2001.

Mr. Zhou graduated from Nanchang University* (南昌大學) in the PRC majoring in information economics in July 1996.

COMPANY SECRETARY

Ms. Chen Chun (陳淳) was appointed as a company secretary of our Company on 19 September 2018. Ms. Chen joined SWCS Corporate Services Group (Hong Kong) Limited in December 2013, and currently serves as a company secretarial executive providing support and advisory on listed companies' company secretarial work and compliance matters.

Ms. Chen was admitted Associate of The Hong Kong Institute of Chartered Secretaries and elected Associate of the Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in March 2016. She obtained a bachelor degree of economics from Shanghai Finance University* (上海金融學院) in July 2010.

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.

Since the Listing Date and up to 31 December 2019, the Company has applied the principles and code provisions of the CG Code contained in Appendix 14 of the Listing Rules (as in effect from time to time) as the basis of the Company's corporate governance practices. The Company has complied with all the applicable code provisions of the CG Code, save and except for the code provision A.2.1. Details of the deviation from the code provision A.2.1 are explained in the section "Chairman and Chief Executive Officer" of this corporate governance report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

THE BOARD

Board Composition

The Board currently comprises of seven members, consisting of two executive Directors, two non-executive Directors and three independent non-executive Directors.

Executive Directors

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

Non-executive Directors

Ms. Gong Lijin
Mr. Luo Weixing

Independent non-executive Directors

Mr. Li Youxing
Mr. Wang Jian
Mr. Zhang Senquan

The list of directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The biographical details of the directors of the Company are set out under "Directors and Senior Management" section in this annual report. Save as Ms. Gong Lijin who is the spouse of Mr. Jin Guojun, none of the members of the Board is related to one another.

Chairman and chief executive officer

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 monopolize the decision-making of the Board. The Board considers that the balance of power between the Board and management can still be maintained under the current structure. The Board shall review the structure from time to time to ensure appropriate action be taken should the need arise.

Independent non-executive directors

Since the Listing Date, the Board has at all times met the requirements of Rules 3.10 and 3.10A of the Listing Rules of having three independent non-executive Directors (representing at least one third of the Board) with at least one of them possessing appropriate professional qualifications, or accounting or related financial management expertise.

The independent non-executive Directors bring a wide range of business and financial expertise, experience and independent judgement to the Board and they are invited to serve on the Board committees of the Company. Through active participation at Board meeting, taking the lead in managing issues involving potential conflict of interests, all independent non-executive directors have made various contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent in light of the independence guidelines set out in Rule 3.13 of the Listing Rules.

Appointment and re-election of directors and non-executive directors

All directors of the Company are appointed for a specific term, subject to renewal upon expiry of the existing term. Each of the executive Directors, non-executive Directors and independent non-executive Directors is engaged on a service agreement for a term of three years. The appointment may be terminated by either party by not less than three months' written notice for the case of executive Directors and non-executive Directors and one month's written notice for the case of independent non-executive Directors. Each of the independent non-executive directors of the Company is appointed for a term of three years.

The procedure and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association (the "**Articles**"). The Nomination Committee is responsible for reviewing Board composition, monitoring the appointment of directors and assessing the independent non-executive directors.

According to the Articles, one-third of the directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting provided that every director shall be subject to retirement at an annual general meeting at least once every three years. In addition, any new director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting after appointment, and any new director appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting of the Company. The retiring directors are eligible for re-election by the shareholders at the respective general meetings.

At the forthcoming annual general meeting of the Company (the "**AGM**"), Mr. Zhao Hui, Ms. Gong Lijin and Mr. Luo Weixing will retire at the AGM pursuant to the Articles provisions stated in the foregoing paragraph. All the above retiring directors, being eligible, will offer themselves for re-election at the AGM. The Board and the Nomination Committee recommended their re-appointment. The Company's circular, sent together with this annual report, contains detailed information of the above recommended persons as required by the Listing Rules.

Duties performed by the Board and management

The Board is responsible for the overall development of the Group, approving and monitoring the overall development strategy of the Group, assessing, monitoring and controlling the operation and financial performance, ensuring that the Directors perform their proper duties and act in the best interests of the Group and hold discussions on various important and proper businesses of the Company in a timely manner. All Directors are entitled to raise and include any matters that should be submitted to the Board for discussion in the agenda of the board meeting. The management shall provide members of the Board and specialized committees under the Board with appropriate and sufficient information in a timely manner so as to update them with the latest developments of the Group and to better facilitate the discharge of their duties. The management team is accountable to the Board, executing the strategies and plans formulated by the Board, and making decisions in relation to the day-to-day operation of the Group.

The Board is responsible for performing the corporate governance duties set out in code provision D.3.1 of the CG Code.

The Board is also responsible for determining the Company's corporate governance policies which include:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of the directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct applicable to the directors and employees; and

(e) to review the compliance with the CG Code and disclosures in the corporate governance report.

Appropriate directors' liability insurance cover has been arranged to indemnify the Board members for liabilities arising out of corporate activities.

Training, Induction and Continuing Development of Directors

Prior to the Listing, all Directors have been given relevant guideline materials and attended a training regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest in the Group. Such induction materials and briefings will also be provided to newly appointed Directors shortly upon their appointment as Directors. Continuing briefings and professional development to Directors will be arranged whenever necessary. The Company will continue to arrange and fund the training in accordance with code provision A.6.5 of the CG Code.

According to the records of the Company, for the year ended 31 December 2019, all Directors have received the following training, the emphasis of which were on the roles, functions and duties of directors of companies listed on the Stock Exchange, in order to comply with the relevant requirements under the CG Code in relation to continuous professional development of directors:

	Reading materials	Attending seminars/ briefings
Executive Directors		
Mr. Jin Guojun *(Chairman)*	√	—
Mr. Zhao Hui	√	—
Non-executive Directors		
Ms. Gong Lijin	√	—
Mr. Luo Weixing	√	—
Independent Non-executive Directors		
Mr. Li Youxing	√	√
Mr. Wang Jian	√	√
Mr. Zhang Senquan	√	√

Board Meeting

During the Period, four Board meetings were held and the attendance records of individual Directors are set out below:

	Attendance/Number of Meetings
Executive Directors	
Mr. Jin Guojun *(Chairman)*	4/4 *(Note)*
Mr. Zhao Hui	4/4 *(Note)*
Non-executive Directors	
Ms. Gong Lijin	2/3
Mr. Luo Weixing	2/3
Independent Non-executive Directors	
Mr. Li Youxing	3/3
Mr. Wang Jian	3/3
Mr. Zhang Senquan	3/3

Note:

The Board had, by a resolution passed in a meeting attended by all Directors and in accordance with the articles of association of the Company, delegated its power to a committee consisting of Mr. Jin Guojun and Mr. Zhao Hui in relation to certain specified matters. As such, one of the Board meetings held was attended by Mr. Jin Guojun and Mr. Zhao Hui only.

Board committees

Nomination committee

The Company established a Nomination Committee on 19 March 2019 with written terms of reference in compliance with paragraph A.5 of the CG Code as set out in Appendix 14 to the Listing Rules.

The primary duties of the Nomination Committee include, without limitation, (a) to review the structure, size, composition and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (b) to determine the policy for the nomination of directors, identify individuals suitably qualified to become members of the Board and may select individuals nominated for directorship; (c) to assess the independence of the independent non-executive directors; and (d) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive, taking into the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future.

The Nomination Committee consists of one executive Director, namely Mr. Jin Guojun, and two independent non-executive Directors, namely Mr. Wang Jian and Mr. Zhang Senquan. Mr. Jin Guojun is the chairman of the Nomination Committee.

The Nomination Committee met once to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors and other related matters of the Company.

Details of attendance of members at meeting of the Nomination Committee held during the Period are set out as follows:

	Attendance/Number of Meetings
Mr. Jin Guojun *(Chairman)*	1/1
Mr. Wang Jian *(Note)*	0/1
Mr. Zhang Senquan	1/1

Note:

Mr. Wang was not able to attend the meeting of the Nomination Committee during the Period due to an urgent personal commitment. Mr. Wang confirmed that he has received the meeting agenda and studied the meeting materials sent to him prior to the meeting date, and agreed with the approved items in the minutes of the meeting.

Board Diversity Policy

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

Implementation

The Nomination Committee will review annually the structure, size and composition of the Board and, where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy.

In reviewing and assessing the Board composition and the nomination of directors (as applicable), board diversity has to be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and length of services.

The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board. As at the date of this report, the Board comprises seven Directors with different appropriate skills, knowledge and experience to promote and achieve better performance of the Company. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process.

Nomination Policy

A "Nomination Policy" for Directors was formally adopted and this incorporated the nomination criteria and principles for Directors that are set out in the Nomination Committee's terms of reference. The Nomination Policy applies to the directors of the Company and where applicable, senior management prepared for Board positions under the succession planning of the Company.

The Nomination Policy aims to (i) set out the criteria and process in the nomination and appointment of directors of the Company; (ii) ensure that the Board of the Company has a balance of skills, experience and diversity of perspectives appropriate to the Company; and (iii) ensure the Board continuity and appropriate leadership at Board level.

In evaluating and selecting any candidate for directorship, the following criteria should be considered:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- Any measurable objectives adopted for achieving diversity on the Board;
- Requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and

- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

Nomination process

Appointment of new directors

(i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.

(ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

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

(iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(v) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

Re-election of directors at general meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

Audit committee

The Company established an Audit Committee on 19 March 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code.

The primary duties of the Audit Committee include, without limitation, (a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and (c) to discuss the risk management and internal control system with management to ensure that management has performed its duty to have effective systems.

The Audit Committee consists of three independent non-executive Directors, namely Mr. Zhang Senquan, Mr. Wang Jian and Mr. Li Youxing. Mr. Zhang Senquan is the chairman of the Audit Committee.

During the Period, the Audit Committee met twice to review the effectiveness of the Company's financial controls, internal control and risk management systems. The Audit Committee has reviewed the audited consolidated financial statements and results of the Group for the Period, and discussed and recommended to the Board on the re-appointment of external auditor.

Details of attendance of members at meetings of the Audit Committee held during the Period are set out as follows:

	Attendance/Number of Meetings
Mr. Zhang Senquan *(Chairman)*	2/2
Mr. Wang Jian *(Note)*	1/2
Mr. Li Youxing	2/2

Note:

Mr. Wang was not able to attend one of the meetings of the Audit Committee during the Period due to an urgent personal commitment. Mr. Wang confirmed that he has received the meeting agenda and studied the meeting materials sent to him prior to the relevant meeting date, and agreed with the approved items in the minutes of the relevant meeting.

Remuneration committee

The Company established a Remuneration Committee on 19 March 2019 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code as set out in Appendix 14 to the Listing Rules.

The primary duties of the Remuneration Committee, under the principle that no Director should be involved in deciding his own remuneration, include, without limitation, (a) to make recommendations to the Board on the Company's policy and structure for all directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (b) to make recommendations to the Board on the remuneration packages of individual executive directors and senior management; and (c) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.

The Remuneration Committee consists of two independent non-executive Directors, namely Mr. Wang Jian, Mr. Zhang Senquan and one executive Director, namely Mr. Jin Guojun. Mr. Wang Jian is the chairman of the Remuneration Committee.

During the Period, the Remuneration Committee met twice to review the remuneration policy for all directors and senior management.

Details of attendance of members at meeting of the Remuneration Committee held during the Period are set out as follows:

	Attendance/Number of Meetings
Mr. Wang Jian *(Chairman)* *(Note)*	1/2
Mr. Jin Guojun	2/2
Mr. Zhang Senquan	2/2

Note:

Mr. Wang was not able to attend one of the meetings of the Remuneration Committee during the Period due to urgent personal commitment. Mr. Zhang Senquan acted as the chairman of such meeting. Mr. Wang confirmed that he has received the meeting agenda and studied the meeting materials sent to him prior to the relevant meeting date, and agreed with the approved items in the minutes of the relevant meeting.

COMPANY SECRETARY

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

SENIOR MANAGEMENT'S REMUNERATION

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

Band of remuneration (HK$)	**No. of person**
Nil to 500,000	7

EXTERNAL AUDITORS AND REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities for the Company's financial statements for the year ended 31 December 2019 is set out in the Independent Auditor's Report on pages 78 to 83 of this annual report.

The fees paid/payable to Ernst & Young, the Company's auditors, in respect of audit services and non-audit services for the year ended 31 December 2019 are analysed below:

Types of services provided by the external auditors	**Fees paid/ payable** *RMB'000*
Audit services — audit fee for the year ended 31 December 2019	1,480
Audit services fees for initial public offer	1,813
Total	**3,293**

DIRECTORS RESPONSIBILITIES FOR FINANCIAL STATEMENT

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements for each financial year, which give a true and fair view of the financial position of the Group and of the results and cash flows of the Group for that year and in compliance with relevant law and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2019, the Directors have selected appropriate accounting policies and applied them consistently, made judgements and estimates that are reasonable, and have prepared disclosure of the financial position of the Group with reasonable accuracy at any time.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

INTERNAL CONTROLS AND RISK MANAGEMENT

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

The "top-down" approach and the "bottom-up" approach were adopted by the Group in order to measure the risks faced by the Group. The internal processes of risk assessment and measurement involve the participation of management in assessing the risk exposure such as identifying the risks and their impact.

The Group's internal audit department does not have an internal audit function to carry out independent reviews of the adequacy and effectiveness of its risk management and internal control systems, due to the size of the Group and for cost effectiveness consideration. During the Period, the Company has engaged an independent consultancy firm to conduct review of risk management and internal control systems of the Group. Independent review by such consultancy firm has revealed that the continuing connected transaction of the Company for the Period has exceeded the prescribed annual cap and had neither been approved by the Board nor re-complied with the requirements under Chapter 14A of the Listing Rules. Remedial actions were promptly taken by the Company upon the reveal of such findings. Further details of the exceeding of the annual cap of the continuing connected transaction are set out in the section headed "Continuing Connected Transactions and Related Party Transactions" in the Directors' Report in this annual report. The Board considers that although the risk management and internal control systems of the Group in relation to connected transactions may have had some fundamental errors and were not effective during the Period, the internal control systems in relation to other aspects and businesses of the Group are effective.

The Company recognises the importance of protecting the confidentiality of potential inside information. Procedures are in place to control the dissemination of inside information, including the monitoring of potential inside information to ensure that relevant facts and circumstances that may have material effect on the share price of the Company are promptly identified and assessed, and escalating the matter for the attention of the Board, if necessary, to determine whether a disclosure is needed.

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

SHAREHOLDER RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

Pursuant to Article 64 of the Articles, Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, as at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two Months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for shareholders to put forward proposals at shareholders' meeting

If a shareholder wishes to put forward proposals at a shareholders' meeting, the shareholder, who has satisfied the shareholding requirements set out in the above paragraph headed "Procedures for shareholders to convene an extraordinary general meeting", may follow the same procedures by sending a written requisition to the Board. The shareholder should state his/her proposals in the written requisition and submit the written requisition as early as practicable to enable the Company to make necessary arrangement.

Procedures for directing shareholder's enquiries to the Board

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board. Contact details are as follows:

Address:	40th Floor, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong *(For the attention of the Board of Bonny International Holding Limited)*
Email address:	ppd@bonnychina.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto.

INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Groups' business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a platform for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or in their absence, other members of the respective committees, and, where applicable, the chairman of the independent board committee are available to answer questions at shareholders' meeting.

To promote effective communication, the Company maintains a website at www.bonnychina.com where up-to-date information and updates on the Company's business operations and development, financial information and other information are available to public access.

CONSTITUTIONAL DOCUMENTS

Pursuant to a special resolution of the shareholders passed on 19 March 2019, the amended and restated memorandum was effective from 19 March 2019 and the amended and restated articles of association of the Company was adopted with effect from the Listing Date. Save as disclosed above, there was no change in the memorandum and articles of association of the Company during the Period.

The amended and restated memorandum and articles of association of the Company are available on the websites of the Stock Exchange and the Company.

