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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the "**Board**") of directors (the "**Directors**") of Bonny International Holding Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2019, together with the comparative figures for the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		For the six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**127,604**	126,436
Cost of sales		**(77,124)**	(75,532)
Gross profit		**50,480**	50,904
Other income and gains		**2,589**	2,315
Selling and distribution expenses		**(29,935)**	(30,690)
Administrative expenses		**(20,345)**	(10,124)
Impairment losses on financial and contract assets, net		**(282)**	(587)
Other expenses		**(9,869)**	(8,967)
Finance costs		**(7,153)**	(6,194)
LOSS BEFORE TAX	*5*	**(14,515)**	(3,343)
Income tax credit	*6*	**2,464**	398
LOSS FOR THE PERIOD		**(12,051)**	(2,945)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(2,934)**	6,242
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**2,976**	138
Gains on property revaluation	**—**	8,677
Income tax effect	**—**	(1,302)
	2,976	7,513
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**42**	13,755
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(12,009)**	10,810
Loss attributable to:		
Owners of the parent	**(11,959)**	(2,774)
Non-controlling interests	**(92)**	(171)
	(12,051)	(2,945)
Total comprehensive loss attributable to:		
Owners of the parent	**(11,917)**	10,981
Non-controlling interests	**(92)**	(171)
	(12,009)	10,810
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
Basic and diluted *(RMB* cents*)*		
— For loss for the period	**1.2**	0.3

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		As at	
		30 June	31 December
		2019	2018
		(Unaudited)	(Audited)
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**146,934**	133,495
Advance payments for property, plant and equipment		**25,894**	19,675
Investment properties		**42,950**	42,750
Right-of-use assets		**33,138**	—
Prepaid land lease payments		**—**	27,155
Intangible assets		**1,406**	1,764
Deferred tax assets		**1,554**	—
Other non-current assets		**5,170**	5,170
Total non-current assets		**257,046**	230,009
CURRENT ASSETS			
Inventories		**145,297**	132,819
Trade receivables	*10*	**94,068**	93,694
Prepayments, deposits and other receivables		**35,591**	26,319
Due from related parties	*15*	**375**	11,844
Pledged deposits		**11,912**	16,876
Cash and cash equivalents		**95,626**	25,438
Total current assets		**382,869**	306,990
CURRENT LIABILITIES			
Trade and bills payables	*11*	**42,928**	63,747
Advances from customers, other payables and accruals		**39,063**	44,703
Interest-bearing bank and other borrowings		**246,654**	248,680
Due to related parties	*15*	**9,024**	46
Tax payable		**1,341**	3,293
Total current liabilities		**339,010**	360,469

		As at	
		30 June	31 December
		2019	2018
		(Unaudited)	(Audited)
	Notes	***RMB'000***	*RMB'000*
NET CURRENT ASSETS/(LIABILITIES)		**43,859**	(53,479)
TOTAL ASSETS LESS CURRENT LIABILITIES		**300,905**	176,530
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**2,803**	4,413
Deferred tax liabilities		**—**	910
Total non-current liabilities		**2,803**	5,323
Net assets		**298,102**	171,207
EQUITY			
Equity attributable to owners of the parent			
Share capital	*12*	**80,827**	400
Share premium		**206,079**	147,602
Other reserves		**10,361**	22,278
		297,267	170,280
Non-controlling interests		**835**	927
Total equity		**298,102**	171,207

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements included in the Accountants' Report set forth in Appendix I to the Company's prospectus dated 12 April 2019.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") effective as of 1 January 2019.

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 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the adoption of these revised standards has had no significant financial effect on the Group's interim condensed consolidated financial information.

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. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

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.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

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 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 short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts 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 and due to related parties.

The right-of-use assets 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.

