bonny 博尼

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1906)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the "**Board**") of directors (the "**Directors**") of Bonny International Holding Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2021 (the "**Corresponding Period**"), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	**2022** ***RMB'000***	2021 *RMB'000*
REVENUE	4	**160,910**	248,784
Cost of sales		**(129,266)**	(183,125)
Gross profit		**31,644**	65,659
Other income and gains	4	**6,912**	34,225
Selling and distribution expenses		**(41,850)**	(51,567)
Administrative expenses		**(28,737)**	(30,380)
(Impairment losses)/reversal of impairment losses on financial assets, net		**(1,034)**	3,885
Other expenses		**(33,671)**	(28,781)
Finance costs		**(4,596)**	(5,101)

	Notes	**2022**	2021
		RMB'000	*RMB'000*
LOSS BEFORE TAX	5	**(71,332)**	(12,060)
Income tax credit	6	**390**	5,503
LOSS FOR THE YEAR		**(70,942)**	(6,557)
Attributable to:			
Owners of the parent		**(70,935)**	(6,548)
Non-controlling interests		**(7)**	(9)
		(70,942)	(6,557)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		**RMB(5.9 cents)**	RMB(0.5 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(70,942)**	(6,557)
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	**(25,265)**	(3,473)
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	**25,953**	3,111
Gains on property revaluation	**17,013**	8,147
Income tax effect	**(2,551)**	(1,222)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**40,415**	10,036
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**15,150**	6,563
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(55,792)**	6
Attributable to:		
Owners of the parent	**(55,785)**	15
Non-controlling interests	**(7)**	(9)
	(55,792)	6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**317,955**	290,326
Advance payments for property, plant and equipment		**695**	13,570
Investment properties		**48,400**	14,070
Right-of-use assets		**28,634**	31,828
Intangible assets		**494**	550
Deferred tax assets		**4,896**	301
Other non-current assets		**5,170**	5,170
Total non-current assets		**406,244**	355,815
CURRENT ASSETS			
Inventories		**109,884**	150,367
Trade receivables	10	**32,576**	65,058
Prepayments, other receivables and other assets	11	**6,781**	11,130
Due from related parties		**2,302**	2,660
Pledged deposits		**7,257**	—
Cash and cash equivalents		**6,454**	8,701
Total current assets		**165,254**	237,916
CURRENT LIABILITIES			
Trade payables	12	**26,378**	38,189
Advances from customers, other payables and accruals	13	**88,530**	64,120
Interest-bearing bank and other borrowings	14	**60,506**	59,566
Tax payable		**266**	895
Provision	15	**4,138**	—
Due to related parties		**11,384**	—
Total current liabilities		**191,202**	162,770

	Notes	**2022**	2021
		RMB'000	*RMB'000*
NET CURRENT (LIABILITIES)/ASSETS		**(25,948)**	75,146
TOTAL ASSETS LESS CURRENT LIABILITIES		**380,296**	430,961
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	**83,734**	85,228
Deferred tax liabilities		**6,621**	—
Total non-current liabilities		**90,355**	85,228
Net assets		**289,941**	345,733
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	**80,827**	80,827
Share premium		**205,242**	205,242
Other reserves		**2,808**	58,593
		288,877	344,662
Non-controlling interests		**1,064**	1,071
Total equity		**289,941**	345,733

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2022

1. CORPORATE AND GROUP INFORMATION

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

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

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 26 April 2019.

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 Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties 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.

Going concern assumption

As at 31 December 2022, the Group's net current liabilities amounted to approximately RMB25,948,000, which comprised current assets of approximately RMB165,254,000 and current liabilities of approximately RMB191,202,000. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. In preparing the financial statements, the directors of the Company have considered the Group's sources of liquidity and believe that adequate funding is available to fulfil the Group's debt obligations and capital expenditure requirements.

As at 31 December 2022, the Group's total interest-bearing bank and other borrowings amounted to RMB60,506,000, all of which will be due within twelve months from 31 December 2022. The Group has not experienced any significant difficulties in renewing its short-term borrowings upon their maturities and there is no indication that the banks will not renew the existing borrowings if the Group applies for the renewal.

As at the reporting date, the Group had unutilised banking facilities of RMB7,000,000 to meet the debt obligations and capital expenditure requirements. In addition, the measures that the Group has implemented or is in the process of implementing include (i) obtaining further banking facilities at least of RMB40,000,000 pledged by its newly established buildings; (ii) renegotiation with a related party to defer the repayment dates of existing borrowings to 31 March 2025; and (iii) consideration of potential downside risk factors, working capital sensitivities and identified mitigating actions that could be taken to further reduce cash expenditure.

The directors of the Company have reviewed the Group's cash flow forecast prepared by management which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future.