OVERVIEW OF ESG REPORT

1. INTRODUCTION

Bonny International Holding Limited (the "**Group**") is committed to building an environmentally-friendly corporation, while maintaining high quality standards in design, production and sale of seamless and traditional intimate wears including bras, underpants, thermal clothes and loungewear as well as functional sportswear. The Group is the leading seamless intimate wear manufacturer in the People's Republic of China (the "**PRC**") and has possess over 200 sets of producing seamless circular knitting machines, which is the company's core production equipment for seamless production.

As at the end of 31 December 2019, the Group's retail network comprised 140 self-operated retail outlets and 50 franchised retail outlets in 18 provinces, municipalities and autonomous regions in the PRC. The Group has two production sites, Suxi Production Site and Beiyuan Production Site, which are located at Yiwu, Zhejiang Province, the PRC. The Group currently only operates Suxi Production Site for production operations, while Beiyuan Production Site is under development.

The Group considers social and environmental responsibilities as one of the core values in its business operations. China is the largest producer and consumer of intimate wears in the world. It is important for the Group to raise awareness about the industrial pollution, climate change and employment equality. We have formulated measures to address such issues. In addition, the Group strives for greater sustainability and transparency, as well as creating products that foster a sustainable environment for future generation.

This report summarises several subjects of the Group's business practices for the Environment, Social and Governance (referred to as the "**ESG**") report (referred to as the "**Report**") and the relevant implemented policies and strategies in relation to the Group's operational practices and environmental protection. The Report covers the period from 1 January 2019 to 31 December 2019 (the "**Reporting Period**" or the "**FY2019**").

2. BASIS OF THIS REPORT

The Report has been prepared with reference to the ESG Reporting Guide set out in Appendix 27 to the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited (the "**SEHK**").

3. SCOPE OF THIS REPORT

The general disclosure of the environmental and social policies and measures in this Report and the compliance issues cover the entire group, together with the disclosure scope of the Environmental Key Performance Indicators (referred to as the "**KPIs**") section of the Report covers the operation and production sites of the Group in the PRC.

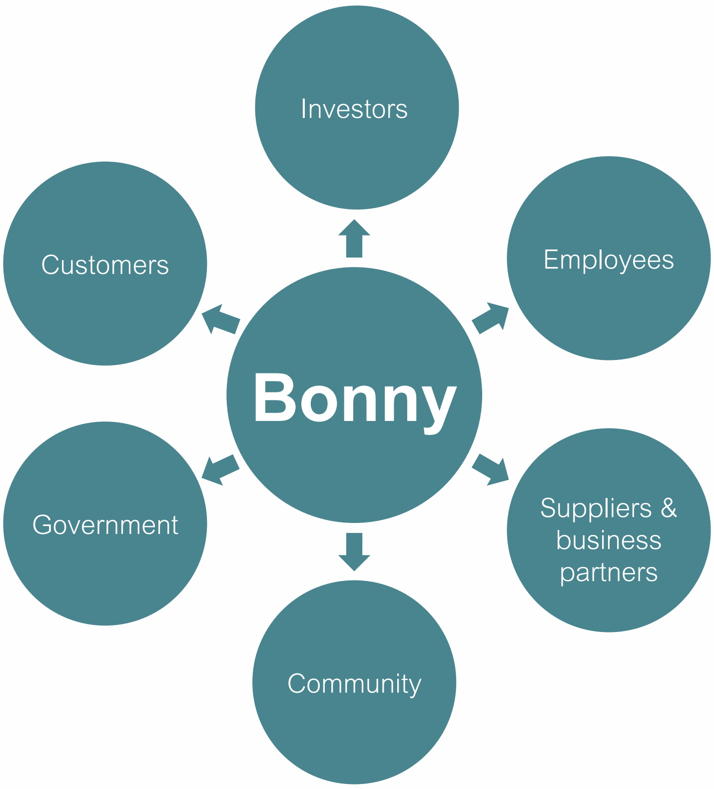
The Group's PRC operation represents the majority of the Group's environmental and social impacts, and the impacts from its office in Hong Kong is minimal. As Beiyuan Production Site is under development and its production is not commenced as at the end of financial year 2019, the content of the ESG Report mainly focus on Suxi Production Site in Zhejiang Province together with the self-operated retail outlets in 15 provinces, municipalities and autonomous regions in the PRC, unless stated otherwise.

4. COMMENTS AND FEEDBACK

The progress of the Group depends in part on stakeholders' valuable comments. For any doubts about or advice as regards to this ESG Report, please forward your comments and suggestions to ppd@bonnychina.com.

5. STAKEHOLDER ENGAGEMENT

The Group believes that understanding the views of the stakeholders lays a solid foundation to the long-term growth and success of the Group. The Group has a wide network of stakeholders, including employees, customers, suppliers and business partners, investors, government and community.



The Group develops multiple channels to the stakeholders which summarised in the following table. The multiple channels provide them with the opportunities to express their views on the Group's sustainability performance and future strategies. To reinforce mutual trust and respect, the Group is committed to maintaining communication channels, both formally and informally, with stakeholders to enable the Group to better shape its business strategies in order to respond to their needs and expectations, strengthen important relationships and identify potential risks. The information collected through different communication processes serves as an underlying basis for the structure of this ESG Report.

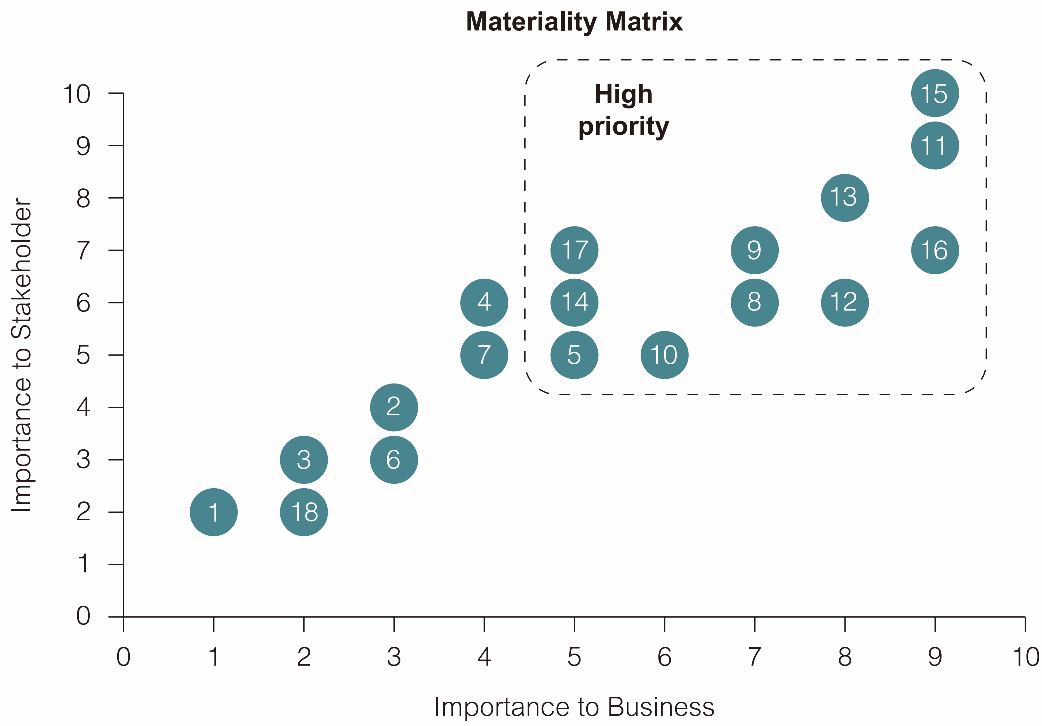
Stakeholders	Engagement channels	Possible concerned issues
Investors	• General meetings • Regular corporate publications including financial reports • Circulars and announcements • Corporate website • Direct communication • Meetings and responses to phone and written enquiries	• Business strategies and sustainability • Financial performance • Corporate governance
Customers	• Direct communication • Emails • Business meetings	• Service quality and reliability • Customers information security • Business ethics
Employees	• Appraisals • On-the-job coaching • Trainings • Internal memorandum • Human resources manual • Exit interview	• Training and development • Employee remuneration • Rights and benefits • Working hours • Occupational health and safety • Equal opportunities
Suppliers and business partners	• Business meetings • Tendering for procurement of products or services	• Fair competition • Fulfillment of promises • Payment schedule
Government and other regulatory authorities	• Statutory filings and notification • Regulatory or voluntary disclosures	• Compliance with law and regulations • Treatment of inside information • Co-operation with enquiries
Local community	• Community activities • Donations	• Environmental protection • Fair employment opportunities

6. MATERIALITY ASSESSMENT

The Group has maintained close communication with the stakeholders since the Group listed on the SEHK. Through ongoing discussions and direct communications with the stakeholders, the Group understands the main concerns and material issues that matter most to the stakeholders. The main concerns and material issues are listed below:

ESG aspects as set out in ESG Reporting Guide		Material ESG issues for the Group
A. Environmental	A1 Emissions A2 Use of Resources A3 The Environment and Natural Resources	1. Air Emission 2. Greenhouse Gas Emission 3. Waste Management 4. Energy Consumption 5. Water Consumption 6. Paper Consumption 7. Environmental Risk Management
B. Social	B1 Employment B2 Health and Safety B3 Development and Training B4 Labour Standards B5 Supply Chain Management B6 Product Responsibility B7 Anti-corruption B8 Community Investment	8. Human Resources Management 9. Employment and Remuneration Policies 10. Equal Opportunity 11. Employees' Health and Workplace Safety 12. Employee Development 13. Prevention of Child and Forced Labour 14. Supplier Practices 15. Product Quality and Customer Satisfaction 16. Protection of Customer Privacy 17. Anti-corruption and Anti-money Laundering 18. Community Investment

Pursuant to environmental and social issues based on the ESG Reporting Guide within the scope of sustainability and the information collected from the stakeholders and the assessments of their importance on business, the Group built a two-dimensional materiality matrix and identified the following issues that are in high priority to the stakeholders and the Group. The priorities are set based on the management's view as well as stakeholders' feedback.



Number	Topics
5	Water Consumption
8	Human Resources Management
9	Employment and Remuneration Policies
10	Equal Opportunity
11	Employees' Health and Workplace Safety
12	Employee Development
13	Anti-child and Forced Labor
14	Supplier Practices
15	Goods/Services Quality and Customer Satisfaction
16	Protection of Customer Privacy
17	Anti-corruption and Anti-money Laundering

These areas will become the leading priorities in the ESG strategy. We believe that they will contribute significantly to the Group's sustainable development on the long term basis.

7. APPROACH TO SUSTAINABILITY DEVELOPMENT

As a responsible company, the Group continues to improve its measures for sustainability as well as to meet the standards of customers. In January 2019, the Group issued and implemented the Quality and Environment Management Handbook (the "**Handbook**"). According to the Handbook, the Group specified its policies on business management, including the provision of high-quality products, gaining user satisfaction, development of human resources, streamlining of work procedures; clean production, maintaining environmental hygiene, complying with laws and regulations, and achieving sustainable development. To make the Group's investors and stakeholders properly informed for assessment, the Group has set out below its efforts to minimise the negative influence to the environment, promote the well-being of the Group's employees and contribute to the community during the Reporting Period.

ENVIRONMENTAL RESPONSIBILITY

The Group is aware of the environmental impacts that may be arisen from the production processes. In addition to complying with all appropriate laws and regulations of the Ministry of Environmental Protection of the PRC, the Group strives to achieve sustainable development in the operation. The Group is committed to endorsing a green environmental protection enterprise culture in the business development. With a series of environmental policies established, the Group takes measures to minimise the potential adverse impact on the environment and preserve natural resources arising from the operation and activities. Owing to the nature of the business, the Group's commitment to the environment focuses on the reduction of emission, the efficiency of energy and water usage, as well as the conservation of ecological environment.

The Handbook adopted by the Group in January 2019 has specified the following environmental objectives and the responsibilities of each section and department of the Group.

Department	Assessing Item
Office	1. 100% disposal of domestic wastes
Quality management department	1. 100% disposal of defective products
Production department	1. 100% utilization of equipment
	2. 100% collection of workshop solid wastes
Marketing department	1. 100% promotion of environmental protection products
Merchandizing department	1. 100% issue of environmental protection notices
Workshop	1. 100% effective workshop fire-fighting equipment
Warehouse	1. 100% effective warehouse fire-fighting equipment

1. Environment Management

Environment management can result in higher resources recovery efficiency, cleaner production process and higher production efficiency, profitability, reputation and competitiveness of the Group.

The Group strives to ensure product safety, to maintain green and clean production and to perform social responsibility for the local communities. The Group is of the view that in order to maintain the production process as green and clean as possible, the environmental issues must be managed properly. Thus, the Group regularly monitors and measures its production activities to ensure they are adhering to the national standards. The measurements taken during production include air pollution, noise, sewage and wastes. The data collected are used to identify environmental problems. If environmental problems are found, the Group will discuss and implement effective solutions to eliminate the adverse impacts of its operation on the environment.

The Group's management team is responsible for implementing and monitoring the environment management plans and programs. The management team identifies and addresses possible measures to reduce the adverse impacts of its operation on the environment. The Group's management team is also responsible for ensuring timely execution and submission of environmental plans and reports to related authorities, and obtaining the requisite licenses and permits.

The management team strives to ensure that the Group has complied with the relevant environmental regulations, including but not limited to the following:

- The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》)

- The Regulations on the Administration of Environmental Protection of Construction Project (《建設項目環境保護管理條例》)

- The Appraising of Environment Impact law of the PRC (《中華人民共和國環境影響評價法》)

In addition, the Group will keep abreast of the new legal development in the PRC regarding this aspect and review its environmental policy from time to time to ensure its on-going compliance with the latest relevant environmental laws and regulations.

2. Aspect A1: Emissions

The production and operation of the Group inevitably generates different kinds of pollutants. The major pollutants of the Group include air pollution, sewage and solid wastes. The Group strives to minimise the emissions by taking practicable measures in compliance with the laws and regulations relating to environment protection. The Group has implemented various environmental policies and has been awarded quality standard certification of ISO14001 in respect of its environment management system.

Air Emission

The Group is committed to reducing the emissions and has established the procedures regarding the management of emissions to the atmosphere. The Group has taken the following policies and measures to mitigate the emissions:

- Invest in purchasing efficient and least polluting machineries;
- Adjust proper numbers and models of company vehicles to reduce fuel consumption and emission;
- Deliver goods during non-peak hours/seasons to avoid inefficient operation and energy loss brought by congestion;
- Instead of taking long-distance business trips, conduct video conferencing or use emails. A total of 30 telephone conferences were conducted to reduce 40 travels in 2019; and
- Choose direct flights for unavoidable business trips.

The air emissions of the Group are mainly exhaust gas generated by vehicles. The Group seeks to minimize air emissions by turning off the engines of idling vehicles and maintaining proper numbers and models of company vehicles.

In 2019, the exhaust gases generated by the Group were mainly Sulphur Oxides (SOx), Nitrogen Oxide (NOx), and particulate matter (PM). As illustrated from the table below, the Group produced 81.21kg, 0.31kg and 7.78kg of NOx, SOx and PM, respectively, in the Reporting Period.

The volumes of air emissions generated by the Group in 2019 and their comparison with 2018 are set out in the table below.

Emission volume

Types of Air Emissions	Unit	2019	2018	Annual growth rate (2018–2019)
Nitrogen Oxide (NOx)	kg	81.21	88.24	-8.0%
Sulphur Oxides (SOx)	kg	0.31	0.49	-35.8%
Particulate matter (PM)	kg	7.78	8.16	-4.6%
Total	kg	89.30	96.89	-7.8%

Achievements: The volume of various air emissions of the Group in 2019 decreased to a certain extent as compared with 2018. It was primarily due to the reduction in gasoline and diesel consumption. In 2019, the air emission density of the Group was approximately 0.31kg/RMB million.

Greenhouse Gas

The greenhouse gases from the daily operation of the Group include direct emission and indirect emission. Direct emission includes emissions from combustion of vehicle engine and fuel consumption of factory boilers. Indirect emission is primarily the emission from the generation of electricity used. The Group generated a total of 8,830.10 tonnes of carbon dioxide equivalent in 2019, of which 271.44 tonnes were direct emission and 8,558.66 tonnes were indirect emission.