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

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

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

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

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;

- Relied on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review; and

- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000* **(Unaudited)**
Assets	
Increase in right-of-use assets	**31,184**
Decrease in prepaid land lease payments	**(27,155)**
Decrease in prepayments, other receivables and other assets	**(943)**
Increase in total assets	**3,086**
Liabilities	
Increase in interest-bearing bank and other borrowings	**3,086**
Increase in total liabilities	**3,086**

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

	RMB'000
	(Unaudited)
Operating lease commitments as at 31 December 2018	**4,682**
Weighted average incremental borrowing rate as at 1 January 2019	**4.75%**
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	**(1,197)**
Lease liabilities as at 1 January 2019	**3,086**

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". 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. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

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 the incremental borrowing rate at the lease commencement date if 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 future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within 'interest-bearing bank and other borrowings' and 'due to related parties'), and the movement during the period are as follow:

	Right-of-use assets	**Lease liabilities**
	RMB'000	*RMB'000*
As at 1 January 2019	**31,184**	**3,086**
Additions	**3,405**	**3,405**
Depreciation expense	**(1,451)**	**—**
Interest expense	**—**	**110**
Payments	**—**	**(928)**
As at 30 June 2019	**33,138**	**5,673**

3. OPERATING SEGMENT INFORMATION

For the six months ended 30 June 2019	**ODM products**	**Brand products**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Segment revenue			
Sales to external customers	**94,023**	**33,581**	**127,604**
Segment results	**24,924**	**(4,379)**	**20,545**
Other income and gains			**2,589**
Corporate and other unallocated expenses			**(30,496)**
Finance costs			**(7,153)**
Loss before tax			**(14,515)**

For the six months ended 30 June 2018	ODM products	Brand products	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue			
Sales to external customers	85,006	41,430	126,436
Segment results	21,869	(1,655)	20,214
Other income and gains			2,315
Corporate and other unallocated expenses			(19,678)
Finance costs			(6,194)
Loss before tax			(3,343)

Geographic information

(a) *Revenue from external customers*

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**60,231**	65,202
United States of America	**30,826**	16,493
Japan	**14,209**	—
Germany	**8,902**	20,340
Netherlands	**2,321**	12,895
Other countries	**11,115**	11,506
Total	**127,604**	126,436

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.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of goods and provision of installation services	**127,604**	126,436

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2019

Segments	**ODM products** *RMB'000* **(Unaudited)**	**Brand products** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**
Type of goods or services			
Sale of goods	94,023	33,581	127,604
Geographical markets			
Mainland China	26,650	33,581	60,231
United States of America	30,826	—	30,826
Japan	14,209	—	14,209
Germany	8,902	—	8,902
Netherlands	2,321	—	2,321
Other countries	11,115	—	11,115
Total	94,023	33,581	127,604
Timing of revenue recognition			
Goods transferred at a point in time	94,023	33,581	127,604

For the six months ended 30 June 2018

Segments	ODM products *RMB'000* (Unaudited)	Brand products *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Type of goods or services			
Sale of goods	85,006	41,430	126,436
Geographical markets			
Mainland China	23,772	41,430	65,202
United States of America	16,493	—	16,493
Germany	20,340	—	20,340
Netherlands	12,895	—	12,895
Other countries	11,506	—	11,506
Total	85,006	41,430	126,436
Timing of revenue recognition			
Goods transferred at a point in time	85,006	41,430	126,436

5. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**77,124**	75,532
Depreciation of property, plant and equipment	**6,565**	6,776
Depreciation of right-of-use assets	**1,451**	—
Amortisation of prepaid land lease payments	**—**	317
Amortisation of intangible assets	**373**	372
Research and development costs	**9,831**	8,438
Minimum lease payments under operating lease	**677**	1,470
Government grants	**(645)**	(919)
Listing expense	**9,331**	2,057
Auditors' remuneration	**70**	56
Outsourced manufacturers	**11,286**	10,175
Employee benefit expense (excluding directors' and chief executive's remuneration)		
Wages and salaries	**23,298**	24,658
Pension scheme contributions	**1,650**	2,261
Welfare and other benefits	**518**	190
	25,466	27,109
Concession fees	**6,172**	8,051
Write-down of/(reversal of provision for write-down of) inventories to net realisable value	**(421)**	395
Impairment of financial and contract assets, net		
Impairment of trade receivables, net	**(282)**	(587)
Changes in fair value of investment properties	**(200)**	(498)
(Gain)/loss on disposal of items of property, plant and equipment	**(19)**	129
Bank interest income	**(159)**	(165)
Exchange differences, net	**(305)**	400