Accordingly, the consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 - Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2,4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

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

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

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

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

3. OPERATING SEGMENT INFORMATION

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

(a) the 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; and

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

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

Year ended 31 December 2022	**ODM products** *RMB'000*	**Brand products** *RMB'000*	**Total** *RMB'000*
Segment revenue *(note 4)*			
Sales to external customers	**119,680**	**41,230**	**160,910**
Segment results	**17,027**	**(27,233)**	**(10,206)**
Other income and gains			**6,912**
Corporate and other unallocated expenses			**(63,442)**
Finance costs			**(4,596)**
Loss before tax			**(71,332)**

Year ended 31 December 2022	**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	**618**	**(170)**	**448**
Impairment of property, plant and equipment	**5,891**	**213**	**6,104**
Depreciation and amortisation	**17,117**	**774**	**17,891**
Capital expenditure*	**36,057**	**145**	**36,202**

Year ended 31 December 2021	ODM products	Brand products	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue *(note 4)*			
Sales to external customers	194,320	54,464	248,784
Segment results	33,377	(19,285)	14,092
Other income and gains			34,225
Corporate and other unallocated expenses			(55,276)
Finance costs			(5,101)
Loss before tax			(12,060)

Year ended 31 December 2021	ODM products	Brand products	Total
	RMB'000	*RMB'000*	*RMB'000*
Other segment information			
Impairment losses recognised in the statement of profit or loss, net	1,625	(2,327)	(702)
Impairment of property, plant and equipment	113	—	113
Depreciation and amortisation	14,924	481	15,405
Capital expenditure*	79,893	9	79,902

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

Geographic information

(a) Revenue from external customers

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**103,580**	142,709
United States of America	**16,344**	69,078
Netherlands	**13,645**	14,893
Germany	**12,592**	6,474
Mexico	**6,806**	—
Britain	**2,897**	—
Japan	**—**	5,292
Canada	**2,689**	3,873
Other countries/regions	**2,357**	6,465
	160,910	248,784

The revenue information above is based on the shipment destinations.

(b) Non-current assets

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

Information about major customers

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

	2022	2021
	RMB'000	*RMB'000*
Customer 1	**22,893**	44,840
Customer 2	**16,405**	41,723
Customer 3	**N/A***	28,847
	39,298	115,410

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

An analysis of revenue is as follows:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers	**160,910**	248,784

4. REVENUE, OTHER INCOME AND GAINS

Revenue from contracts with customers

(a) Disaggregated revenue information

	2022	2021
	RMB'000	*RMB'000*
Timing of revenue recognition		
Goods transferred at a point in time	**160,910**	248,784

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:

	2022	2021
	RMB'000	*RMB'000*
Sale of goods	**6,184**	11,790

(b) Performance obligations

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

The performance obligations are satisfied upon delivery, which occurs when the goods are shipped on 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 the situations of either the customers accept the goods in accordance with the sales contract or the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

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

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

At 31 December 2022, the remaining performance obligations (unsatisfied or partially unsatisfied) were expected to be recognised within one year. As permitted under HKFRS 15, the transaction prices allocated to these unsatisfied contracts are not disclosed.

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

	2022	2021
	RMB'000	*RMB'000*
Other income		
Bank interest income	**87**	49
Government grants *(a)*	**4,512**	2,951
Gross rental income from investment property operating leases	**2,176**	715
Early termination of leases	**66**	—
Others	**71**	1,039
	6,912	4,754
Gains		
Gain on Government Acquisition *(b)*	**—**	29,471
	6,912	34,225

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

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

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

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

5. LOSS BEFORE TAX

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

	2022	2021
	RMB'000	*RMB'000*
Cost of inventories sold*	**129,266**	183,125
Depreciation of property, plant and equipment	**13,162**	12,059
Depreciation of right-of-use assets	**4,474**	3,611
Amortisation of intangible assets	**255**	417
Research and development costs**	**21,198**	25,702
Lease payments not included in the measurement of lease liabilities	**762**	330
Government grants	**(4,512)**	(2,951)
Auditors' remuneration	**1,562**	2,033
Outsourced manufacturers	**2,917**	27,843
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**56,476**	54,416
Pension scheme contributions***	**6,609**	5,853
Staff welfare expenses	**708**	1,832
	63,793	62,101
Concession fees	**6,245**	7,985
Foreign exchange differences, net	**1,377**	32
(Reversal of impairment)/impairment of inventories, net	**(586)**	4,502
Reversal of impairment of trade receivables, net	**(58)**	(3,885)
Impairment of other receivables and prepayments	**1,092**	—
Impairment of property, plant and equipment	**6,104**	113
Changes in fair value of investment properties	**200**	10
Rental income	**(2,176)**	(715)
Bank interest income	**(87)**	(49)
Gain on Government Acquisition *(note 4)*	**—**	(29,471)
Loss on disposal of items of property, plant and equipment	**51**	2,219

* The cost of inventories sold includes RMB26,660,000 (2021: RMB36,563,000) relating to staff cost, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets and impairment of inventories for the year ended 31 December 2022, which are also included in the respective total amounts disclosed above for each type of expenses.

** The research and development costs include RMB12,573,000 (2021: RMB11,201,000) relating to staff cost, depreciation of property, plant and equipment and amortisation of intangible assets for the year ended 31 December 2022, which are also included in the respective total amounts disclosed above for each type of expenses.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

6. INCOME TAX

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

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

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% (2021:16.5%) on the estimated assessable profits arising in Hong Kong during the year. The subsidiary of the Group is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2021: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

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

Zhejiang Bonny is qualified as a High and New Technology Enterprise and was entitled to a preferential income tax rate of 15% (2021:15%) during the year.