The greenhouse gases generated by the Group in 2019 and their comparison with 2018 are shown in the table below.

Greenhouse gases volume

Sources of greenhouse gas	Unit	2019	2018	Annual Growth Rate (2018–2019)
Scope 1 Direct emission				
Company Vehicles	tonne of carbon dioxide equivalent	55.65	86.24	-35.5%
Fuel Consumption	tonne of carbon dioxide equivalent	20.00	23.48	-14.8%
Refrigerant	tonne of carbon dioxide equivalent	195.79	136.00	44.0%
Sub-total	tonne of carbon dioxide equivalent	271.44	245.72	10.5%
Scope 2 Indirect Emission				
Purchased Electricity	tonne of carbon dioxide equivalent	8,558.66	8,471.93	1.0%
Sub-total	tonne of carbon dioxide equivalent	8,558.66	8,471.93	1.0%
Total	tonne of carbon dioxide equivalent	8,830.10	8,717.65	1.3%

Achievements: In 2019, the greenhouse gases generated directly from vehicle and boilers of the Group showed a significant decrease as compared with 2018. The greenhouse gases indirectly from electricity consumption was almost the same as those in 2018. In 2019, In 2019, the emission density of greenhouse gases of the Group was approximately 31.04 tonne of carbon dioxide equivalent/RMB million.

Waste Management

In 2019, the Group has taken the following policies and measures to reduce wastes:

- Set up waste separation bins, recycling bins and other facilities for collecting materials such as waste paper, metal and plastic;
- Adopt green procurement, i.e. purchase products and services that cause minimal adverse environmental impacts; and
- Promote the recycling of construction materials to all stores and require to reuse existing props as much as possible in the renovation;

- Suppliers are required to improve the production of wooden boards and spray-painting techniques to reduce the production of hazardous wastes; and

- Regular collection of items for recycling.

The Group has established clear and concrete guidelines on waste management. We have strictly complied with the local waste classification standards and classified the wastes. We have also tried, as far as possible, to reuse the sewage and sludge generated in the production process. In addition, employees are reminded regularly to protect the environment through varies channels, including emails, notices and promotion slogans. Wastes generated by the Group in 2019 are as follows:

— *Liquid waste*

Volume of liquid waste

Type of liquid waste	Unit	Produced in 2019	Reused in 2019	Percentage of reuse
Industrial sewage	Tonne	89,868	54,606	60.8%
Sludge	Tonne	103	90	87.4%
Total	Tonne	89,971	54,696	60.8%

— *Solid waste*

Volume of solid waste

Type of solid waste	Unit	Volume of solid waste generated in 2019
Hazardous solid waste		
Used lead-acid battery	Tonne	0.63
Dye packaging bag	Tonne	0.0921
Non-hazardous solid waste		
Office paper	Tonne	1,266
Construction/demolition waste	Tonne	32
Plastic packaging materials used during decoration	Tonne	0.22

In 2019, the density of industrial sewage and sludge generated by the Group was 316.30 tonne/RMB million. The density of hazardous solid waste was 0.0025 tonne/RMB million. The density of non-hazardous solid waste was 4.56 tonne/RMB million.

In 2019, the Group strictly complied with local environment protection policies and duly disposed of wastes it generated. Sludge was treated by professional companies for reuse while dye packaging bags were collected by other companies for treatment.

3. Aspect A2: Consumption of Resources

Energy

The Group has committed to minimizing energy usage. The following policies and measures were implemented by the Group in 2019:

- Deploy natural light as much as possible;
- Maintain light fixtures and lamps in good condition to maximize their efficiency;
- Switch off unnecessary lighting and energy consumption equipment while not in use;
- Separate light switches for different light zones;
- Use electronic ballasts to replace electromagnetic ballasts;
- Install motion sensors in areas not frequently used;
- Replace lighting devices of power consumption higher than the required level;
- Set the temperature of the air-conditioner within 24-26°C, an energy-efficient level;
- Clean the air filter of the air-conditioners regularly to improve the efficiency of cool air flow;
- Use timer or switch off the printers completely during non-operating hours;
- Switch off information and communication technology equipment completely during non-operating hours.

The Group's energy consumption mainly generated from electricity and natural gas in the operation. The following table illustrates the energy consumption of the Group in 2019 and its comparison with 2018:

Energy Consumption

Energy	**Unit**	**2019**	**2018**	**Annual growth rate (2018–2019)**
Electricity	kWh	10,858,984	12,102,761	-10.3%
Natural Gas	Cubic Meter	1,296,363	1,521,660	-14.8%

Achievements: In 2019, the electricity and natural gas consumption of the Group decreased significantly from the previous year. Among which the electricity and natural gas consumption decreased by approximately 10.3% and 14.8% respectively compared to 2018. In 2019, the density of electricity consumption of the Group was 38,175.37 kWh/RMB million. The density of natural gas consumption was 4,557.44 m3/RMB million.

Water

Intimate wear production is a water intensive industry. Water saving and re-use of water are the Group's major directions regarding water resource.

For water saving, effective water saving production methods and equipment were adopted to enhance water efficiency. Water quality is also under regular inspection to prepare for the proposed installation of water saving facility. In 2019, the Group has consumed 144,167 tonnes of water in aggregate, representing a decrease of approximately 29.6% as compared with 204,710 tonnes of water in 2018. In 2019, the density of water consumption of the Group was 506.83 tonne/RMB million.

Packaging

Owing to the nature of the Group's business, the packaging materials used by the Group mainly include materials used for products packing, such as plastic bags, liner plates and packaging boxes, and materials consumed in the course of sales, such as tags, gun needles and stickers. In respect of type of materials, the packaging materials used by the Group in 2019 were mainly paper and plastic. In 2019, the total amounts of packaging material consumed for finished products by types are as follows:

Consumption of Packaging Materials

Packaging materials	**Type**	**Unit**	**Total quantity consumed in 2019**
Carton box	Paper	Piece	2,081,870
Tag	Paper	Piece	8,493,223
Plastic bag	Plastic	Piece	3,917,221
Hanger	Plastic	Piece	1,718,270
Size marker	Plastic	Piece	1,888,043
Adhesive sticker	Paper	Roll	389,945
Gun needle	Plastic	Piece	5,370,000
Sticker	Paper	Piece	12,222,815
Paper card	Paper	Piece	2,507,020
Buckle	Plastic	Piece	3,057,562
Packaging box	Paper	Piece	4,166,504
Tape	Others	Roll	97,023
Liner plate	Paper	Piece	108,544
Carton divider	Paper	Piece	151,877

Note: As the packaging materials are different from each other in characteristics and specifications, the consumption of the packaging materials listed above are calculated by quantity.

4. Aspect A3: The Environment and Natural Resources

Energy Efficiency Initiative

The Group has established clear regulations on resources consumption in business operation to ensure effective use of resources. It also adopts various measures to minimize the power consumption, including use of energy saving equipment as well as recycling and reusing of resources in its daily operation and working environment, so as to reduce the negative impacts of energy consumption on the environment.

— *Paper Reduction*

Excessive use of paper causes negative impacts to our environment. Deforestation is the primary effect of our mindless use of paper. With the aim of minimizing the impact of the business operation on the environment, the Group has implemented measures for environmental protection that minimize paper usage at the office. To ensure papers are consumed in the most efficient way and make it convenient for staff and clients to do so, the Group has imposed eco printing modes for staff. Furthermore, the Group encourages staff to use electronic communications for directories, forms, reports and storage when possible. Lastly, the Group has reduced the consumption of paper products in packaging, logistics and sales of finished products through recycling and reuse.

— *Water Utilization*

The Group's source of water consumption generated from the production process, toilet flushing, washing and canteen. The Group treats the industrial sewage generated from the production process in strict compliance with local discharge standards and reuses certain industrial sewage which reaches water quality standards in the production process. While reducing discharge, the Group also conserves water as much as possible. For domestic wastewater, the Group examines the water quality before drainage to ensure the national and local environmental requirements are complied.

In addition, the Group has adopted the following policies and measures to minimize the consumption of water:

- Collect rainwater in the factories;
- Recycle and reuse wastewater for cleaning and irrigation;
- Use dual-flush toilet;
- Check the hoses and pipes for leaks regularly and repair them in a timely manner; and
- Read the water readings at regular interval when no water is being used and check for hidden water leaks.

SOCIAL RESPONSIBILITY

The Group believes building strong and lasting relationship with the employees and suppliers is essential to a socially responsible enterprise. Besides, maintaining smooth and efficient communication with other parties is indispensable as an organization and partner to the stakeholders.

1. Aspect B1: Employment and Remuneration Policies

The Group enters into individual employment contracts with its employees. The Group reviews the performance of its employees on a regular basis, the results of which are used in his or her salary review and promotion appraisal. In order to attract and retain quality personnel and to preserve competitiveness in the labor market, the Group also conducts research on the remuneration packages that are offered by other companies of comparable size in the same industry.

Pursuant to regulations in each of the local jurisdictions where the Group operates, the Group makes contributions to various employee benefit plans. Employee benefits covered by these arrangements include employee benefits required by PRC laws and regulations as well as incentives for increasing productivity, accommodations, meals and travel allowances. The Group also contributes to social security insurance covering pension insurance, medical insurance, unemployment insurance, personal injury insurance and maternity insurance (where applicable) as well as housing fund for its employees according to the relevant PRC laws and regulations.

The Group's essential policies and procedures are also included in the staff handbook which will be reviewed and updated regularly. The Group discourages and disallows any behaviour that violates the regulations under staff handbook. Offenders will receive warning, and the Group has the right to terminate employment contract with offenders for serious violations. During the Reporting Period, the Group did not find any significant violations of laws and regulations relating to human resources.

Employment

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics, gender or age. The Group has staff handbook outlining the terms and conditions of employment, expectation for employees' conducts and behaviors as well as, employees' rights and benefits. There are policies established and implemented that promote harmony and respectful workplace. With the aim to ensure fair and equal protection for all employees, the Group has zero tolerance on sexual harassment or abuse in the workplace in any form, which is a violation of the labor laws in all countries.

As at 31 December 2019, the Group has 779 full-time employees. The following chart sets out a breakdown of the Group's percentage of employees by gender, education and age.

Employees	**Total number**	**779**
By gender		
Male	%	29.9%
Female	%	70.1%
By education		
University and above	%	9.1%
Tertiary education	%	16.8%
Technical schools and high schools	%	45.1%
Middle schools and below	%	29.0%
By age		
30 and below	%	19.8%
31-50	%	74.1%
51 and above	%	6.1%

The Group strictly prohibits the employment of children or forced labor and sets out the policies in the labor code to eradicate child labor, juvenile workers and forced labor.

Promotion

The Group's promotion process are carried out in a fair and open manner for all employees; employees are recognized and rewarded by their contributions, work performances and skills, and outcomes will not be affected by any discrimination on the grounds of age, sex, physical or mental health status, marital status, family status, race, skin color, nationality, religion, political affiliation and sexual orientation and other factors.

2. Aspect B2: Health and Safety

The Group strives to provide a safe and healthy workplace for the employees as the Group complies with all applicable regulations and ordinances regarding to Occupational Safety and Health (OSH).

With a view to maintaining occupational safety of work places, the Group has implemented operational procedures and safety standards for its production process. The Group also provides its employees with occupational safety trainings to enhance their awareness of safety. In 2019, the Group organized five training sessions in relation to occupational safety, covering occupational health protection and safety of employees, labor protective equipment, control and training of the use of sharp metal tools, training of voluntary fire brigades and fire drills. The Group will continue to pay attention to occupational health and safety of its employees, striving to further improve the working environment and intensity in compliance with the applicable laws and regulations.

The Group has received a Work Safety Standardization Certification by the State Administration of Work Safety. During the Reporting Period, the Group did not find any case of violations of laws and regulations in relation to the health and safety of the workplace, and neither work-related fatalities nor work injury was noted.

The Group is not aware of any material non-compliance with the above-mentioned relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards during the Reporting Period.

In addition, the Group has designated a person in the administration department to identify any actual and potential hazards or risks to employees and work towards elimination of identified risks. While ensuring that office and work environment is in line with requirements of relevant laws, the Group has maintained a safe and healthy working environment. The Group's building management office has also arranged a number of rescue, fire and evacuation drills to improve staff safety awareness. Employees are expected to comply with the policies and procedures, and cooperate actively in safety trainings.

3. Aspect B3: Development and Training

In order to further improve the knowledge, technique and quality of employees and to fulfil their career development needs and attracting high quality talents, the Group places strong emphasis on training of employees. In 2019, the Group had organized 17 sessions of training programs for our employees of 16.5 hours in total, including new recruits training programme and vocational training, with 2,474 attendant. The Group also encouraged employees of different departments to communicate and participate in job rotation for career development and improvement.

For outlets, the Group believes that the performance of outlet staff is critical to the success of a retail outlet. The Group places great emphasis on the training of the outlet staff and provides in-house training programs to the outlet staff on various retail operation matters, such as product knowledge, sales techniques, customer service, store operation and safety measures.

To encourage the employees improving their professional skills, the Group offers reimbursement of course fee to the employees to encourage them to study and to take any relevant examinations. Study leave is also given to motivate the employees.

In addition, on-the-job trainings and off-the-job seminars facilitated by the management of the Group will be held periodically. Such sessions will usually provide a detailed explanation and discussion of technical knowledge encountered by the staffs in the recent projects. The Group highly encourages the staffs to attend internal training courses to develop personal skills and expand the knowledge.

For managements, the Group has provided different kinds of training for the top management and staff to enhance their level of communication and team building skills. Furthermore, directors are given with guidance and preparation meetings about the Group's business and his/her duties responsibilities under the Listing Rules and the relevant statutory and regulatory requirements when newly appointed. The directors will be briefed regularly on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices.

4. Aspect B4: Labor Standard

The Group's human resource management policy has fulfilled the requirement outlined in the Labour Contract Law of the PRC. The Group has established and implemented staff manual which contains policies relating to relevant labor laws, regulations and industry practices, covering areas such as compensation, dismissal, promotion, working hours, recruitment, rest periods, diversity and other benefits and welfare.

In addition, the Group strives to ensure an equal and fair working environment. The Group has strictly complied with the Labor Ordinance and does not tolerate any form of sexual harassment and abuse in the workplace, which is a violation of the employment law in the PRC.

The prohibition of child labor and forced labor practices are also set in accordance with all relevant laws and regulations that applied in the Group. In the recruitment process, the Group implements appropriate procedures to ensure that employment adheres to the applicable laws in regards to child labor and forced labor. During the Reporting Period, no violations regarding occurrence of the age of employment and labor disputes between the Group and the employees.

5. Aspect B5: Supply Chain Management

The Group is committed to developing and maintaining effective and mutually beneficial working relationships with the business partners (suppliers, subcontractors, franchisees and transporters, etc.). The Group requires each of the business partners to comply with the code of conduct of social responsibility and business ethics the Group set out. The Group will assess whether the business partners fulfil the terms of the Supplier Management System and the Selection Standard and Supervision Guidelines of Dealers and Franchisee annually. Violation of such terms will lead to instant termination of the business partnership.

The Group strives to focus on ethical supply chain management while producing a global supply chains. During the Reporting Period, the Group has a total of 252 suppliers covering 10 categories, including raw material suppliers, logistic suppliers, engineering suppliers and cross border e-commerce product suppliers, and 50 franchisees.

Supplier Management

The Group has formulated the Supplier Management System to manage the identification, acceptance, assessment, appraisal, evaluation and withdrawal of suppliers. The system is established to regulate the management of suppliers and to maintain a sustainable and flexible supplier management. New suppliers are assessed by an assessment team under the merchandizing department comprising members from the quality control department, production centre and technical department. The team is responsible for the comprehensive appraisal of the quality, capital strength, quality certification, management, productivity, product quality as well as pre-sale and post-sale services of potential suppliers. The Group will perform annual appraisal on accepted suppliers at year end. The appraisal team will assess the qualification, operation, credit rating, price, payment and product quality. Suppliers failing to meet our requirement will be terminated.

The Group closely monitors the quality of all raw materials provided by the suppliers to ensure that all raw materials comply with the requirements. The Group arranges for its quality control staff to carry out on-site inspections on raw materials at the suppliers' facilities before they are delivered. The Group evaluates the suppliers periodically based on a range of factors, including raw material quality and the ability to meet the delivery timeline. For the Reporting Period, the Group did not have material disputes with its suppliers.