6. 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 was levied at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2019 and 2018. No provision for income tax in Hong Kong has been made as the Group did not generate any assessable profits in Hong Kong during the six months ended 30 June 2019 and 2018.

The provision for current income tax in Mainland China 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.

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current — Mainland China		
Charge for the period	**—**	(1)
Deferred	**(2,464)**	(397)
Total tax credit for the period	**(2,464)**	(398)

7. DIVIDENDS

No dividend was declared and paid by the Company since its incorporation.

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 period attributable to ordinary equity holders of the parent of RMB11,959,000 (2018: RMB2,774,000), and the weighted average number of ordinary shares of 1,008,333,333 shares in issue during the period (2018: weighted average number of 5,505,555 shares issued during the period and 820,327,778 shares, which were deemed to have been converted from share premium throughout the six months ended 30 June 2018).

No adjustment has been made to the basic loss per share amount presented for the period ended 30 June 2019 and 2018 in respect of a dilution as there are no dilutive potential ordinary shares.

The calculations of basic and diluted loss per share are based on:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent	**11,959**	2,774

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period	**1,008,333,333**	5,505,555
Effect of conversion of share premium	**—**	820,327,778
	1,008,333,333	825,833,333

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired assets with a cost of RMB20,070,000 (30 June 2018: RMB1,797,000).

Assets (other than those classified as held for sale) with a net book value of RMB66,000 were disposed by the Group during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB154,000), resulting in a net gain on disposal of RMB19,000 (six months ended 30 June 2018: net loss on disposal of RMB129,000).

10. TRADE RECEIVABLES

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:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**83,409**	91,585
3 to 6 months	**6,420**	774
6 to 12 months	**3,797**	497
1 to 2 years	**244**	657
2 to 3 years	**198**	181
Over 3 years	**—**	—
	94,068	93,694

11. TRADE AND BILLS PAYABLES

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**33,850**	38,761
3 to 6 months	**8,683**	24,016
6 to 12 months	**169**	171
Over 12 months	**226**	799
	42,928	63,747

12. SHARE CAPITAL

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 RMB149,737,000). 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 US$0.01 each.

13. CONTINGENT LIABILITIES

As at 30 June 2019 and 2018, the Group had no significant contingent liabilities.

14. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Land and buildings	**30,332**	43,662
Plant and machinery	**7,570**	9,559
	37,902	53,221

15. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties during the period:

		For the six months ended 30 June	
		2019	2018
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
Loans granted to entities of which the chairman of the Company is a controlling shareholder:			
Deshipu New Material Co., Ltd.	*(i)*	**13,993**	74,350
Bode Holding Co., Ltd.	*(i)*	**—**	7,550
		13,993	81,900
Loans granted to a director:			
Mr. Luo Weixing	*(ii)*	**—**	150
Purchase of materials from an entity of which the chairman of the Company is a controlling shareholder:			
Deshipu New Material Co., Ltd.	*(iii)*	**5,471**	8,672

	Notes	For the six months ended 30 June **2019** ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Unaudited)
Sales of products to entity of which the chairman of the Company is a controlling shareholder:			
Deshipu New Material Co., Ltd.	*(iii)*	**48**	—
Zhejiang Deshipu Polyamide Technology Co., Ltd. ("**Deshipu Polyamide**")	*(iii)*	**332**	320
		380	320
Property lease from an entity of which the chairman of the Company is a controlling shareholder:			
Bode Holding Co., Ltd.	*(iv)*	**3,405**	—

Notes:

(i) The loans and payables were unsecured, non-interest bearing and repayable on demand.