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

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

	2022 ***RMB'000***	2021 *RMB'000*
Current		
Charge for the year	**135**	—
Deferred	**(525)**	(5,503)
Total tax credit for the year	**(390)**	(5,503)

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

	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
Loss before tax	**(71,332)**		(12,060)	
Tax at the statutory tax rate	**(17,833)**	**25.0**	(3,015)	25.0
Preferential income tax rate applicable to a subsidiary	**7,022**	**(9.8)**	1,126	(9.3)
Additional deductible allowance for research and development expenses	**(3,149)**	**4.4**	(3,841)	31.8
Income not subject to tax	**—**	**—**	(66)	0.5
Expenses not deductible for tax	**122**	**(0.2)**	202	(1.7)
Tax losses utilised from previous periods	**—**	**—**	(154)	1.3
Tax losses not recognised	**13,448**	**(18.9)**	245	(2.0)
Tax credit at the Group's effective rate	**(390)**	**0.5**	(5,503)	45.6

7. DIVIDENDS

No dividend was declared and paid by the Company during the Reporting Period.

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,200,000,000 (2021: 1,200,000,000) in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

The calculation of basic loss per share is based on:

	2022	2021
	RMB'000	*RMB'000*
Losses		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(70,935)**	(6,548)

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year	**1,200,000,000**	1,200,000,000

9. 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 2022							
At 1 January 2022:							
Cost	185,658	16,956	162,835	2,120	8,286	75,583	451,438
Accumulated depreciation	(10,973)	(14,822)	(114,979)	(1,048)	(5,672)	–	(147,494)
Impairment	–	–	(13,618)	–	–	–	(13,618)
Net carrying amount	174,685	2,134	34,238	1,072	2,614	75,583	290,326
At 1 January 2022, net of accumulated depreciation and impairment	174,685	2,134	34,238	1,072	2,614	75,583	290,326
Additions	–	240	290	–	515	63,450	64,495
Transfer to investment properties	(17,517)	–	–	–	–	–	(17,517)
Transfers	74,233	–	–	–	–	(74,233)	–
Disposals	–	–	(39)	–	(47)	–	(86)
Exchange realignment	–	–	–	–	3	–	3
Depreciation provided during the year	(8,366)	(968)	(3,009)	(287)	(532)	–	(13,162)
Impairment *(note 5)*	–	–	(5,481)	(68)	(555)	–	(6,104)
At 31 December 2022, net of accumulated depreciation and impairment	223,035	1,406	25,999	717	1,998	64,800	317,955
At 31 December 2022:							
Cost	242,374	17,196	162,736	2,120	8,711	64,800	497,937
Accumulated depreciation	(19,339)	(15,790)	(117,638)	(1,335)	(6,158)	–	(160,260)
Impairment	–	–	(19,099)	(68)	(555)	–	(19,722)
Net carrying amount	223,035	1,406	25,999	717	1,998	64,800	317,955

	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 2021							
At 1 January 2021:							
Cost	179,485	14,627	160,672	1,633	7,141	9,384	372,942
Accumulated depreciation	(5,491)	(12,936)	(112,240)	(751)	(5,340)	—	(136,758)
Impairment	—	—	(13,505)	—	—	—	(13,505)
Net carrying amount	173,994	1,691	34,927	882	1,801	9,384	222,679
At 1 January 2021, net of accumulated depreciation and impairment	173,994	1,691	34,927	882	1,801	9,384	222,679
Additions	4,017	2,329	3,359	487	1,295	76,540	88,027
Transfer to investment properties	(5,933)	—	—	—	—	—	(5,933)
Transfers	10,341	—	—	—	—	(10,341)	—
Disposals	(2,095)	—	(174)	—	(6)	—	(2,275)
Depreciation provided during the year	(5,639)	(1,886)	(3,761)	(297)	(476)	—	(12,059)
Impairment *(note 5)*	—	—	(113)	—	—	—	(113)
At 31 December 2021, net of accumulated depreciation and impairment	174,685	2,134	34,238	1,072	2,614	75,583	290,326
At 31 December 2021:							
Cost	185,658	16,956	162,835	2,120	8,286	75,583	451,438
Accumulated depreciation	(10,973)	(14,822)	(114,979)	(1,048)	(5,672)	—	(147,494)
Impairment	—	—	(13,618)	—	—	—	(13,618)
Net carrying amount	174,685	2,134	34,238	1,072	2,614	75,583	290,326

At 31 December 2022, certain of the Group's buildings and machinery and equipment with a net carrying amount of approximately RMB111,907,000 (2021: RMB100,610,000) were pledged to secure general banking facilities granted to the Group (note 14).

At 31 December 2022, certain of the Group's machinery and equipment with a net carrying amount of RMB14,228,000 (2021: RMB15,907,000) were pledged to secure the property preservation applied by A Barcs & Co. Nominees Pty. Ltd. ("**BARCS**") who has a legal arbitration of contract dispute with the Group.

As the decline of products price and orders, the Group performed impairment test for the traditional products, i.e., brassieres, functional sportswear, panties and thermal underwear, cash-generating unit ("CGU"), which consists of buildings, machines and other long-lived assets. The recoverable amount of traditional products CGU was determined as the fair value less costs of disposal based on valuation performed by an external professional valuer using the market approach. Among the assets of traditional products CGU, the recoverable amount of certain machines was RMB11,878,000, which was lower than their carrying amount of RMB14,630,000 and therefore the provision for impairment of RMB2,752,000 was made for those machines during the year ended 31 December 2022.