To ensure the product quality, the Group only source from reliable suppliers who have a satisfactory record of quality and on-time delivery. For new suppliers, the Group evaluates their production capacity, quality and reliability before the Group commenced the business relationship with them. In addition, the Group conducts random sample checks on incoming raw materials to ensure that they meet the quality requirements. If the quality of the supplier does not meet its standards, the Group will return it to the suppliers for replacement or refund. Only raw materials with samples which have passed the incoming quality control will be delivered to the warehouse and utilized in the production. During the Reporting Period, the Group did not have any material claims against the suppliers due to defective quality of raw materials.

All finished and semi-finished manufactured products processed by the subcontractors are also inspected before acceptance into the warehouse or being further utilized in the production process. The Group also conducts factory visit regularly to sample check the products of subcontractors and monitor the production process. Before accepting the goods, the quality control staff will inspect the goods produced by subcontractors against the specifications as stated in the supply agreement entered into between the Group and the subcontractors.

Furthermore, the Group gradually takes environmental consideration into account in the procurement process. To integrate the environmental vision into the procurement of product supplies, the Group avoids disposable products and chooses suppliers who provide durable products with less packaging materials. Priority will be given to environmentally friendly materials and office goods, so as to raise the suppliers' awareness of sustainable development.

Franchisee Management

According to the Selection and Supervision of Distributors and Franchisees for 2019 issued by the Group, the selection and evaluation of franchisees shall be conducted by branches and local offices based on the basic information of potential franchisees with reference to the franchise store plan as well as the franchisee selection system of Bonny. Formal communication with potential franchisees on franchise projects and the viability of the stores of such franchisee will be analysed. In addition, the information and rating of customers of potential franchisees will be submitted to the head office for approval. The Group will also regularly monitor and inspect franchisees in respect of their financial condition, products and daily operation to ensure their healthy and stable business development.

6. Aspect B6: Product Responsibility

The Group is committed to providing quality products that satisfy customers' needs, and has set fairness and safety as the centre of its procurement and service procedure. Meanwhile, the Group has established and made public its own customers' interest policy, which has been implemented throughout the corporate operation to safeguard customers' interests.

The Quality and Environment Management Manual adopted by the Group in January 2019 specifies the following quality objectives as well as the duties of each section and department of the Group.

Department	Indicator
Office	1. ≥ 98% of employees trained
	2 ≥ 99% of documents delivered on time
Quality management department	1. ≤ 3% products uninspected
	2. Prompt inspection of testing instruments, 100% weekly inspection
Production department	1. ≥ 96% product initial pass rate
	2. ≤ 2% equipment failure
Procurement department	1. 100% supplier assessment
Marketing department	1. 100% contract review in time
	2. Customer satisfaction ≥ 95 points
Workshop	1. ≥ 96% products initial pass rate
	2. 100% successful process execution
Warehouse	1. ≥ 98% inventory records correct

Product Quality

The Group emphasizes quality control in all aspects of the business to protect the brand value and the image of the Group. According to the Production and Service Control Procedures issued by the Group, in order to maintain consumers' confidence in the products of the Company in terms of comfortability and quality, the Group emphasizes quality control in all aspects of its business. From the procurement of raw materials, production, packaging and storage to sales and delivery, we strictly perform inspection procedures such as inspection of materials, site inspection, full check before packaging and random check before storage to ensure product quality. From sourcing the raw materials, production, packaging and inventory storage to sale and delivery, the Group strictly controls the quality of its operations. In order to monitor the production quality and ensure that its products meet benchmarks and specifications of its customers and the Group, the Group has implemented various quality-control checks throughout its production process.

Finished goods are inspected on a random sampling basis to further minimise the risk of selling defective products to customers. Sample checks on each batch of finished products will be conducted before packaging and delivery to the customers or to the retail outlets.

The Group has produced quality goods according to a set of comprehensive Quality Control System basing on the ISO 9001, which specifies the standard procedure for the provision of computer numerical control machine, appliances and accessories. Since 2016, the Group has obtained the Oeko-Tex® Standard 100 certification (product class II) which demonstrated the Group's dedication to product safety. In 2017, the Group was awarded 2017 National Quality Benchmark for Bra (2017年度全國文胸質量標桿) by China Knitting Industrial Association (中國針織工業協會) which demonstrated the high quality standard nationally.

The Group's quality control is also evidenced by its business relationships with brands which have stringent demands in their selection of qualified product suppliers. As a result of the strict quality control policies, for the Reporting Period, the Group had not, due to product quality issues, (i) received any fine, product recall order or other penalty from any regulatory body, (ii) received any material product return request from its customers and franchisees, or (iii) received any material complaint from consumers of its products.

In response to potential quality issues, the Group has a Defective Product Recall System, which specifies the procedures of product recall and the recall process shall be guided and supervised by the industry and commerce administration and relevant regulatory authorities. Product recall shall be promptly, completely and truthfully reported to the industry and commerce administration and relevant regulatory authorities.

Product Innovation

The Group's design and product research and development efforts primarily focus on, among other aspects, improving and developing the functionality and designs of the products, as well as diversifying the product portfolio. In 2019, the Group has developed a total of 90 new product series and 264 new products, of which 63 and 140 have passed review, respectively.

Intellectual Property Rights Management

According to the Patent Management System issued by the Group in 2017, the patent management of the Company is to fully rely on and use the patent system, so that the patents will serve as major driving forces and protection of the Company's technology innovation, and encourage and motivate the employees of the Company to be enthusiastic for invention and creation, and will contribute to technological innovation and the whole process of production and operation. The Patent Management System also specifies the procedures of patent application, patent maintenance, patent protection, management and utilization of patent information to provide systematic support to establish a regulated intellectual property management procedure of the Group.

Service Quality

The Group's salespersons serve its customers in 140 self-operated retail outlets across China. To ensure the salespersons understand and reach the servicing quality standards, the Group offers a series of training sessions and assessments. New recruits must pass on-board training, sales counter field training lessons, and the final probation assessment. Current salespersons are required to pass monthly training and assessments of their product knowledge.

An effective complaint handling mechanism is crucial for service quality assurance. The Group is committed to maintaining a customer feedback channel through which customers can reach its managers directly. The Group has service hotlines to answer franchisees' questions or troubleshoot problems on issues such as product quality, order status inquiry and product return. If the Group receives a complaint, it is the Group's policy to take rapid rectification action and report back to the relevant customer. Should the Group receive a valid complaint relating to unsatisfactory service performance, the Group will arrange for retraining to raise awareness of service quality.

During the Reporting Period, the Group did not identify any non-compliance with laws and regulations in relation to product and service quality.

Public Interest and Accountability

For the management of personal data privacy, the Group is committed to protecting privacy and confidentiality of personal data of the customers. The employees are instructed to handle customer data with due care. The Group collects and uses customer data in a responsible and non-discriminatory manner. Only designated employees can assess customer data for business use. They are required to sign non-disclosure agreement upon employment to state that they are not allowed to disclose any data to unauthorized third parties.

The Group ensures the goods and services are provided in a manner consistent with the highest ethical standards. This helps to ensure high products quality at all times to gain the confidences of customers and the public.

Fair and Open Competition

The Group promotes fair and open competition that aims to develop long-term relationships based on mutual trust. The Group ensures that all parties involved in the procurement process participate fairly, honestly and in good faith. The Group recognizes that adherence to the principles of competition is essential to the maintenance of the integrity of the procurement process.

7. Aspect B7: Anti-corruption

The Group is committed to maintaining the highest standards of openness, probity and accountability. Employees at all levels are expected to conduct themselves with integrity, impartiality and honesty. It is every employee's responsibility and all interests of the Group to ensure any inappropriate behaviour or organizational malpractice that compromises the interest of the shareholders, investors, customers and the wider public does not occur under any circumstances.

The Group has adopted the Code of Conducts Manual that includes provisions for conflicts of interest, privacy and confidentiality of information, due diligence, bribery and anti-corruption. The Group upholds a high standard of business integrity throughout its operations. Management considers a system with a good moral integrity and anti-corruption mechanism as the cornerstone for the sustainable and healthy development of the Group. The contravention of these policies will be subject to disciplinary action or termination of employment.

Whistle-blowing policy is implemented and whistle-blowers can report verbally or in writing to relevant department or the senior management of the Group with regards to any suspected misconduct with full details and supporting evidence. Employees who breach anti-corruption policy will face disciplinary action, which could result in dismissal for serious misconduct. Any suspicious transactions would be notified and reported to the relevant governing body by the responsible officer. In respect of the Group's operation in the PRC, the Group observes the relevant laws and regulation of Criminal Law of the PRC and the Anti-Unfair Competition Law of the PRC. The Group has instructions and directives in relation to anti-corruption, money laundering and fraud.

During the Reporting Period, the Group has strictly abided by all the rules and regulations, no litigation regarding bribery has been instituted against the Group and its staff.

8. Aspect B8: Community Investment

For the Group's long-term development, community participation is important. As a responsible corporate citizen, the Group is constantly aware of the needs and is committed to promoting development and construction activities of the community at which the Group operates.

The Group takes up corporate responsibilities with the best efforts and benefits the community through a variety of actions, such as investment, donation, time, products, services, influence, management knowledge and other resources. The Group also encourages employees to spend time and efforts in various community projects, making contributions to the community.

9. SUSTAINABILITY

The Group understands the importance of achieving economic, environmental and social sustainability for the long term success of the business. The sustainability guidelines lay out the principles and actions for managing and performing ethically and sustainably, throughout the operational flow. The Group will continue to deliver safe and quality services served by the enthusiastic team members, without endangering the environment. The Group will also continue to provide hearty service to the customers and contribute to the community.

10. CORPORATE GOVERNANCE

All management level has the responsibilities to maintain a good corporate governance practice. Meetings are held regularly and once the management or the staffs notice any need of improvement on the corporate practices, and the relevant operating practices will be revised.

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Company is investment holding. Principal activities of the subsidiaries are set out in Note 1 to the consolidated financial statements. A review of the business of the Group during the Period, a discussion on the Group's future business development and an analysis of the Group's performance during the Period using key financial performance indicators are provided in the "Chairman Statement" on pages 4 to 5 and the "Management Discussion and Analysis" on pages 6 to 13 of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the Period, the Group was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

The Group recognises that employees, customers and suppliers are keys to the Group's sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing high quality products and services to its customers and maintain cooperation with its suppliers. The Group provides a fair and safe workplace, promotes diversity to its employees and provides competitive remuneration packages and career development opportunities based on their performance and experience. The Group also provides regular training and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group include market and financial risks.

Market Risks

The fluctuation of prices of raw materials exposes us to risks. While we monitor the price of raw materials and adjust our price quotations accordingly, we may not be able to directly pass on any increase in the price of raw materials to our customers in time or at all, which may have a material adverse effect on our business, financial condition and results of operations.

Financial Risks

The financial risk management objectives and policies of the Group are shown in Note 29 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure our compliance to the prevailing environmental protection laws and regulations. During the Period, the Group did not violate any relevant environmental regulations and rules which gives rise of significant impact to the Group's development, performance and businesses. The environmental, social and governance report is included in this annual report on page 33 to page 56.

CONSOLIDATED FINANCIAL STATEMENTS

The results of the Group for the Period and the financial position of the Group as at 31 December 2019 are set out in the consolidated financial statements on pages 84 to 166 of this annual report.

DIVIDENDS

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

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM to be held on 30 June 2020, the register of members of the Company will be closed from 24 June 2020 to 30 June 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of the Company should ensure that all share transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 23 June 2020.

FOUR YEARS FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the past four financial years are set out on pages 167 to 168 of this annual report. The summary does not form part of the audited financial statements.

INVESTMENT PROPERTIES

The Group's investment properties consist of industrial properties situated at No.129, Chunhan Street, Beiyuan Road, Yiwu City, Zhejiang Province, Mainland China, which is used as offices and warehouses. The Group holds such properties on short lease and without permanent property rights. The Group's investment properties were revalued on 31 December 2019 based on valuations performed by AVISTA Valuation Advisory Limited ("**AVISTA**"), an independent firm of professionally qualified valuers, at RMB46,510,000. The investment properties are leased to third parties under operating leases, further summary details of which are included in Note 15 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in the Group's property, plant and equipment during the Period are set out in Note 13 to the consolidated financial statements.

BANK BORROWINGS

Particulars of the bank borrowings of the Group as at 31 December 2019 are set out in Note 24 to the consolidated financial statements.

SHARE CAPITAL

Details of the movement in the Company's share capital during the Period are set out in Note 28 to the consolidated financial statements.

DIVIDEND POLICY

On 19 March 2019, the Board approved and adopted a dividend policy (the "**Dividend Policy**") that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements, future business growth and its shareholding value.

The Board shall take into account the following factors of the Group when considering the declaration and payments of dividends:

(i) Financial results;

(ii) Cash flow situation;

(iii) Business conditions and strategies;

(iv) Future operations and earnings;

(v) Capital requirements and expenditure plans;

(vi) Interests of shareholders;

(vii) Any restrictions on payment of dividends; and

(viii) Any other factors that the Board may consider relevant.

The Board will review the Dividend Policy from time to time in light of results of operations, cash flows, financial condition, shareholders' interest, capital requirements, general business conditions and strategies, and other factors the Board may deem relevant in determining whether dividends are to be declared and paid.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

DONATIONS

The Group did not make any charitable donations during the Period.

RESERVES

Details of the movement in reserves of the Company and the Group during the Period are set out in Note 29 to the consolidated financial statements.

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors

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

Non-executive Directors

Ms. Gong Lijin
Mr. Luo Weixing

Independent Non-executive Directors

Mr. Li Youxing
Mr. Wang Jian
Mr. Zhang Senquan

In accordance with article 109 of the Articles, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Directors to retire every year will be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. By virtue of article 109 of the articles of association of the Company, Mr. Zhao Hui, Ms. Gong Lijin and Mr. Luo Weixing will retire from office and, being eligible, will offer himself/herself for re-election at the forthcoming annual general meeting of the Company ("**AGM**").

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

CHANGES IN INFORMATION OF DIRECTORS

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

Mr. Jin Guojun, an executive Director, became a director of Yiwu Leyishang and Hunan Bonny (which was established in June 2019), and a manager of Zhejiang Bonny, Shanghai Bonny, Yiwu Leyishang and Hunan Bonny, which are all subsidiaries of the Company. He transferred his 100% equity interests in Bode Holding, a connected person of the Company and ceased to be chairman of the board of Bode Holding and its two subsidiaries, namely Deshipu Polyamide and Deshipu New Materials.

Ms. Gong Lijin, a non-executive Director, became the supervisor of Hunan Bonny in June 2019, a subsidiary of the Company which was established in June 2019.

Mr. Zhang Senquan, an independent non-executive Director, resigned from the position of managing director of Southwest Securities International Securities Limited, the shares of which are listed on the Stock Exchange (stock code: 812), and has served as the company secretary of Pengrun Holding Limited (鵬潤控股有限公司) and the company secretary of Kunda Mining Holdings Company Limited (坤達礦業控股有限公司). He has also been appointed as an independent director of Jiangsu Aidea Pharmaceutical Co., Ltd. (江蘇艾迪藥業股份有限公司); and an independent non-executive director of Sang Hing Holdings (International) Ltd., the shares of which are listed on the Stock Exchange (stock code: 1472).

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

DIRECTORS' REMUNERATION

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

FIVE HIGHEST PAID INDIVIDUALS

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors, non-executive directors and independent non-executive Directors entered into a service contract with the Company for a term of three years commencing from the Listing Date, which may be terminated by either party giving not less than three month's notice in writing for the case of executive Directors and non-executive Directors and one month's written notice for the case of independent non-executive Directors. The Company has issued a letter of appointment to each of the independent non-executive directors for a term of three years commencing from the Listing Date, unless terminated by either party giving to the other not less than one month's notice in writing.

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

TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Related Party Transactions" in this report and Note 34 to the consolidated financial statements, no director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the Period.