(ii) The loan granted to a director is unsecured, non-interest-bearing and repayable on demand.

(iii) 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.

(iv) The property lease from the related party was made according to the market price and conditions.

(b) Other transactions with related parties:

(i) Bode Holding Co. Ltd., an entity controlled by the chairman of the Company, has guaranteed certain of the Group's bank loans of up to RMB83,100,000 as at 30 June 2019 (31 December 2018: RMB50,100,000).

(ii) Deshipu New Material Co., Ltd., an entity controlled by a shareholder, has guaranteed certain of the Group's bank loans of up to RMB30,000,000 as at 30 June 2019 (31 December 2018: nil).

(iii) Mr. Jin Guojun, the Chairman, has guaranteed certain of the Group's bank loans of up to RMB213,000,000 as at 30 June 2019 (31 December 2018: RMB85,400,000).

(iv) Ms. Gong Lijin, a shareholder and the wife of the Chairman, has guaranteed certain of the Group's bank loans of up to RMB213,000,000 as at 30 June 2019 (31 December 2018: RMB85,400,000).

(v) Mr. Jin Guojun and Ms. Gong Lijin have guaranteed certain of the Group's bank loans of up to RMB117,100,000 as at 30 June 2019 (31 December 2018: RMB170,200,000).

(vi) Mr. Jin Chunlong, a shareholder of the Company, has guaranteed certain of the Group's bank loans of nil as at 30 June 2019 (31 December 2018: RMB8,400,000).

(c) Outstanding balances with related parties:

The Group had an outstanding balance due to and due from companies of which the chairman of the Company is a controlling shareholder of RMB9,024,000 (31 December 2018: RMB46,000) and RMB375,000 (31 December 2018: RMB11,844,000), respectively, as at the end of the reporting period. Among the outstanding balance due to related parties as at 30 June 2019 was a lease liability of RMB3,479,000, which bears an interest of 4.75% per annum. The remaining part of the balance is unsecured, interest-free and has no fixed terms of repayment.

(d) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short term employee benefits	**1,186**	809
Post-employment benefits	**34**	28
Total compensation paid to key management personnel	**1,220**	837

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operations Review

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

During the six months ended 30 June 2019, the Group's total revenue amounted to approximately RMB127.6 million, representing an increase of approximately 0.9% as compared to the corresponding period last year (2018: approximately RMB126.4 million). Such increase was primarily due to the growth in ODM products segment revenue driven by the Company's expansion into the Japanese market. The Group recorded a gross profit of approximately RMB50.5 million (2018: approximately RMB50.9 million) with a gross profit margin of approximately 39.6% (2018: approximately 40.3%).

The Group recorded a loss for the six months ended 30 June 2019 attributable to owners of the Company of approximately RMB12.0 million (2018: approximately RMB2.8 million). The loss-making for the six months ended 30 June 2019 was mainly attributable to the increase in (i) listing related 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"; (ii) administrative expenses due to the hiring of additional managers and executives; and (ii) finance costs as a result of the increase in interest on bank loans and interest on other borrowings. The revenue of the Group is expected to remain relatively stable for the six months ended 30 June 2019 as compared to the corresponding period in 2018.

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$133.7 million.

Brand management

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

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

Sales network

The Group sells its branded products principally through an extensive and structured nationwide retail network in the PRC. In order to optimise cost-effectiveness of the Group's outlets, the Group continued to streamline its retail network in the PRC during the six months ended 30 June 2019. The Group appropriately optimised its retail network by closing retail outlets with less satisfactory financial or operational performance so as to enhance the overall efficiency of its sales network.