As the decline of face mask price and orders, the Group performed impairment test for the face mask cash-generating unit ("CGU"), which consists of machines. The recoverable amount of the face mask CGU was determined as the fair value less costs of disposal based on valuation performed by an external professional valuer using the market approach. Among the assets of the face mask CGU, the recoverable amount of machines was RMB50,000, which was lower than their carrying amount of RMB3,402,000 and therefore the provision for impairment of RMB3,352,000 (2021: RMB113,000) was made for those face mask machines during the year ended 31 December 2022.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's face CGUs:

As at 31 December 2022	**Fair value measurement using**			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Recurring fair value measurement for:				
Traditional products CGU	**—**	**—**	**379,354**	**379,354**
Face mask CGU	**—**	**—**	**50**	**50**
	—	**—**	**379,404**	**379,404**

As at 31 December 2021	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Face mask CGU	—	—	3,691	3,691

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 (2021: nil).

10. TRADE RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**34,308**	68,719
Impairment	**(1,732)**	(3,661)
	32,576	65,058

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

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

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**30,675**	62,795
3 to 6 months	**517**	649
6 to 12 months	**265**	560
1 to 2 years	**759**	988
2 to 3 years	**360**	66
	32,576	65,058

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

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**3,661**	7,546
Reversal of impairment losses, net *(note 5)*	**(58)**	(3,885)
Amount written off as uncollectible	**(1,870)**	—
Exchange realignment	**(1)**	—
At end of year	**1,732**	3,661

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 2022		
	Gross carrying amount *RMB'000*	**Expected credit loss rate**	**Expected credit losses** *RMB'000*
ODM customers and E-commerce platform			
Within 1 year	**24,270**	**0.63%**	**151**
1 to 2 years	**81**	**36.95%**	**30**
2 to 3 years	**112**	**81.40%**	**91**
Over 3 years	**103**	**100.00%**	**103**
Self-operated stores and counters and franchised outlets			
Within 1 year	**6,654**	**1.10%**	**73**
1 to 2 years	**845**	**18.70%**	**158**
2 to 3 years	**22**	**58.30%**	**13**
Over 3 years	**227**	**100.00%**	**227**
Others			
Within 1 year	**792**	**4.40%**	**35**
1 to 2 years	**26**	**18.70%**	**5**
2 to 3 years	**699**	**52.80%**	**369**
Over 3 years	**58**	**100.00%**	**58**
	33,889		**1,313**
Individually identified as high expected credit loss rate while the ageing is less than three years	**419**	**100.00%**	**419**
	34,308		**1,732**

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

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022	2021
	RMB'000	*RMB'000*
Prepayments	**2,312**	3,795
Prepaid expenses	**1,182**	4,328
Deposits and other receivables	**17,997**	16,679
Tax recoverable	**78**	24
	21,569	24,826
Impairment allowance:		
Prepayments	**(1,072)**	(1,072)
Deposits and other receivables	**(13,716)**	(12,624)
	6,781	11,130

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

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**13,696**	15,128
Impairment losses recognised	**1,092**	—
Amount written off as uncollectible	**—**	(1,432)
At end of year	**14,788**	13,696

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

During the year ended 31 December 2022, additional impairment losses of RMB1,092,000 was recognised due to the dispute with one supplier. The Group estimated the probability of refunding the advance payment from this supplier would be minimal.

12. TRADE PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**26,378**	38,189

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

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**17,513**	20,311
3 to 6 months	**5,878**	12,149
6 to 12 months	**1,737**	3,797
Over 12 months	**1,250**	1,932
	26,378	38,189

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

13. ADVANCES FROM CUSTOMERS, OTHER PAYABLES AND ACCRUALS

		2022	2021
	Notes	***RMB'000***	*RMB'000*
Contract liabilities	(a)	**17,952**	6,184
Advances from a customer		**—**	15,582
Payroll payables		**8,990**	11,912
Tax payable other than income tax		**9,239**	5,883
Accruals		**—**	559
Payable for property, plant and equipment and other intangible assets		**28,708**	13,290
Interest payable		**226**	224
Other payables	(b)	**23,415**	10,486
		88,530	64,120

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*	1 January 2021 *RMB'000*
Short-term advances received from customers			
Sale of goods	17,952	6,184	11,790

Contract liabilities represented the obligations to transfer goods to a customer for which the Group has received consideration. The amount was included in "Other payables and accruals" in the consolidated statement of financial position. As at 31 December 2022, no contract liabilities were resulted from the loyalty points programme (2021: 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 except the amount payable to BARCS of RMB17,021,000 which bore interest at an annual interest rate of 3.85%.

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022			2021		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	RMB'000
Current						
Lease liabilities	**4.75**	**2023**	**3,506**	4.75	2022	3,366
Bank loans – secured	**4.35-6.00**	**2023**	**57,000**	4.35-5.60	2022	56,200
			60,506			59,566
Non-current						
Lease liabilities	**4.75**	**2024-2027**	**3,734**	4.75	2023-2027	5,228
Bank loans – secured	**6.00**	**2024-2029**	**80,000**	6.00	2024-2029	80,000
			83,734			85,228
			144,240			144,794

	2022	2021
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**57,000**	56,200
In the second year	**38,000**	—
In the third to fifth years, inclusive	**24,000**	54,000
Beyond five years	**18,000**	26,000
	137,000	136,200
Other borrowings repayable:		
Within one year	**3,506**	3,366
In the second year	**2,156**	2,391
In the third to fifth years, inclusive	**1,578**	2,837
	7,240	8,594
	144,240	144,794

Notes:

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

(i) the Group's buildings and machinery and equipment situated in Mainland China, which had a net carrying value of RMB111,907,000 as at 31 December 2022 (2021: RMB100,610,000) (note 9);

(ii) the Group's leasehold land situated in Mainland China, which had a net carrying value of RMB20,735,000 as at 31 December 2022 (2021: RMB21,741,000); and

(b) Mr. Jin Guojun, the Chairman, has guaranteed certain of the Group's bank loans of up to nil as at 31 December 2022 (2021: RMB143,020,000).