Save as disclosed in the Prospectus, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which the controlling shareholders or an entity connected with the controlling shareholders had a material interest, either directly or indirectly, subsisted during or at the end of the Period.

DEBENTURES IN ISSUE

During the Period, the Group did not issue any debentures.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed in the paragraph headed "Share Option Scheme" below, at no time during the period from the Listing Date and up to 31 December 2019 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares, or debt securities, including debentures, of the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")), which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have taken under such provisions of the SFO), or were recorded in the register required to be kept under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position in the issued ordinary shares of the Company

Name of Director	Capacity/Nature of interest	Number of shares or underlying shares	Approximate percentage of shareholding *(Note 1)*
Jin Guojun	Interested in controlled corporation *(Note 2)*	634,500,000	52.88%
Gong Lijin	Interest of spouse *(Note 3)*	634,500,000	52.88%
Luo Weixing	Interested in controlled corporation *(Note 4)*	3,456,539	0.28%

Notes:

1. As at the date of this report, the total number of issued shares of the Company is 1,200,000,000 shares.
2. These shares are held by Maximax Holding Corporation ("**Maximax**"), which is wholly owned by Mr. Jin Guojun. By virtue of the SFO, Jin Guojun is deemed to be interested in the shares held by Maximax.
3. Jin Guojun is the spouse of Gong Lijin. By virtue of the SFO, Gong Lijin is deemed to be interested in the shares interested by Jin Guojun.
4. These Shares are held by Luo Weixing Holding Limited, which is wholly owned by Luo Weixing. By virtue of the SFO, Luo Weixing is deemed to be interested in the Shares held by Luo Weixing Holding Limited.

Long position in the shares of associated corporations of the Company

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number of shares held	Approximate percentage of shareholding
Jin Guojun	Maximax Holding Corporation *(Note 1)*	Interested in controlled corporation	1	100%

Note:

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

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executive of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have taken under such provisions of the SFO), or were recorded in the register required to be kept under Section 352 of the SFO, or as otherwise were notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, so far as known to the Directors, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position in issued ordinary shares of the Company

Name of shareholder	Capacity/Nature of interest	Number of shares held	Approximate percentage of shareholding *(Note 1)*
Maximax Holding Corporation	Beneficial owner	634,500,000	52.88%
Jin Chunlong Holding Limited *(Note 2)*	Beneficial owner	63,000,000	5.25%
Jin Chunlong *(Note 2, 3)*	Interested in controlled corporation	63,000,000	5.25%
Jin Xiaohong *(Note 3)*	Beneficial owner	63,000,000	5.25%

Notes:

1. As at 31 December 2019, the total number of issued shares of the Company is 1,200,000,000 shares.

2. Jin Chunlong Holding Limited is wholly-owned by Jin Chunlong. By virtue of the SFO, Jin Chunlong is deemed to be interested in the shares held by Jin Chunlong Holding Limited.

3. On 16 December 2019, Jin Chunlong Holding Limited transferred 63,000,000 shares of the Company to Jin Xiaohong. Such transfer was expected to complete on 2 January 2020.

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any other persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the share option scheme (the "**Share Option Scheme**") conditionally approved and adopted in compliance with Chapter 17 of the Listing Rules by written resolutions of all shareholders of the Company passed on 19 March 2019. The following summary does not form, nor is intended to be, part of the Share Option Scheme, nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

(i) Purpose of the scheme

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group.

(ii) Who may join

The Directors (which expression shall, for the purpose of this paragraph 15, include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants ("**Eligible Participants**"), to take up options to subscribe for Shares:

(aa) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of the Company, any of the subsidiaries ("**Subsidiaries**") or any entity ("**Invested Entity**") in which the Group holds an equity interest ("**Eligible Employee**");

(bb) any non-executive director (including independent non-executive directors) of the Company, any Subsidiary or any Invested Entity;

(cc) any supplier of goods or services to any member of the Group or any Invested Entity;

(dd) any customer of any member of the Group or any Invested Entity;

(ee) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(ff) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group, and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more Eligible Participants. For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who falls within any of the above classes of Eligible Participants shall not, by itself, unless the Directors otherwise determined, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the Eligible Participants to the grant of options shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of the Group.

(iii) Maximum number of Shares

(aa) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group shall not exceed 30% of the issued share capital of the Company from time to time.

(bb) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the day on which dealings in the Shares first commence on the Stock Exchange (i.e. not exceeding 120,000,000 Shares) (the "**General Scheme Limit**") but excluding any Shares which may be issued upon the exercise of the Over-Allotment Option.

(cc) Subject to paragraph (aa) above but without prejudice to paragraph (dd) below, the Company may issue a circular to its Shareholders and seek approval of its Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of the Group shall not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, canceled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted. The circular sent by the Company to its Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(dd) Subject to paragraph (aa) above and without prejudice to paragraph (cc) above, the Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to Eligible Participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

Subject to paragraph (v)(bb) below, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of the Company with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) Grant of options to connected persons

(aa) Without prejudice to paragraph (bb) below, any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the option).

(bb) Without prejudice to paragraph (aa) above, where any grant of options to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million;

such further grant of options must be approved by the Shareholders in general meeting. The Company must send a circular to the Shareholders. The grantee, his associates and all connected persons of the Company must abstain from voting in favor at such general meeting. Any change in the terms of options granted to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless the Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for Shares and consideration for the option

The subscription price per Share under the Share Option Scheme shall be determined at the discretion of the Directors, provided that it shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a Business Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five Business Days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Share.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(ix) Ranking of Shares

(aa) Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association and will rank pari passu in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the completion of the registration of the grantee on the register of members of the Company as the holder thereof.

(bb) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary share capital of the Company of such nominal amount as shall result from a sub-division, consolidation, re-classification, reduction or re-construction of the share capital of the Company from time to time.

(x) Restrictions on the time of grant of options

The Company may not make any offer for grant of options after inside information has come to the knowledge until the Company has announced the information. In particular, the Company may not make any offer during the period commencing one month immediately before the earlier of (aa) the date of the meeting of the Board (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the deadline for the Company to announce the results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement.

The Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with the Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of the Company, any of its Subsidiaries or any Invested Entity.

(xiii) Rights on death, ill-heath or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with the Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of persistent and serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offense (other than an offense which in the opinion of the Directors does not bring the grantee or the Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If the Directors shall at their absolute discretion determine that (aa) the grantee of any option (other than an Eligible Employee) or his close associate (or his associates if the grantee is a connected person) has committed any breach of any contract entered into between the grantee or his close associate on the one part and the Group or any Invested Entity on the other part; or (bb) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (cc) the grantee could no longer make any contribution to the growth and development of the Group by reason of the cessation of its relations with the Group or by other reason whatsoever, then the option granted to the grantee under the Share Option scheme shall lapse as a result of any event specified in sub-paragraph (aa), (bb) or (cc) above.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavors to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of the Company. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes or the relevant record date for entitlements under the scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of the Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and the Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one Business Day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of the Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of the Company.

(xviii) Grantee being a company wholly owned by Eligible Participants

If the grantee is a company wholly owned by one or more Eligible Participants:

(i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant Eligible Participant; and

(ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of the Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to the Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the option so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such adjustment; (ii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iii) the issue of Shares or other securities of the Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules and such other applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the consent of the relevant grantee and the approval of the Directors.

When the Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant to sub-paragraphs (iii) (cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

The Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of options

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(aa) the expiry of the period referred to in paragraph (vi);

(bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvii) and (xviii);

(cc) the date on which the Directors shall exercise the Company's right to cancel the option by reason of a breach of paragraph (xxii) by the grantee in respect of that or any other options.

(xxiv) Others

(aa) The Share Option Scheme is conditional on the Listing Committee granting the listing of and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.

(cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules, the "Supplementary Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rule 23.03(13) and the Note Immediately After the Rule" set out in the letter from the Stock Exchange to all listed issues dated September 5, 2005 and other relevant guidance of the Stock Exchange.

(ee) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders in general meeting.

During the period from the Listing Date to the date of this report, no options under the Share Option Scheme have been granted, exercised, lapsed or cancelled.

EQUITY-LINKED AGREEMENTS

For the Period, save for the Share Option Scheme previously mentioned, the Company has not entered into any equity-linked agreements, and there did not subsist any equity-linked agreement entered into by the Company as at 31 December 2019.

NON-COMPETITION UNDERTAKING BY THE CONTROLLING SHAREHOLDERS

The Company has received annual confirmations from the controlling shareholders, Mr. Jin Guojun and Maximax, in respect of their compliance with the non-competition undertaking provided in favour of the Company. The independent non-executive Directors have reviewed the said undertaking and are of the view that Mr. Jin Guojun and Maximax have complied with the non-competition undertaking since the Listing Date up to the date of this report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the Directors has interests in business which competes or may compete with the Group's business.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the section "Continuing Connected Transactions and Related Party Transactions" below, no contract of significance has been entered into among the Company or any of its subsidiaries and the controlling Shareholders or any of their respective subsidiaries during the Period.

CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Upon Listing, transactions between members of the Group and connected persons of the Company have become connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the Group's continuing connected transactions, the terms of which took effect on the Listing Date, are set out as follows.

Non-exempt Continuing Connected Transaction

Framework purchasing agreement between Zhejiang Bonny and Deshipu New Materials

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

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

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

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

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

Exceeding the Annual Caps in the Period

During the Period, Zhejiang Bonny entered into 32 Procurement Agreements with Deshipu New Materials, with an aggregate purchase amount of approximately RMB177.6 million. The purchase price of each of these Procurement Agreements is less than RMB15.1 million, save for one Procurement Agreement which has a purchase price of RMB40.0 million. Pursuant to the terms and conditions of the Procurement Agreements, and in line with common industry practice, Zhejiang Bonny prepaid approximately RMB169.9 million upon signing of the Procurement Agreements. 25 Procurement Agreements with an aggregate amount of approximately RMB174.5 million, including the one with a purchase price of RMB40.0 million, were subsequently cancelled and approximately RMB164.6 million prepayment under the cancelled Procurement Agreements were refunded by Deshipu New Materials to Zhejiang Bonny during the year ended 31 December 2019, whereas the remaining amount of approximately RMB5.3 million was used to offset payment for purchase of polyamide from Deshipu New Materials. The total purchase of polyamide from Deshipu New Materials was approximately RMB7.3 million (including VAT) for the Period.

During the Period, there was one Procurement Agreement entered into on 1 July 2019, which has a purchase price of RMB40.0 million. The agreement was subsequently cancelled on 30 July 2019 and the RMB40.0 million was fully refunded to the Group by batches between 31 October 2019 to 31 December 2019. At various points of time, there were also overlapping of Procurement Agreements that were subsequently cancelled, where the purchase amount in aggregate also exceeded RMB30.0 million.

As such, the entering into of certain Procurement Agreements could have resulted in the exceeding of the Annual Caps, although such Procurement Agreements were subsequently cancelled. Pursuant to Rule 14A.54 of the Listing Rules, before an annual cap for the continuing connected transactions is exceeded, the Company is required to re-comply with the requirements under Chapter 14A of the Listing Rules. As the Procurement Agreements entered into in the Period exceeded the Annual Caps, the highest applicable percentage ratio in respect of the transaction amount of these Procurement Agreements exceeded 5% and the annual consideration exceeded HK$10 million, the transactions under the Framework Purchasing Agreement for the Period constituted continuing connected transactions and are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under chapter 14A of the Listing Rules. However, since the relevant Procurement Agreements have already been cancelled, the Company will not seek the ratification of the relevant Procurement Agreements from independent shareholders.

For further details regarding the details of the exceeding of the Annual Caps for the continuing connected transaction, please refer to the announcement of the Company dated 11 May 2020.

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

Save for the 32 Procurement Agreements and the prepayments made thereunder that, (i) were not approved by the Board; and (ii) could have resulted in the exceeding of the Annual Caps had they not been cancelled, which was not in accordance with the relevant agreements governing such transactions, the independent non-executive Directors have reviewed the connected transactions of the executed Procurement Agreements in respect of the purchase of raw materials between Zhejiang Bonny and Deshipu New Materials amounting to approximately RMB7.3 million (including VAT) for the year ended 31 December 2019 and confirmed that this connected transaction has been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company has received a letter from its auditor containing their finding and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules, which the Directors concur. Having taken into account that (i) the Procurement Agreements were not approved by the Directors; and (ii) the aggregate amount of the Procurement Agreement exceeded the Annual Caps, which was not in accordance with the relevant agreements governing such transactions, the auditor has expressed a qualified conclusion that (i) the continuing connected transactions have not been approved by the Board; (ii) the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iii) the continuing connected transactions have exceeded the relevant annual cap. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Details of related party transactions of the Group during the Period which constitute exempt connected transactions under Chapter 14A of the Listing Rules (save and except transactions under the Framework Purchasing Agreement discussed above which constitute continuing connected transaction) are set out in note 34 to the consolidated financial statements in this annual report. Save in the notes to the consolidated financial statements, the Group has not entered into any connected transaction or continuing connected transaction during the Period which should be disclosed pursuant to the requirements under the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Period.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total	
	Revenue	**Purchases**
The largest customer	22.9%	N/A
The five largest customers in aggregate	60.5%	N/A
The largest supplier	N/A	5.9%
The five largest suppliers in aggregate	N/A	23.4%

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

PUBLIC FLOAT

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

PERMITTED INDEMNITY PROVISION

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

TAX RELIEF

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

PROFESSIONAL TAX ADVICE

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

AUDITOR

The consolidated financial statements for the year ended 31 December 2019 have been audited by Ernst & Young. A resolution to re-appoint the retiring auditors, Ernst & Young, is to be proposed at the forthcoming annual general meeting of the Company. The Company has not changed its external auditor in the past three years.

ON BEHALF OF THE BOARD

Jin Guojun
Chairman

Hong Kong, 14 May 2020

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the shareholders of Bonny International Holding Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Bonny International Holding Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 84 to 166, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment for trade receivables	
As at 31 December 2019, the Group's trade receivables amounted to approximately RMB88,776,000, which represented 14.3% of the Group's total assets. Management performed periodic assessments on the recoverability of the trade receivables and the sufficiency of provision for impairment, based on reasonable and supportable information such as the credit profile of different groups of customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, and on-going trading relationships with the relevant customers. Management also considered forward-looking information in performing the impairment assessment. A credit loss allowance of RMB4,942,000 was made based on management's impairment assessment. A high level of management's judgement was required when assessing the impairment of trade receivables under the expected credit losses model. The accounting policies and disclosures for trade receivables are included in notes 2.4, 3 and 18 to the consolidated financial statements.	Our audit procedures to assess the impairment of trade receivables included, but are not limited to: • gaining an understanding of and evaluating the key controls that the Group has implemented to manage and monitor the credit risk of its debtors; • testing the ageing of the trade receivables, on a sample basis, as at 31 December 2019 and subsequent settlements to bank receipts; • inquiring of management for the on-going business relationship with the customers based on trade records; and • examining the key inputs and assumptions applied in the impairment assessment, including historical and forward-looking information.

Key audit matter	How our audit addressed the key audit matter
Inventory obsolescence provisions	
As at 31 December 2019, the Group's inventories amounted to RMB136,053,000, which represented 21.9% of the Group's total assets. Management performed periodic assessments on the obsolescence of the inventories and the sufficiency of provision for impairment, based on current and future fashion trends, sales and marketing strategies, ageing and net realisable values of the inventories. Inventory provision of RMB9,223,000 was made based on management assessment. The inventory balances were material to the consolidated financial statements and significant judgement was required when assessing the adequacy of provision. The accounting policies and disclosures for inventories are included in notes 2.4, 3 and 17 to the consolidated financial statements.	Our audit procedures to assess the valuation of inventory provision included, but are not limited to: • gaining an understanding of and evaluating the key controls that the Group has implemented to identify slow moving and obsolete inventories; • observing the inventory count performed by management and assessing the physical condition of the finished goods inventories at balance sheet date; • assessing, on a sample basis, the ageing of inventories by comparing the sampled items to the production records; • testing the computation of the obsolescence level based on the mechanisms and other parameters applied in the Group's inventory provision policy; • assessing the subsequent or expected selling prices and estimating costs to sell by reviewing the costs incurred historically; and • inquiring of management of current and future fashion trends and potential market condition and checked the subsequent consumptions.

Other information included in the Annual Report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lai Chee Kong.

Ernst & Young
Certified Public Accountants
Hong Kong

14 May 2020

Consolidated Statements of Profit or Loss

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	**284,449**	333,725
Cost of sales		**(182,310)**	(188,285)
Gross profit		**102,139**	145,440
Other income and gains	5	**14,436**	5,033
Selling and distribution expenses		**(59,768)**	(59,926)
Administrative expenses		**(38,494)**	(29,278)
Impairment losses on financial and contract assets, net		**(1,347)**	(13)
Other expenses		**(18,799)**	(18,173)
Finance costs	7	**(13,886)**	(12,744)
PROFIT/(LOSS) BEFORE TAX	6	**(15,719)**	30,339
Income tax credit/(expense)	10	**3,357**	(3,964)
PROFIT/(LOSS) FOR THE YEAR		**(12,362)**	26,375
Attributable to:			
Owners of the parent		**(12,199)**	26,702
Non-controlling interests		**(163)**	(327)
		(12,362)	26,375
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF PARENT	12		
Basic and diluted			
— For profit/(loss) for the year		**RMB (1.1 cents)**	RMB 3.1 cents

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

Consolidated Statements of Financial Position

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	172,176	133,495
Advance payments for property, plant and equipment		22,617	19,675
Investment properties	14	46,510	42,750
Right-of-use assets	15(b)	40,028	—
Prepaid land lease payments	15(a)	—	27,155
Intangible assets	16	1,174	1,764
Deferred tax assets	27	2,418	—
Other non-current assets		5,170	5,170
Total non-current assets		290,093	230,009
CURRENT ASSETS			
Inventories	17	136,053	132,819
Trade receivables	18	88,776	93,694
Prepayments, other receivables and other assets	19	34,782	26,319
Financial assets at fair value through profit or loss	20	1,321	—
Due from related parties	34(c)	375	11,844
Pledged deposits	21	9,629	16,876
Cash and cash equivalents	21	59,165	25,438
Total current assets		330,101	306,990
CURRENT LIABILITIES			
Trade and bills payables	22	43,676	63,747
Advances from customers, other payables and accruals	23	43,369	44,703
Interest-bearing bank and other borrowings	24	232,397	248,680
Due to related parties	34(c)	232	46
Tax payable		1,035	3,293
Provision	26	267	—
Total current liabilities		320,976	360,469

	Notes	2019 RMB'000	2018 RMB'000
NET CURRENT ASSETS/(LIABILITIES)		**9,125**	(53,479)
TOTAL ASSETS LESS CURRENT LIABILITIES		**299,218**	176,530
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*24, 25*	**1,388**	4,413
Deferred tax liabilities	*27*	**—**	910
Total non-current liabilities		**1,388**	5,323
Net assets		**297,830**	171,207
EQUITY			
Equity attributable to owners of the parent			
Share capital	*28*	**80,827**	400
Share premium	*28*	**205,242**	147,602
Other reserves	*29*	**10,997**	22,278
		297,066	170,280
Non-controlling interests		**764**	927
Total equity		**297,830**	171,207

Consolidated Statements of Changes in Equity

Year ended 31 December 2019

	Attributable to owners of the parent									
	Share capital RMB'000	Share premium RMB'000	Capital reserve* RMB'000	Statutory surplus reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Asset revaluation reserve*# RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018	337	—	(41,769)	11,500	1,866	3,445	1,290	(23,331)	1,234	(22,097)
Profit for the year	—	—	—	—	—	—	26,702	26,702	(327)	26,375
Other comprehensive income for the year:										
Gains on property revaluation, net of tax	—	—	—	—	—	12,525	—	12,525	—	12,525
Exchange differences on translation from functional currency to presentation currency	—	—	—	—	6,719	—	—	6,719	—	6,719
Total comprehensive income for the year	—	—	—	—	6,719	12,525	26,702	45,946	(327)	45,619
Issue of shares *(note 28)*	63	147,602	—	—	—	—	—	147,665	—	147,665
Disposal of non-controlling interests	—	—	—	—	—	—	—	—	20	20
Transfer to statutory surplus reserve	—	—	—	3,476	—	—	(3,476)	—	—	
At 31 December 2018	400	147,602	(41,769)	14,976	8,585	15,970	24,516	170,280	927	171,207

	Attributable to owners of the parent									
	Share capital RMB'000	Share premium RMB'000	Capital reserve* RMB'000	Statutory surplus reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Asset revaluation reserve*# RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2018 and 1 January 2019	400	147,602	(41,769)	14,976	8,585	15,970	24,516	170,280	927	171,207
Loss for the year	—	—	—	—	—	—	(12,199)	(12,199)	(163)	(12,362)
Other comprehensive income for the year:										
Gains on property revaluation, net of tax	—	—	—	—	—	164	—	164	—	164
Exchange differences on translation from functional currency to presentation currency	—	—	—	—	754	—	—	754	—	754
Total comprehensive income for the year	—	—	—	—	754	164	(12,199)	(11,281)	(163)	(11,144)
Issue of shares *(note 28)*	20,257	129,481	—	—	—	—	—	149,738	—	149,738
Share issue expenses	—	(11,671)	—	—	—	—	—	(11,671)	—	(11,671)
Share premium converted into ordinary shares	60,170	(60,170)	—	—	—	—	—	—	—	—
At 31 December 2019	80,827	205,242	(41,769)	14,976	9,339	16,134	12,317	297,066	764	297,830

* These reserve accounts comprise the consolidated other reserves of RMB10,997,000 (2018: RMB22,278,000) in the consolidated statements of financial position.

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

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:		**(15,719)**	30,339
Adjustments for:			
Loss on disposal of items of property, plant and equipment	6	**36**	246
Finance costs	7	**13,886**	12,744
Interest income		**(1,885)**	—
Depreciation	13	**12,546**	13,286
Changes in fair value of investment properties	14	**(3,328)**	(758)
Depreciation of right-of-use assets/recognition of prepaid land lease payments	15	**4,042**	633
Amortisation of intangible assets	16	**731**	753
Impairment/(reversal of impairment) of inventories	17	**3,934**	(1,371)
Impairment of trade receivables	18	**1,347**	13
Foreign exchange differences, net		**720**	437
		16,310	56,322
Increase in inventories	17	**(7,168)**	(18,329)
Decrease in trade receivables	18	**3,571**	2,618
Increase in prepayments, other receivables and other assets		**(16,599)**	(9,042)
Decrease/(increase) in pledged deposits	21	**7,247**	(3,278)
(Increase)/decrease in amounts due from related parties		**(9,075)**	5,042
(Decrease)/increase in trade and bills payables	22	**(12,819)**	6,081
Decrease in other payables and accruals		**1,468**	(3,444)
Increase in amounts due to related parties		**2,071**	46
Cash (used in)/generated from operations		**(14,994)**	36,016
Income tax paid		**(2,258)**	(2,642)
Net cash flows (used in)/from operating activities		**(17,252)**	33,374

	Notes	2019 RMB'000	2018 RMB'000
Net cash flows (used in)/from operating activities		**(17,252)**	33,374
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(66,757)**	(34,406)
Proceeds from disposal of property, plant and equipment		**254**	1,234
Additions to other intangible assets		**(141)**	(240)
Purchase of financial assets at fair value through profit or loss		**(1,321)**	—
Advance of loans to related parties		**—**	(147,361)
Advance of loans to a director		**—**	(150)
Advance of loans to third parties		**—**	(13,600)
Repayment of loans from related parties		**13,292**	148,368
Repayment of loans from a director		**—**	450
Repayment of loans from third parties		**—**	17,400
Net cash flows used in investing activities		**(54,673)**	(28,305)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**149,738**	147,665
Underwriting fee		**(4,478)**	—
Disposal of non-controlling interests		**—**	20
New bank loans		**556,901**	377,790
Repayment of bank loans		**(576,414)**	(381,839)
Proceeds from other borrowings		**—**	108,400
Repayment of other borrowings		**—**	(97,800)
Principal portion of lease payments/finance lease rental payments		**(6,215)**	(2,120)
Interest paid		**(13,914)**	(12,761)
Acquisition of equity interests from the then shareholders of a subsidiary as part of the Reorganisation		**—**	(147,789)
Net cash flows from/(used in) financing activities		**105,618**	(8,434)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**33,693**	(3,365)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**33,693**	(3,365)
Cash and cash equivalents at beginning of year		**25,438**	28,770
Effect of foreign exchange rate changes, net		**34**	33
CASH AND CASH EQUIVALENTS AT END OF YEAR		**59,165**	25,438
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**59,165**	25,438

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 of the Company is P.O. Box 10240, 4th Floor Harbour Place, 103 South Church Street, 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**").

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued shares/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Hong Kong Bonny Ltd. ("**Bonny HK**")	Hong Kong 4 September 2017	HKD10 thousand	100	—	Investment holding
Zhejiang Bonny Fashion Holding Group Co., Ltd. ("**Zhejiang Bonny**")*	PRC/Mainland China 21 August 2001	RMB218 million	—	100	Manufacture and trading of brassieres, panties, thermal underwear and functional sportswear
Shanghai Bonny Apparel Co., Ltd. ("**Shanghai Bonny**")*	PRC/Mainland China 29 December 2007	RMB1 million	—	100	Trading of brassieres, panties and thermal underwear
Yiwu Bonny E-Commerce Co., Ltd. ("**Yiwu Bonny**")*	PRC/Mainland China 16 May 2016	RMB12 million	—	70	Trading of brassieres, panties and thermal underwear
Yiwu Leyishang Apparel Co., Ltd. ("**Yiwu Leyishang**")*	PRC/Mainland China 10 March 2016	RMB6 million	—	60	Trading of brassieres, panties and thermal underwear
Yiwu Bonny Sportswear Co., Ltd. ("**Yiwu Sportswear**")*	PRC/Mainland China 25 May 2017	RMB1 million	—	100	Trading of brassieres, panties and thermal underwear
Yiwu Fayue Apparel Co., Ltd. ("**Yiwu Fayue**")*	PRC/Mainland China 26 May 2017	RMB1 million	—	100	Trading of brassieres, panties and thermal underwear
Hunan Bonny Apparel Co., Ltd. ("**Hunan Bonny**")*	PRC/Mainland China 4 June 2019	RMB2 million	—	100	Manufacture of brassieres, panties and thermal underwear

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

New definition of a lease

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

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

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

Impact on transition

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

As a lessee — Leases previously classified as operating leases (Continued)

Impact on transition (Continued)

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

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

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

As a lessee — Leases previously classified as finance leases

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

Financial impact at 1 January 2019

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

Financial impact at 1 January 2019 (Continued)

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

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

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

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	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[1]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 No mandatory effective date yet determined but available for adoption

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

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 clarify the criteria for determining whether to classify a liability as current or non-current. The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments clarify the situations that are considered settlement of a liability. The new guidance will be effective for annual periods starting on or after 1 January 2022. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2018: leasehold property under an operating lease) which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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

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

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

Intangible assets (other than goodwill)

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

Patents, licences and trademarks

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Software

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

Research and development costs

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

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

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

Leases (applicable from 1 January 2019)

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

Group as a lessee

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

(a) Right-of-use assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (applicable from 1 January 2019) (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets (Continued)

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

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of operating leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to operating leases that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (applicable from 1 January 2019) (Continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

Leases (applicable before 1 January 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

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

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

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

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

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

Simplified approach

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, an amount due to the related parties and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Inventories

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of goods

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) Sale of goods (Continued)

(i) Rights of return

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

Revenue from other sources

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

Other income

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

Contract liabilities

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

Employee benefits

Pension scheme

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Property lease classification — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 18 to the financial statements.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2019 was RMB3,237,000 (2018: Nil). The amount of unrecognised tax losses at 31 December 2019 was RMB19,854,000 (2018: RMB12,204,000). Further details are contained in note 27 to the financial statements.

Estimation of fair value of investment properties

Investment properties carried at fair value, were revalued at the end of each reporting period based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The principal assumptions for the Group's estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition, appropriate capitalisation rates and expected profit margin. The carrying amounts of investment properties at 31 December 2019 was RMB46,510,000 (2018: RMB42,750,000).

Inventory provision

The Group manufactures and sells goods and is subject to changing consumer demands and fashion trends. As a result, it is necessary to consider the recoverability of the cost of inventories and the associated provision required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

4. OPERATING SEGMENT INFORMATION

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

(a) the brand products segment is the manufacture and sale of ladies brassieres, panties, thermal underwear with the Bonny brand to 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, who reviews revenue from and results of the major type of products sold for the purpose of resource allocation and assessment of segment performance. Segment result is evaluated based on gross profit less selling expenses allocated. No analysis of the Group's assets and liabilities by operating segment is disclosed as it is not regularly provided to the chief operating decision maker for review.

Year ended 31 December 2019	ODM products *RMB'000*	Brand products *RMB'000*	Total *RMB'000*
Segment revenue *(note 5)*			
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.

4. OPERATING SEGMENT INFORMATION (Continued)

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

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

Geographic information

(a) Revenue from external customers

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

The revenue information above is based on the shipment destinations.

4. OPERATING SEGMENT INFORMATION (Continued)

Geographic information (Continued)

(b) Non-current assets

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

Information about major customers

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

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

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

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

Revenue from contracts with customers

(a) Disaggregation of revenue information

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

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

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

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(b) Performance obligations

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

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

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

Some customers from branded sales are entitled to loyalty points which results in allocation of a portion of the transaction price to the loyalty points. Revenue is recognised when the points are redeemed. Some customers from branded sales are provided with a right of return in usually 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 was recognised.

5. REVENUE, OTHER INCOME AND GAINS (Continued)

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

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

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

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2019 RMB'000	2018 RMB'000
Cost of inventories sold*		182,310	188,285
Depreciation of property, plant and equipment	13	12,546	13,286
Depreciation of right-of-use assets (2018: amortisation of land lease payments)	15(a), 15(b)	4,042	633
Amortisation of intangible assets	16	731	753
Research and development costs**		18,496	17,965
Minimum lease payments under operating lease		—	3,328
Lease payments not included in the measurement of lease liabilities	15(d)	1,621	—
Government grants		(6,158)	(2,073)
Listing expense		11,042	7,938
Auditors' remuneration		1,550	213
Outsourced manufacturers		31,441	25,058
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):			
Wages and salaries		47,818	53,624
Pension scheme contributions		3,494	3,763
Staff welfare expenses		680	476
		51,992	57,863
Concession fees		11,290	13,780
Foreign exchange differences, net		(760)	(125)
Impairment/(reversal of impairment) of inventories	17	3,934	(1,371)
Impairment of trade receivables	18	1,347	13
Changes in fair value of investment properties	14	(3,328)	(758)
Rental income		(1,820)	(1,807)
Bank interest income		(273)	(168)
Other interest income		(1,885)	—
Loss on disposal of items of property, plant and equipment		36	246

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

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

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

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2019 RMB'000	2018 RMB'000
Fees	**188**	—
Other emoluments:		
Salaries, allowances and benefits in kind	**377**	358
Performance related bonuses	**213**	95
Pension scheme contributions	**23**	27
	613	480
	801	480

(a) Independent non-executive directors

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

	2019 RMB'000	2018 RMB'000
Mr. Li Youxing	**60**	—
Mr. Zhang Senquan	**83**	—
Mr. Wang Jian	**45**	—
	188	—

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

(b) Executive directors, a non-executive director and the chief executive

2019	**Salaries allowances and benefits in kind** *RMB'000*	**Performance related bonuses** *RMB'000*	**Pension scheme contributions** *RMB'000*	**Total remuneration** *RMB'000*
Executive directors:				
Mr. Jin Guojun	**120**	**—**	**10**	**130**
Mr. Zhao Hui	**137**	**213**	**3**	**353**
	257	**213**	**13**	**483**
Non-executive directors:				
Ms. Gong Lijin	**120**	**—**	**10**	**130**
Mr. Luo Weixing	**—**	**—**	**—**	**—**
	120	**—**	**10**	**130**
	377	**213**	**23**	**613**