(c) Ms. Gong Lijin, a shareholder and the wife of the Chairman, has guaranteed certain of the Group's bank loans of up to nil as at 31 December 2022 (2021: RMB143,020,000).

(d) Mr. Jin Guojun and Ms. Gong Lijin have guaranteed certain of the Group's bank loans of up to RMB100,000,000 as at 31 December 2022 (2021: RMB208,700,000).

(e) Mr. Ren Chengxiu and Ms. Jin Qiumei, independent third parties, have guaranteed certain of the Group's bank loans of up to nil as at 31 December 2022 (2021: RMB8,700,000).

(f) Zhejiang Aolai Textile Co., Ltd., an independent third party, has guaranteed certain of the Group's bank loans of up to nil as at 31 December 2022 (2021: RMB8,700,000).

(g) Yiwu Furuiduo Ecological Technology Co., Ltd., an independent third party, has guaranteed certain of the Group's bank loans of up to nil as at 31 December 2022 (2021: RMB17,040,000).

15. PROVISION

	Legal arbitration *RMB'000*
At 1 January 2021	927
Amounts utilised during the year	(310)
Reversal of unutilised amounts	(617)
At 31 December 2021 and 1 January 2022	—
Additional provision	4,138
At 31 December 2022	**4,138**

A provision for a legal claim of RMB4,138,000 was recognised as at 31 December 2022, which was based on the the first instance judgment. The claim is still subject to legal arbitration after the appeal proposed by the Group and is not expected to be finalised by the mid of 2023.

16. SHARE CAPITAL

Shares

	2022 *RMB'000*	2021 *RMB'000*
Issued and fully paid:		
1,200,000,000 (2021: 1,200,000,000) ordinary shares	**80,827**	80,827

A summary of movement 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 2021 and 31 December 2021 and 31 December 2022	**1,200,000,000**	**80,827**	**205,242**

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operations Review

During the Reporting Period, the Group's total revenue amounted to approximately RMB160.9 million, representing a decrease of approximately 35.3% as compared to 2021 (2021: approximately RMB248.8 million). Such decrease was primarily due to the following reasons: i) affected by the outbreak of Coronavirus disease 2019 ("**Covid-19**") pandemic and the increasingly severe international political and economic condition, trade tensions persisted, large stores were closed, physical assets were realized and the liquidity crisis arouse, resulting in the weakening of business confidence and the cautious ordering of brand owners, which further led to a substantial decrease in orders of ODM segment; and ii) affected by the repeated outbreak of Covid-19 pandemic in China, the brand sales stores of the Company in some areas have been closed for several weeks or months. In order to alleviate the operation pressure, the Company has shut down 34 brand retail stores with poor operation performance in advance, and residents' consumption willingness and habits have changed to some extent, resulting in a decline in the sales revenue of the self-owned brand segment. The Group recorded a gross profit of approximately RMB31.6 million (2021: approximately RMB65.7 million) with a gross profit margin of approximately 19.7% (2021: approximately 26.4%).

The Group recorded a loss attributable to owners of the Company for the Reporting Period of approximately RMB70.9 million (2021: approximately RMB6.5 million). The loss-making for the Reporting Period was mainly due to the following reasons: i) affected by the outbreak of Covid-19 pandemic at home and abroad and the increasingly severe international political and economic condition, the Group's revenue from main business for the Reporting Period reduced by approximately RMB87.9 million compared with that of the Corresponding Period; ii) affected by the Covid-19 pandemic, the Company experienced phased suspension of work and production, poor logistics operation, soaring raw material prices and other difficulties, resulting in a decrease in gross profit margin of approximately 6.7%; iii) the Group recorded a loss of approximately RMB10 million in sales revenue arising from selling its out-of-season product stocks of its own brands at a discount this year; and iv) other income and gains for the year decreased by approximately 80% as compared to that of the Corresponding Period. Such decrease was primarily due the recognition of gain of approximately RMB29.5 million for the year ended 31 December 2021 from the sale of the Group's premises and other fixed assets located in Suxi Town, Yiwu City, Zhejiang Province after relocation of the plant of the Group, while no such gain was recorded during the Reporting Period.

Brand management

The Group sells its branded 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 its extensive and structured nationwide retail network in the PRC. In order to optimise cost-effectiveness of the Group's outlets, the Group continued to streamline its retail network in the PRC during the Reporting Period 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 2022, the Group had 133 self-operated retail outlets (comprising 105 self-operated concession counters and 8 self-operated standalone stores) and 19 franchised retail outlets, covering 13 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 165 as at 31 December 2021 to 132 as at 31 December 2022. The decrease was mainly due to the following reasons i) affected by the repeated outbreak of Covid-19 pandemic in China, the brand sales stores of the Company in some areas have been closed for several weeks or months. In order to alleviate the operation pressure, the Company has shut down 34 brand retail stores with poor operation performance; and ii) the rapid and sudden outbreak of Covid-19 pandemic in 2022 has disrupted the Chinese economy from time to time, and both the Company and external franchised outlets had pessimistic expectations on the consumer market. Only 13 self-operated retail stores of the Company were opened with no new franchised retail stores during the Reporting Period.