2018	Salaries allowances and benefits in kind *RMB'000*	Performance related bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Executive directors:				
Mr. Jin Guojun	120	—	10	130
Mr. Zhao Hui	118	95	—	213
	238	95	10	343
Non-executive directors:				
Ms. Gong Lijin	120	—	17	137
Mr. Luo Weixing	—	—	—	—
	120	—	17	137
	358	95	27	480

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one executive director (2018: Nil), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2018: Nil) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 *RMB'000*	2018 *RMB'000*
Salaries, allowances and benefits in kind	1,026	945
Performance related bonuses	180	368
Pension scheme contributions	32	28
	1,238	1,341

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees 2019	2018
Nil to HK$1,000,000	4	5

10. INCOME TAX

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

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

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

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

10. INCOME TAX (Continued)

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

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

	2019 RMB'000	2018 RMB'000
Current — Mainland China		
Charge for the year	—	3,473
Deferred *(note 27)*	(3,357)	491
Total tax charge/(credit) for the year	(3,357)	3,964

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

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

11. DIVIDENDS

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

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

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

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

The calculations of basic earnings per share are based on:

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

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

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Computer and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2019							
At 1 January 2019 (restated):							
Cost	114,048	9,367	127,069	2,333	11,906	6,871	271,594
Accumulated depreciation	(29,349)	(5,972)	(101,176)	(1,726)	(9,428)	–	(147,651)
Net carrying amount	84,699	3,395	25,893	607	2,478	6,871	123,943
At 31 December 2018, net of accumulated depreciation	84,699	3,395	35,445	607	2,478	6,871	133,495
Effect of adoption of HKFRS 16	–	–	(9,552)	–	–	–	(9,552)
At 1 January 2019 (restated):	84,699	3,395	25,893	607	2,478	6,871	123,943
Additions	–	3,974	5,675	983	689	49,987	61,308
Disposals	–	–	(27)	(196)	(67)	–	(290)
Transfer to investment properties *(note 14)*	(239)	–	–	–	–	–	(239)
Depreciation provided during the year	(3,202)	(3,639)	(5,017)	(187)	(501)	–	(12,546)
At 31 December 2019, net of accumulated depreciation	81,258	3,730	26,524	1,207	2,599	56,858	172,176
At 31 December 2019,							
Cost	113,786	13,341	132,570	2,535	12,044	56,858	331,134
Accumulated depreciation	(32,528)	(9,611)	(106,046)	(1,328)	(9,445)	–	(158,958)
Net carrying amount	81,258	3,730	26,524	1,207	2,599	56,858	172,176

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Computer and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2018							
At 1 January 2018:							
Cost	123,542	5,458	138,519	3,021	12,016	6,302	288,858
Accumulated depreciation	(26,064)	(3,501)	(106,580)	(2,224)	(9,331)	—	(147,700)
Net carrying amount	97,478	1,957	31,939	797	2,685	6,302	141,158
At 1 January 2018, net of accumulated depreciation	97,478	1,957	31,939	797	2,685	6,302	141,158
Additions	—	3,909	11,457	—	508	704	16,578
Disposals	—	—	(1,640)	—	(185)	(135)	(1,960)
Transfer to investment properties *(note 14)*	(8,995)	—	—	—	—	—	(8,995)
Depreciation provided during the year	(3,784)	(2,471)	(6,311)	(190)	(530)	—	(13,286)
At 31 December 2018, net of accumulated depreciation	84,699	3,395	35,445	607	2,478	6,871	133,495
At 31 December 2018,							
Cost	114,048	9,367	136,621	2,333	11,906	6,871	281,146
Accumulated depreciation	(29,349)	(5,972)	(101,176)	(1,726)	(9,428)	—	(147,651)
Net carrying amount	84,699	3,395	35,445	607	2,478	6,871	133,495

At 31 December 2019, certain of the Group's buildings and machinery and equipment with a net carrying amounts of approximately RMB49,220,000 (2018: RMB73,962,000) were pledged to secure general banking facilities granted to the Group (note 24).

14. INVESTMENT PROPERTIES

	2019 **RMB'000**	2018 RMB'000
Carrying amount at 1 January	**42,750**	18,262
Transfer from property, plant and equipment *(note 13)*	**239**	8,995
Gains on revaluation upon reclassification to an investment property	**193**	14,735
Net gain from a fair value adjustment recognised in profit or loss	**3,328**	758
Carrying amount at 31 December	**46,510**	42,750

The Group's investment properties consist of industrial properties in Mainland China. The Group's investment properties were revalued on 31 December 2019 based on valuations performed by AVISTA Valuation Advisory Limited ("**AVISTA**"), an independent firm of professionally qualified valuers, at RMB46,510,000.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the financial statements.

Fair value hierarchy

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

As at 31 December 2019	**Fair value measurement using**			
	Quoted prices in active markets (Level 1) ***RMB'000***	**Significant observable inputs (Level 2)** ***RMB'000***	**Significant unobservable inputs (Level 3)** ***RMB'000***	**Total** ***RMB'000***
Recurring fair value measurement for: Industrial properties	**—**	**—**	**46,510**	**46,510**

As at 31 December 2018	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Recurring fair value measurement for: Industrial properties	—	—	42,750	42,750

14. INVESTMENT PROPERTIES (Continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

As at 31 December 2019:

	Valuation techniques	**Significant unobservable inputs**	**Range or weighted average**
Industrial properties	**Income method**	**Prevailing market rent**	**RMB15-RMB18 per square meter per month**
		Term yield	**8.5%**
		Reversionary yield	**8.5%**

As at 31 December 2018:

	Valuation techniques	Significant unobservable inputs	Range or weighted average
Industrial properties	Income method	Prevailing market rent	RMB14-RMB15 per square meter per month
		Term yield	8.5%
		Reversionary yield	8.5%

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

A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment property. A significant increase (decrease) in the long term vacancy rate and the capitalisation rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings, machinery and equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of machinery and equipment generally have lease terms of 10 years while retail shops and office properties generally have lease terms between 1 and 3 years. Other operating leases generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Prepaid land lease payments (before 1 January 2019)

	RMB'000
Carrying amount at 1 January 2018	28,421
Recognised in profit or loss during the year	(633)
Carrying amount at 31 December 2018	27,788
Current portion included in prepayments, other receivables and other assets *(note 19)*	(633)
Non-current portion at 31 December 2018	27,155

(b) Right-of-use assets

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

	Prepaid land lease payments *RMB'000*	**Machinery and equipment** *RMB'000*	**Retail shop and office properties** *RMB'000*	**Total** *RMB'000*
As at 1 January 2019	**27,788**	**9,552**	**3,465**	**40,805**
Additions	**—**	**—**	**3,265**	**3,265**
Depreciation charge	**(633)**	**(857)**	**(2,552)**	**(4,042)**
As at 31 December 2019	**27,155**	**8,695**	**4,178**	**40,028**

At 31 December 2019, the Group's leasehold lands with a net carrying amounts of RMB27,155,000 (2018: RMB27,788,000) were pledged to secure general banking facilities granted to the Group (note 24).

At 31 December 2019, the net carrying amounts of the Group's fixed assets held under finance leases were RMB8,695,000 (2018: RMB9,552,000).

15. LEASES (Continued)

The Group as a lessee (Continued)

(c) Lease liabilities

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

	2019 Lease liabilities ***RMB'000***	2018 Finance lease payables *RMB'000*
Carrying amount at 1 January	**11,635**	—
New leases	**3,265**	8,480
Accretion of interest recognised during the year	**985**	—
Payments	**(7,200)**	—
Carrying amount at 31 December	**8,685**	8,480
Analysed into:		
Current portion	**7,297**	4,067
Non-current portion	**1,388**	4,413

The maturity analysis of lease liabilities (2018: finance lease payables) is disclosed in note 37 to the financial statements.

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

	2019 ***RMB'000***
Interest on lease liabilities	**985**
Depreciation charge of right-of-use assets	**4,042**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019	**1,621**
Total amount recognised in profit or loss	**6,648**

15. LEASES (Continued)

The Group as a lessor

The Group leases its investment properties (note 14) consisting of industrial properties in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB1,820,000 (2018: RMB1,807,000), details of which are included in note 5 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019 *RMB'000*	2018 *RMB'000*
Within one year	**—**	406
After one year but within two years	**—**	488
	—	894

16. INTANGIBLE ASSETS

	Trademarks *RMB'000*	**Patents and licences** *RMB'000*	**Software** *RMB'000*	**Total** *RMB'000*
31 December 2019				
Cost at 1 January 2019, net of accumulated amortisation	**59**	**270**	**1,435**	**1,764**
Addition	**—**	**—**	**141**	**141**
Amortisation provided during the year	**(15)**	**(58)**	**(658)**	**(731)**
At 31 December 2019	**44**	**212**	**918**	**1,174**
At 31 December 2019:				
Cost	**252**	**580**	**6,070**	**6,902**
Accumulated amortisation	**(208)**	**(368)**	**(5,152)**	**(5,728)**
Net carrying amount	**44**	**212**	**918**	**1,174**

16. INTANGIBLE ASSETS (Continued)

	Trademarks *RMB'000*	Patents and licences *RMB'000*	Software *RMB'000*	Total *RMB'000*
31 December 2018				
At 1 January 2018:				
Cost	252	580	5,689	6,521
Accumulated amortisation	(168)	(252)	(3,824)	(4,244)
Net carrying amount	84	328	1,865	2,277
Cost at 1 January 2018, net of accumulated amortisation	84	328	1,865	2,277
Addition	—	—	240	240
Amortisation provided during the year	(25)	(58)	(670)	(753)
At 31 December 2018	59	270	1,435	1,764
At 31 December 2018:				
Cost	252	580	5,929	6,761
Accumulated amortisation	(193)	(310)	(4,494)	(4,997)
Net carrying amount	59	270	1,435	1,764

17. INVENTORIES

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

17. INVENTORIES (Continued)

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

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

18. TRADE RECEIVABLES

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

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

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

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

18. TRADE RECEIVABLES (Continued)

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

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

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

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

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

18. TRADE RECEIVABLES (Continued)

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

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

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019 *RMB'000*	2018 *RMB'000*
Prepayments	**25,970**	12,343
Prepaid expenses	**3,201**	3,947
Deposits and other receivables	**5,567**	5,014
Deferred listing expenses	**—**	4,340
Tax recoverable	**44**	42
Current portion of prepaid land lease payments *(note 15)*	**—**	633
	34,782	26,319

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

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
Unlisted investments, at fair value	**1,321**	—

The above unlisted investments were financing products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

At 31 December 2019, unlisted investments with fair value of RMB1,321,000 (2018: Nil) were pledged for bills payables (note 22).

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Notes	2019 RMB'000	2018 RMB'000
Cash and bank balances		**59,165**	25,438
Time deposits		**9,629**	16,876
		68,794	42,314
Less: Pledged time deposits:			
Pledged for bills payables	*22*	**(9,629)**	(16,876)
Cash and cash equivalents		**59,165**	25,438
Denominated in RMB		**56,645**	24,434
Denominated in United States dollars ("**USD**")		**629**	993
Denominated in Hong Kong dollars ("**HKD**")		**1,891**	11
Cash and cash equivalents		**59,165**	25,438

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

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

22. TRADE AND BILLS PAYABLES

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

As at 31 December 2019, the bills payables were secured by the pledge of the Group's deposits of RMB9,629,000 (2018: RMB16,876,000) (note 21) and unlisted investments with fair value of RMB1,321,000 (2018: Nil) (note 20).

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

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

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

23. OTHER PAYABLES AND ACCRUALS

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

23. OTHER PAYABLES AND ACCRUALS (Continued)

Notes:

(a) Details of contract liabilities are as follows:

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

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

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

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

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2019			**1 January 2019**	31 December 2018		
	Effective interest rate (%)	**Maturity**	***RMB'000***	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current							
Lease liabilities							
(notes 15(c), 25)	**4.75–10.67**	**2020**	**7,297**	**5,812**	3.80–6.96	2019	4,067
Bank loans — secured	**4.79–6.96**	**2020**	**225,100**	**244,613**	3.80–6.96	2019	244,613
			232,397	**250,425**			248,680
Non-current							
Lease liabilities							
(notes 15(c), 25)	**4.75**	**2021**	**1,388**	**5,823**	10.67	2020	4,413
			233,785	**256,248**			253,093

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

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

Notes:

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

(i) the Group's buildings and equipment situated in Mainland China, which had an aggregate carrying value of RMB49,220,000 as at 31 December 2019 (2018: RMB73,962,000) (note 13);

(ii) the Group's leasehold lands situated in Mainland China, which had an aggregate carrying value of RMB27,155,000 as at 31 December 2019 (2018: RMB27,788,000) (note 15);

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

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

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

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

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

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

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

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

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

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

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

Notes: (Continued)

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

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

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

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

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

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

25. FINANCE LEASE PAYABLES

The Group leases certain of its machinery and equipment for its ODM products business. These leases were classified as finance leases prior to HKFRS 16 becoming effective on 1 January 2019 and had remaining lease terms of 24 months.

At 31 December 2018, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments *RMB'000*	Present value of minimum lease payments *RMB'000*
Amounts payable:		
Within one year	4,786	4,521
In the second year	4,772	3,959
Total minimum finance lease payments	9,558	8,480
Future finance charges	(1,078)	
Total net finance lease payables	8,480	
Portion classified as current liabilities *(note 24)*	(4,067)	
Non-current portion *(note 24)*	4,413	

26. PROVISION

	Legal arbitration RMB'000
At 1 January 2019	—
Additional provision	267
	267
Portion classified as current liabilities	(267)
Non-current portion	—

A contingent liability at a fair value of RMB267,000 was recognised at 31 December 2019. The claim is subject to legal arbitration and is expected to be finalised in late 2020.

27. DEFERRED TAX

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

Deferred tax assets

	2019					
	Impairment of trade receivables RMB'000	Impairment of inventories RMB'000	Accruals RMB'000	Lease liabilities RMB'000	Loss available for offsetting against future taxable profits RMB'000	Total RMB'000
At 31 December 2018	519	793	716	—	—	2,028
Effect of adoption of HKFRS 16	—	—	—	473	—	473
At 1 January 2019 (restated)	519	793	716	473	—	2,501
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 10)*	219	590	(189)	154	3,237	4,011
Gross deferred tax as at 31 December 2019	738	1,383	527	627	3,237	6,512

27. DEFERRED TAX (Continued)

Deferred tax assets (Continued)

	2018				
	Impairment of trade receivables	Impairment of inventories	Accruals	Loss available for offsetting against future taxable profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	519	999	880	—	2,398
Deferred tax charged to the statement of profit or loss during the year *(note 10)*	—	(206)	(164)	—	(370)
Gross deferred tax as at 31 December 2018	519	793	716	—	2,028

Deferred tax liabilities

	2019		
	Right-of-use assets	**Revaluation of investment properties**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
At 31 December 2018	**—**	**2,938**	**2,938**
Effect of adoption of HKFRS 16	**473**	**—**	**473**
At 1 January 2019 (restated)	**473**	**2,938**	**3,411**
Deferred tax charged to the statement of profit or loss during the year *(note 10)*	**154**	**500**	**654**
Deferred tax charged to the statement of other comprehensive income during the year	**—**	**29**	**29**
Gross deferred tax liabilities at 31 December 2019	**627**	**3,467**	**4,094**

27. DEFERRED TAX (Continued)

Deferred tax liabilities (Continued)

	2018 Revaluation of investment properties *RMB'000*
At 1 January 2018	607
Deferred tax charged to the statement of profit or loss during the year *(note 10)*	121
Deferred tax charged to the statement of other comprehensive income during the year	2,210
Gross deferred tax liabilities at 31 December 2018	2,938

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2019 ***RMB'000***	2018 *RMB'000*
Net deferred tax assets/(liabilities) recognised in the consolidated statement of financial position	**2,418**	(910)

The Group had tax losses arising in Mainland China of RMB39,391,000 (2018: RMB12,204,000) that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of the following items:

	2019 ***RMB'000***	2018 *RMB'000*
Tax losses	**19,854**	12,204

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

28. SHARE CAPITAL

Shares

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

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

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

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

In connection with the Company's initial public offering, 300,000,000 ordinary shares of 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.

29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 11 to 12 of the financial statements.