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 by building a comprehensive online shopping platform for intimate wear products, which would be a complementary sales channel to its physical outlets so as to provide a coherent multi-channel to our customer.

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 innovative designs, the Group continued to bring diversified product portfolio of excellent quality to the market. During the Reporting Period, expenses for product design, research and development was approximately RMB21.2 million (2021: approximately RMB25.7 million).

As at 31 December 2022, the Group had a total of 78 registered trademarks in the PRC, 1 registered trademark in Hong Kong, 5 registered domain names, 14 registered software copyrights in the PRC, and 20 registered patents in the PRC, including 3 invention patents and 17 utility model patents.

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

Production capacity

During the Reporting Period, the Company is still carrying out production business at the production base located in Beiyuan Street, Yiwu City, Zhejiang Province. The production capacity can meet the current order delivery demand at this stage and there is no need to make adjustments.

Human resources

Tight labour supply in the PRC has resulted in continuous wage increase. The Group endeavoured to attract and retain its employees through different 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 labour dispatch agreements with independent third party employment agents. The number of full-time employees of the Group decreased to 642 as at 31 December 2022 (31 December 2021: 692). The employee benefit expense (excluding directors' and chief executive's remunerations) for the Reporting Period was approximately RMB63.8 million (2021: approximately RMB62.1 million).

In addition to direct employment and labour dispatch, the Group engages production subcontractors to provide on-site sub-contracting staff. The Group's human resources policy does not apply to workers of the relevant production subcontractor and the Group neither determines nor directly pays wages to the subcontracting staff. Subcontracting fees, calculated based on the quantity of goods or services delivered to the Group for the Reporting Period was approximately RMB2.9 million (2021: approximately RMB27.8 million).

Financial Review

Revenue

Revenue for the Reporting Period was approximately RMB160.9 million, representing a decrease of approximately RMB87.9 million, or approximately 35.3%, from approximately RMB248.8 million for the Corresponding Period.

The ODM products segment revenue for the Reporting Period was approximately RMB119.7 million, representing a decrease of approximately RMB74.6 million, or approximately 38.4%, from segment revenue of approximately RMB194.3 million for the Corresponding Period. This decrease was primarily due to the following reasons: i) affected by the outbreak of Covid-19 pandemic and the increasingly severe international political and economic condition, trade tensions persisted, large stores were closed, physical assets were realized and the liquidity crisis arouse, resulting in the weakening of business confidence and the cautious ordering of brand owners, which further led to a substantial decrease in procurement orders of ODM products from foreign and cross-border e-commerce; ii) affected by the Covid-19 pandemic, the consumers' consumption willingness was weakened, express transportation was blocked, and the operation of domestic e-commerce brand customers was disrupted, resulting in a decline in procurement orders of ODM products from domestic e-commerce; and iii) certain major customers adjusted product structure to explore new markets, which caused the Company to spend more time in developing samples and assisting in testing the market acceptance of new products and slowed down the process of the Company to secure new orders.

The brand products segment revenue for the Reporting Period was approximately RMB41.2 million, representing a decrease of approximately RMB13.3 million, or approximately 24.4% for the Corresponding Period (2021: approximately RMB54.5 million). Such decrease was primarily due to the following reasons: i) in line with the Covid-19 pandemic prevention and control policy in China, the brand retail stores of the Company in some areas have been closed for several weeks or months; ii) in order to alleviate the operation pressure, the Company has shut down 34 brand retail stores with poor operation performance; and iii) the prolonged Covid-19 pandemic has dampened consumer sentiments and significantly reduced customer flow in stores.

Gross Profit

Gross profit for the Reporting Period was approximately RMB31.6 million, representing a decrease of approximately RMB34.1 million, or approximately 51.9%, from approximately RMB65.7 million for the Corresponding Period, which was primarily due to the following reasons: i) affected by the outbreak of Covid-19 pandemic at home and abroad and the increasingly severe international political and economic condition, the Group's revenue from main business this year was reduced by approximately RMB 87.9 million compared with that of the Corresponding Period; ii) affected by the Covid-19 pandemic, the Company experienced phased suspension of work and production, poor logistics operation, soaring raw material prices and other difficulties, resulting in a decrease in gross profit margin of approximately 6.7%; and iii) the Group recorded a loss of approximately RMB10 million in sales revenue arising from selling its out-of-season product of its own brands at a discount this year.

Segment gross profit for ODM products for the Reporting Period was approximately RMB26.4 million which decreased from approximately RMB44.6 million for the Corresponding Period due to the fact that i)orders fell by about 38.4% by reason of the negative impact of the Covid-19 epidemic and international politics and economy; and ii) production and supply chains was temporarily suspended by reason of the Covid-19 epidemic, while some costs were relatively fixed, resulting in lower gross profit margins.

Segment gross profit for brand products for the Reporting Period was approximately RMB5.2 million, which decreased from approximately RMB21.1 million for the Corresponding Period primarily due to the fact that i)revenue fell by approximately 24.4% by reason of the impact of the Covid-19 epidemic; and ii) the Group sold out-of-season product stocks of its own brands at a discount this year, resulting in a loss of approximately RMB10 million.

Other Income and Gains

Other income and gains for the Reporting Period was approximately RMB6.9 million, representing a decrease of approximately RMB27.3 million, or approximately 79.8%, from approximately RMB34.2 million for the Corresponding Period. The decrease was primarily because the Group completed the relocation of the plant during the year ended 31 December 2021, a gain of approximately RMB 29.5 million from the sale of the Group's premises and other fixed assets located in Suxi Town, Yiwu City, Zhejiang Province was recognized in the Corresponding Period, while no such gain was recorded during the Reporting Period.