Capital reserve

The capital reserve of the Group represents the paid-up capital of the companies comprising the Group prior to the incorporation of the Company and the reserve arising pursuant to the business combination. Details of the movements in the capital reserve are set out in the consolidated statements of changes in equity.

Statutory surplus reserves

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all relevant exchange differences arising from the translation of the financial statements of foreign operations.

Asset revaluation reserve

The asset revaluation reserve arises from a change in use from an owner-occupied property to an investment property measured at fair value.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group endorsed bills receivable of RMB7,252,000 from Deshipu New Material to the independent third-party suppliers (2018: Nil).

(b) Changes in liabilities arising from financing activities:

2019

	Bank and other loans *RMB'000*	**Finance lease payables/Lease liabilities** *RMB'000*	**Interest payable** *RMB'000*
At 31 December 2018	**244,613**	**8,480**	**392**
Effect of adoption of HKFRS 16	**—**	**3,155**	**—**
At 1 January 2019 (restated)	**244,613**	**11,635**	**392**
Changes from financing cash flows	**(19,513)**	**(7,200)**	**(12,929)**
New leases	**—**	**3,265**	**—**
Interest expense	**—**	**985**	**12,901**
At 31 December 2019	**225,100**	**8,685**	**364**

2018

	Other loans *RMB'000*	Finance Lease payables *RMB'000*	Interest payable *RMB'000*	Other payables and accruals *RMB'000*	Amount due a director *RMB'000*	Amount due to Bode Holding *RMB'000*
At 1 January 2018	248,662	—	409	50,832	2,311	100,895
Changes from financing cash flows	(4,049)	—	(12,761)	(48,678)	(2,215)	(96,896)
New leases	—	8,480	(12,929)	—	—	—
Interest expense	—	—	12,744	—	—	—
Foreign exchange movement	—	—	—	(2,154)	(96)	(3,999)
At 31 December 2018	244,613	8,480	392	—	—	—

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

(c) Total cash outflow for leases

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

	2019
	RMB'000
Within operating activities	**1,507**
Within financing activities	**7,200**
	8,707

31. CONTINGENT LIABILITIES

As at 31 December 2019 and 2018, the Group had no significant contingent liabilities.

32. PLEDGE OF 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, 15, 22 and 24, respectively, to the financial statements.

33. COMMITMENTS

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

	2019	2018
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Buildings	**16,949**	43,662
Plant and machinery	**5,121**	9,559
	22,070	53,221

33. COMMITMENTS (Continued)

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of its retail shops and office properties under operating lease arrangements. Leases for retail shops and office properties were negotiated for terms ranging from 1 to 3 years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 *RMB'000*
Within one year	3,012
In the second to fifth years, inclusive	1,670
	4,682

34. RELATED PARTY TRANSACTIONS

The Group's principal related parties are as follows:

Name	Relationship with the Company
Bode Holding Co., Ltd.*	An entity controlled by the ultimate controlling shareholder, who is also a director of the Company
Deshipu New Material**	An entity controlled by the ultimate controlling shareholder, who is also a director of the Company
Yiwu Zhongdu Properties	An entity controlled by the ultimate controlling shareholder, who is also a director of the Company
Zhejiang Deshipu Polyamide Technology Co., Ltd. ("**Deshipu Polyamide**")	An entity controlled by the ultimate controlling shareholder, who is also a director of the Company
Maximax Holding Corporation	Controlling shareholder
Mr. Jin Guojun	Chairman, and a director
Ms. Gong Lijin	Shareholder and wife of the Chairman, and a director
Mr. Luo Weixing	Director
Luo Weixing Holding Limited	An entity controlled by a director of the company

* Renamed from Bonny Holding Co., Ltd.

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

34. RELATED PARTY TRANSACTIONS (Continued)

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

	Notes	**2019 RMB'000**	2018 RMB'000
Loans granted to:			
Deshipu New Material	*(i)*	**—**	139,811
Bode Holding	*(iii)*	**—**	7,550
		—	147,361
Prepayment to:			
Deshipu New Material	*(ii)*	**169,873**	—
Interest income from:			
Deshipu New Material	*(ii)*	**1,885**	—
Loans to a director:			
Mr. Luo weixing	*(iii)*	**—**	150
Purchase of materials from:			
Deshipu New Material	*(iv)*	**6,343**	20,932
Sales of products to:			
Deshipu New Material	*(iv)*	**57**	—
Deshipu Polyamide	*(iv)*	**332**	320
		389	320

Notes:

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

(ii) The Group entered into 32 Procurement Agreements with Deshipu New Material with amount of RMB177,609,000.00. Pursuant to the terms and conditions of the Procurement Agreements, the Group prepaid RMB169,873,000 upon the signing of the Procurement Agreements. The Procurement Agreements were all subsequently cancelled, and Deshipu New Material refunded with amount of RMB164,640,000 accordingly and the left amounts were treated as payments of goods purchased. The maximum balance of prepayment to Deshipu New Material during the year ended 31 December 2019 amounted to RMB72,900,000. The number of days from the date of a Procurement Agreement to the receipt of the refund ranged from 0 to 183 days with a weighted average of 74 days. Deshipu New Material agreed to pay interest of RMB1,885,000 during the time between the payment of prepayment and the refund at the corresponding bank borrowing rate.

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

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

34. RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties:

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

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

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

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

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

(c) Outstanding balances with related parties:

	2019 RMB'000	2018 RMB'000
Due from related parties		
Deshipu New Material	—	11,597
Trade (i)	—	*(8,700)*
Non-trade (ii)	—	*20,297*
Maximax Holding Corporation *(ii)*	—	242
Luo Weixing Holding Limited *(ii)*	—	5
Deshipu Polyamide *(i)*	375	—
	375	11,844
Due to related parties		
Deshipu New Material *(i)*	141	—
Trade (i)	*2,026*	—
Non-trade (ii)	*(1,885)*	—
Bode Holding *(ii)*	91	46
	232	46

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

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

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

34. RELATED PARTY TRANSACTIONS (Continued)

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

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	**1,403**	1,373
Performance related bonuses	**393**	411
Pension scheme contributions	**55**	53
Total compensation paid to key management personnel	**1,851**	1,837

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

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2019

Financial assets

	Financial assets at fair value through profit or loss		
	Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	—	88,776	88,776
Financial assets included in prepayments, other receivables and other assets	—	5,567	5,567
Due from related parties	—	375	375
Financial assets at fair value through profit or loss	1,321	—	1,321
Pledged deposits	—	9,629	9,629
Cash and cash equivalents	—	59,165	59,165
	1,321	163,512	164,833

35. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

2019 (Continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	**43,676**
Financial liabilities included in other payables and accruals	**20,696**
Interest-bearing bank and other borrowings	**233,785**
Due to related parties	**232**
	298,389

2018

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	93,694
Financial assets included in prepayments, other receivables and other assets	5,014
Due from related parties	11,844
Pledged deposits	16,876
Cash and cash equivalents	25,438
	152,866

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	63,747
Financial liabilities included in other payables and accruals	21,829
Interest-bearing bank and other borrowings	253,093
Due to related parties	46
	338,715

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, the current portion of interest-bearing bank and other borrowings, amounts due from related parties and amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

Management has assessed that the fair values of non-current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the fact that such borrowings were made between the Group and an independent third party financial institution based on prevailing market interest rates.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2019

	Fair value measuring using			
	Quoted price in active markets (level 1) *RMB'000*	Significant observable inputs (level 2) *RMB'000*	Significant unobservable inputs (level 3) *RMB'000*	Total *RMB'000*
Financial assets at fair value through profit or loss	—	1,321	—	1,321

The Group did not have any financial assets measured at fair value as at 31 December 2018.

The Group did not have any financial liabilities measured at fair value as at 31 December 2019 and 2018.

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

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed:

As at 31 December 2019

	Fair value measuring using			
	Quoted price in active markets (level 1)	**Significant observable inputs (level 2)**	**Significant unobservable inputs (level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Other borrowings (other than lease liabilities	**—**	**4,067**	**—**	**4,067**

As at 31 December 2018

	Fair value measuring using			
	Quoted price in active markets (level 1)	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finance lease payables	—	8,480	—	8,480

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, finance leases, amounts due from the related parties, amounts due to the related parties, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with floating interest rates.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *RMB'000*	Increase/ (decrease) in equity *RMB'000*
2019			
Renminbi	**100**	**(305)**	**(259)**
Renminbi	**(100)**	**305**	**259**
2018			
Renminbi	100	(421)	(357)
Renminbi	(100)	421	357

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 46% (2018: 44%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 1% (2018: 1%) of costs were denominated in the units' functional currencies. At present, the Group does not intend to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

The following table demonstrates the sensitivity at the end of each of the reporting period to a reasonably possible change in the USD and HKD exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in USD/HKD rate %	Increase/ (decrease) in profit before tax *RMB'000*	Increase/ (decrease) in equity *RMB'000*
2019			
If RMB weakens against USD	**5**	**643**	**547**
If RMB strengthens against USD	**(5)**	**(643)**	**(547)**
If RMB weakens against HKD	**5**	**95**	**81**
If RMB strengthens against HKD	**(5)**	**(95)**	**(81)**
2018			
If RMB weakens against USD	5	1,137	966
If RMB strengthens against USD	(5)	(1,137)	(966)
If RMB weakens against HKD	5	1	1
If RMB strengthens against HKD	(5)	(1)	(1)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade receivables*	—	—	—	93,718	93,718
Financial assets included in other receivables and other assets					
— Normal**	5,567	—	—	—	5,567
Pledged deposits					
— Not yet past due	9,629	—	—	—	9,629
Cash and cash equivalents					
— Not yet past due	59,165	—	—	—	59,165
	74,361	—	—	93,718	168,079

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade receivables*	—	—	—	97,289	97,289
Financial assets included in other receivables and other assets					
— Normal**	5,014	—	—	—	5,014
Pledged deposits					
— Not yet past due	16,876	—	—	—	16,876
Cash and cash equivalents					
— Not yet past due	25,438	—	—	—	25,438
	47,328	—	—	97,289	144,617

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings, lease liabilities (2018: finance leases).

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2019					
	On demand *RMB'000*	Less than 3 months *RMB'000*	less than 12 months *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Lease liabilities	—	2,065	5,507	1,423	—	8,995
Interest-bearing bank and other borrowings (excluding lease liabilities)	—	73,109	156,357	—	—	229,466
Trade and bills payables	1,982	35,344	6,350	—	—	43,676
Other payables	8,939	11,757	—	—	—	20,696
Due to related parties	—	232	—	—	—	232
	10,921	122,507	168,214	1,423	—	303,065

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Group (Continued)

	2018					
	On demand	Less than 3 months	less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Finance lease payables	—	1,207	3,579	4,772	—	9,558
Interest-bearing bank and other borrowings	—	66,032	183,949	—	—	249,981
Trade and bills payables	24,986	16,025	22,736	—	—	63,747
Other payables	8,030	13,799	—	—	—	21,829
Due to related parties	—	46	—	—	—	46
	33,016	97,109	210,264	4,772	—	345,161

Capital management

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

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

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and bills payables, other payables and accruals, 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:

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

	31 December 2019 ***RMB'000***	**1 January 2019** ***RMB'000***	31 December 2018 *RMB'000*
Interest-bearing bank and other borrowings *(note 24)*	**233,785**	**256,248**	253,093
Due to related parties	**232**	**46**	46
Trade and bills payables	**43,676**	**63,747**	63,747
Other payables and accruals	**43,369**	**44,703**	44,703
Less: Cash and cash equivalents	**(59,165)**	**(25,438)**	(25,438)
Pledged time deposits	**(9,629)**	**(16,876)**	(16,876)
Net debt	**252,268**	**322,430**	319,275
Equity attributable to owners of the parent	**297,066**	**170,280**	170,280
Total capital and net debt	**549,334**	**492,710**	489,555
Gearing ratio	**46%**	**65%**	65%

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

38. EVENTS AFTER THE REPORTING PERIOD

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

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Right-of-use assets	1,627	—
Investment in a subsidiary	8	8
Total non-current assets	1,635	8
CURRENT ASSETS		
Cash and cash equivalents	1,658	15
Prepayments, other receivables and other assets	573	96
Due from related parties	—	247
Due from a subsidiary	296,659	148,134
Total current assets	298,890	148,492
CURRENT LIABILITIES		
Lease liabilities	1,110	—
Other payables and accruals	19	60
Due to a subsidiary	7,896	307
Due to a related party	410	78
Total current liabilities	9,435	445
NET CURRENT ASSETS	289,455	148,047
TOTAL ASSETS LESS CURRENT LIABILITIES	291,090	148,055
NON-CURRENT LIABILITIES		
Lease liabilities	613	—
Net assets	290,477	148,055
EQUITY		
Share capital	80,827	400
Share premium	205,242	147,602
Other reserves	4,408	53
Total equity	290,477	148,055

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

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

	Exchange fluctuation reserves *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
Balance at 1 January 2018	(9)	(73)	(82)
Loss for the year	—	(346)	(346)
Exchange differences on translation from functional currency to presentation currency	481	—	481
At 31 December 2018 and 1 January 2019	472	(419)	53
Loss for the year	—	(1,404)	(1,404)
Exchange differences on translation from functional currency to presentation currency	5,759	—	5,759
At 31 December 2019	6,231	(1,823)	4,408

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 14 May 2020.

A summary of the results of the assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements in this annual report and the Prospectus, is set out below:

	2016 *RMB'000*	2017 *RMB'000*	2018 *RMB'000*	**2019** ***RMB'000***
NON-CURRENT ASSETS				
Property, plant and equipment	162,344	141,158	133,495	**172,176**
Advance payments for property, plant and equipment	1,207	1,127	19,675	**22,617**
Investment properties	—	18,262	42,750	**46,510**
Right-of-use assets	—	—	—	**40,028**
Prepaid land lease payments	28,421	27,788	27,155	**—**
Intangible assets	3,095	2,277	1,764	**1,174**
Deferred tax assets	2,532	1,791	—	**2,418**
Other non-current assets	5,170	5,170	5,170	**5,170**
Total non-current assets	202,769	197,573	230,009	**290,093**
CURRENT ASSETS				
Inventories	136,634	113,119	132,819	**136,053**
Trade receivables	67,424	96,325	93,694	**88,776**
Prepayments, other receivables and other assets	8,600	23,163	26,319	**34,782**
Financial assets at fair value through profit or loss	—	—	—	**1,321**
Due from a director	—	300	—	**—**
Due from related parties	—	15,328	11,844	**375**
Time deposits with original maturity of over three months	1,000	—	—	**—**
Pledged deposits	16,615	13,598	16,876	**9,629**
Cash and cash equivalents	58,386	28,770	25,438	**59,165**
Total current assets	288,659	290,603	306,990	**330,101**
CURRENT LIABILITIES				
Trade and bills payables	51,634	57,666	63,747	**43,676**
Advances from customers, other payables and accruals	41,811	98,277	44,703	**43,369**
Interest-bearing bank and other borrowings	224,113	248,662	248,680	**232,397**
Due to related parties	10,261	100,895	46	**232**
Due to a director	—	2,311	—	**—**
Tax payable	3,850	2,462	3,293	**1,035**
Provision	—	—	—	**267**
Total current liabilities	331,669	510,273	360,469	**320,976**

	2016 *RMB'000*	2017 *RMB'000*	2018 *RMB'000*	**2019** ***RMB'000***
NET CURRENT ASSETS/(LIABILITIES)	(43,010)	(219,670)	(53,479)	**9,125**
TOTAL ASSETS LESS CURRENT LIABILITIES	159,759	(22,097)	176,530	**299,218**
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	—	—	4,413	**1,388**
Deferred tax liabilities	—	—	910	**—**
Total non-current liabilities	—	—	5,323	**1,388**
Net assets/(liabilities)	159,759	(22,097)	171,207	**297,830**
EQUITY				
Equity attributable to owners of the parent				
Share capital	—	337	400	**80,827**
Share premium	—	—	147,602	**205,242**
Other reserves	158,531	(23,668)	22,278	**10,997**
	158,531	(23,331)	170,280	**297,066**
Non-controlling interests	1,228	1,234	927	**764**
Total equity/(deficit)	159,759	(22,097)	171,207	**297,830**