Selling and Distribution Expenses

Selling and distribution costs for the Reporting Period were approximately RMB41.9 million, representing a decrease of approximately RMB9.7 million, or approximately 18.8%, from approximately RMB51.6 million for the Corresponding Period. The decrease was primarily due to the reduced operation hours and promotional activities of retail stores as a result of the implementation of Covid-19 preventive measures during the Reporting Period.

Administrative and Other Expenses

Administrative and other expenses for the Reporting Period were approximately RMB62.4 million, representing an increase of approximately RMB3.2 million, or approximately 5.4%, from approximately RMB59.2 million for the Corresponding Period. Administrative and other expenses during the Reporting Period mainly include research and development expenses, staff cost, litigation compensation, depreciation of fixed assets, and consulting service fee, which amounted to approximately RMB21.2 million, RMB11.7 million, RMB4.6 million, RMB4.0 million and RMB4.0 million, respectively. The litigation compensation during the Reporting Period increased by approximately RMB4.2 million as compared to the corresponding period of last year. Such increase was mainly due to the result of the first trial judgement of the case in relation to the procurement contract dispute between BARCS and Zhejiang Bonny, in which Zhejiang Bonny returned USD2.756 million paid by BARCS and made compensation for the interest loss since 6 May 2020 to the actual date of return, resulting other expenses of approximately RMB2.5 million and interest loss calculated by compensation of approximately RMB1.9 million.

Finance Costs

Finance costs for the Reporting Period were approximately RMB4.6 million, representing a decrease of approximately RMB0.5 million, or approximately 9.8%, from approximately RMB5.1 million for the Corresponding Period due to the decrease of RMB7.0 million in short-term borrowings during the Reporting Period.

Loss Attributable to Equity Holders of the Parent

As a result of the foregoing, loss attributable to ordinary equity holders of the parent for the Reporting Period was approximately RMB70.9 million, representing a decrease of approximately RMB64.4 million, or approximately 990.8%, from a loss of approximately RMB6.5 million for the Corresponding Period.

Advances from customers, other payables and accruals

Advances from customers, other payables and accruals for the year ended 31 December 2022 were approximately RMB88.5 million, representing an increase of approximately RMB24.4 million, or approximately 38.1%, from approximately RMB64.1 million for the Corresponding Period. The increase was primarily due to the completion of phase III construction of the Group's plant located in Beiyuan Street, Yiwu City, Zhejiang Province ("**phase III of the Beiyuan Production Site**") resulted in an increase in project payables.

Future Plan and Prospects

With soaring inflation, Russia-Ukraine conflict and heightened tensions in global markets, 2022 was a tough year for the global economy. Looking forward to 2023, the global economy will still face many challenges.

1. **Global recession possibility increases**
   The International Monetary Fund stated in early January 2023 that the outlook for the world's major economies this year is not optimistic, and one-third of the world's economies and half of the EU's economies will be in recession. On 10 January 2023, the World Bank released the latest "World Economic Outlook" report, which lowered the global economic growth forecast for 2023 from 3.0% in June 2022 to 1.7%, it was the third lowest growth rate in the past 30 years and only higher than 2009 and 2020, when the global recession occurred.

2. **Overseas demand continues to cool down**
   In November 2022, the retail sales of US clothing and apparel stores were US$26.35 billion, representing a decrease of 0.2% from the previous month, and an increase of only 0.7% from the that of the Corresponding Period, which was the slowest growth rate during the year. In the first 10 months of 2022, Japan's textile and apparel retail sales totaled ¥6.9 trillion, representing a year-on-year increase of 2.5%, which dropped by 22% compared to that of corresponding period before the epidemic. The German Retail Association is of the view that because of the Russia-Ukraine conflict and its economic consequences, there is a lot of uncertainty among consumers and retailers, and it is expected that sales will not recover quickly in 2023.

3. **The trend of "de-sinicization" is the main uncertain factor in the future**

The trend of "friendly shore outsourcing" and "decoupling and chain breaking" in the United States and Western countries is intensifying. The "Xinjiang-related Act" implemented in June 2022 severely dampen the willingness of American buyers to import from China. Not only was the procurement strategy of cotton products greatly adjusted, the export of other products to the United States was also affected to a certain extent. According to a report released by the American Fashion Industry Association in July 2022, 80% of American companies plan to continue to reduce purchases from China in the next two years (2021: 63%).

Although there are challenges, opportunities exist at the same time. Especially after the comprehensive optimization and relaxation of China's Covid-19 preventive measures towards the end of 2022, the domestic clothing market is expected to rebounce in 2023 and consumer demand is expected to reach new heights. At the same time, the market's demand for upgrading and optimizing the clothing industry and upgrading consumption patterns is also gradually increasing. Only by keeping up with the pace of the development and truly improving their competitiveness can enterprises captain the new opportunities and benefit from the economic recovery.

In the future, intimate clothing will continue to be the Group's principal business and it will devote effort to develop other products, such as bras, panties, sports underwear, functional underwear, men's and women's underwear, etc., to provide users with high-quality products, enhance brand influence, product quality, and expand the scale of production and operation to improve the core competitiveness of the company as a whole. The main business plan for 2023 includes:

1. ODM Business Operation Plan: Actively explore new markets so as to mitigate the impact of international political and economic instability. Respond to customer needs by establishing a seamless adhesive product production line and actively testing market acceptance, which is expected to boost the revenue of the Group.

2. Brand Business Operation Plan: With the goal of sustainable profitability, continuously improving product innovation capabilities and product turnover efficiency, and improving store efficiency so as to minimise the loss of the self-operated brand segment. Adapt to new consumption models and business formats, such as new retail, social e-commerce, live e-commerce, etc., and improve user experience and brand loyalty.

3. Factory management: Reduce inventory pressure and operating cost. Strictly prevent losses caused by cost overruns.

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 2022, the Group had cash and cash equivalents, which are mostly denominated in Renminbi, U.S. dollars and Hong Kong dollars currency unit, of approximately RMB6.5 million (31 December 2021: approximately RMB8.7 million). Such decrease was mainly due to a decrease in revenue of 35% during the Reporting Period compared with that of the Corresponding Period, and a decrease in cash flow arising from operating activity. The interest-bearing liabilities as at 31 December 2022 was approximately RMB144.2 million (2021: approximately RMB144.8 million) with interest rates ranging from approximately 4.35% to 6.0% per annum. The Group's gearing ratio as at 31 December 2022, calculated based on net debts to the total capital and net debts, was approximately 47.1% (as at 31 December 2021: approximately 40.8%). The Group recorded net current liabilities of approximately RMB25.9 million as of 31 December 2022. In order to cope with our funding need, the management of the Company actively seeks financing channels, reaching a preliminary financing intention with a bank, and plans to lease idle factories to obtain rent in order to supplement cash flow. The management believes that the Group has maintained adequate financial resources to fulfil its working capital requirements. During the Reporting Period, no financial instruments had been used for hedging purpose.

FOREIGN EXCHANGE RISK

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

CAPITAL COMMITMENTS

As at 31 December 2022, the Group had total capital commitments of RMB36.0 million (as at 31 December 2021: RMB58.5 million), primarily related to the settlement of the construction of phase III of the Beiyuan Production Site.

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

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2022, save for (i) the Group's leasehold lands with a net carrying amounts of RMB20,735,000 (31 December 2021: RMB21,741,000) and certain of the Group's buildings and machinery and equipment with a net carrying amounts of approximately RMB111,907,000 (31 December 2021: RMB100,610,000) which were pledged to secure general banking facilities; and (ii) certain of the Group's machinery and equipment with a net carrying amount of RMB14,228,000 (31 December 2021: RMB15,907,000) were pledged to secure the property preservation applied by BARCS who has a legal arbitration of contract dispute with the Group, the Group did not pledge any other assets.

USE OF PROCEEDS

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

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

The table below sets out the use of net proceeds from the initial public offering and the unutilised amounts as at 31 December 2022:

	Planned allocation of Net Proceeds as stated in the Prospectus *HK$ million*	Amount unutilised as at 1 January 2021 (before revised allocation on 30 November 2021) *HK$ million*	Remaining net proceeds to be utilised (after revised allocation on 30 November 2021) *HK$ million*	Amount utilised as at 31 December 2022 *HK$ million*	Amount unutilised as at 31 December 2022 *HK$ million*	Expected timeline for full utilisation
Beiyuan Production Site for expansion of our seamless production capacity						
– construction of phase II of the Beiyuan Production Site	26.3	—	—	—	—	N/A
– acquisition and implementation of additional production equipment at the Beiyuan Production Site	78.8	24.5	—	—	—	N/A
Enhancing product design, research and development capability	13.1	—	—	—	—	N/A
Working capital and general corporate purposes	13.1	—	—	—	—	N/A
Acquisition mask production line and ancillary equipment and constructing medical mask production workshop	—	—	—	—	—	N/A
Preparation for the construction of the Jiangxi Shangrao Production Site	—	—	5.5	3.4	2.1	Before 31 December 2024
General working capital	—	—	19.0	19.0	0.0	Before 31 December 2022
Total	131.3	24.5	24.5	22.4	2.1	

SUBSEQUENT EVENT

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

EMPLOYEE AND REMUNERATION POLICY

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

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

SIGNIFICANT INVESTMENTS HELD

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE MEASURES

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

The Company had complied with all the applicable code provisions under the CG Code during the Reporting Period, save and except for deviation from code provision C.2.1.

Mr. Jin Guojun is the chairman of the Board and chief executive officer of the Company. Although this deviates from the practice under code provision C.2.1, 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 arises.

AUDIT COMMITTEE

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

The Audit Committee has reviewed with management the Group's consolidated financial statements for the year ended 31 December 2022, the accounting principles and practices adopted and discussed auditing, internal control and financial reporting matters.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Upon specific enquiry, all Directors have confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the Reporting Period.

DIVIDENDS

The Board does not recommend a final dividend for the Reporting Period (2021: nil).

SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITORS

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2022, but represents an extract from the consolidated financial statements for the year ended 31 December 2022 which have been audited by the auditor of the Company, Ernst & Young in accordance with Hong Kong Standards of Auditing issued by the Hong Kong Institute of Certified Public Accountants. The financial information has been received by the Audit Committee and approved by the Board.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement of the Group for the year ended 31 December 2022 is available for viewing on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.bonnychina.com.

An annual report of the Group for the year ended 31 December 2022, containing all the information required by the Listing Rules, will be despatched to the shareholders of the Company and published on the above websites in due course.

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

Hong Kong, 29 March 2023

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