As at 30 June 2019, the Group had 145 self-operated retail outlets (comprising 138 self-operated concession counters and 7 self-operated standalone stores) and 43 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 188 (comprising 145 self-operated retail outlets and 43 franchised retail outlets) as at 30 June 2019. During the six months ended 30 June 2019, there was a net decrease of 8 self-operated retail outlets of the Group, and a net decrease of 2 franchised retail outlets in light of the Group's strategy in maintaining an effective retail network in the PRC by developing the "U+ Bonny" outlets and closing down self-operated retail outlets with less satisfactory financial or operational performance. To a lesser extent, some of the Group's retail outlets closed due to expiry or early termination of concession agreements with the relevant department stores or shopping malls.

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

Product design, research and development

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

During the six months ended 30 June 2019, the Group introduced 81 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 six months ended 30 June 2019, expenses for product resign, research and development was approximately RMB9.8 million (2018: approximately RMB8.4 million).

As at 30 June 2019, the Group had a total of 77 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. The Group intends to expand its research and development efforts and capability by recruiting additional research and development personnel and installing 20 additional seamless circular knitting machines at its Beiyuan Production Site (the Group's production base located at Beiyuan Street, Yiwu, Zhejiang Province, the PRC) specifically designated for product research and development purposes.

Production capacity

Currently the Group only conducts its production operations at Suxi Production Site (the Group's production base located at Suxi Town in Yiwu, Zhejiang Province, the PRC). The construction of phase I of Beiyuan Production Site completed in September 2016 and phase II of Beiyuan Production Site is under construction and has progressed as scheduled expecting to be completed in around December 2019. The Group plans to install 100 additional seamless circular knitting machines and to acquire other ancillary facilities by the end of 2019, as well as to install another 100 seamless circular knitting machines by the end of June 2020. The first batch of seamless circular knitting machines have been delivered to the Group in July 2019 and are being installed at the existing production buildings of phase I of the Beiyuan Production Site, expected to commence production in September 2019.

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 approximately 790 as at 30 June 2019 (31 December 2018: approximately 737). The employee benefit expense (excluding directors' and chief executive's remunerations) for the six months ended 30 June 2019 was approximately RMB25.5 million (2018: approximately RMB27.1 million). The service fee payment to the employment agent for the six months ended 30 June 2019 was approximately RMB35,000 (2018: approximately RMB23,000).

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 six months ended 30 June 2019 was approximately RMB13.7 million (2018: approximately RMB11.9 million).

Financial Review

Revenue

Revenue for the six months ended 30 June 2019 was approximately RMB127.6 million, representing an increase of approximately RMB1.2 million, or approximately 0.9%, from approximately RMB126.4 million for the corresponding period last year.

The ODM products segment revenue for the six months ended 30 June 2019 was approximately RMB94.0 million, representing an increase of approximately RMB9.0 million, or approximately 10.6%, from segment revenue of approximately RMB85.0 million for the corresponding period last year. This increase was primarily due to the increase in overseas ODM sales.

The brand products segment revenue for the six months ended 30 June 2019 was approximately RMB33.6 million, representing a decrease of approximately RMB7.8 million, or approximately 23.2% for the corresponding period last year (2018: approximately RMB41.4 million). Such decrease was primarily due to the decrease in the number of "Bonny" retail outlets.

Gross Profit

Gross profit for the six months ended 30 June 2019 was approximately RMB50.5 million, representing a decrease of approximately RMB0.4 million, or approximately 0.8%, from approximately RMB50.9 million for the for the corresponding period last year due to the decrease in branded sales product revenue.

Segment gross profit for ODM products for the six months ended 30 June 2019 was approximately RMB28.9 million which increased from approximately RMB24.7 million for the corresponding period last year due to the increase in export trade income.

Segment gross profit for brand products for six months ended 30 June 2019 was approximately RMB21.5 million, which decreased for the corresponding period last year (2018: approximately RMB26.2 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 six months ended 30 June 2019 was approximately RMB2.6 million, representing an increase of approximately RMB0.3 million, or approximately 13.0%, from approximately RMB2.3 million for the corresponding period last year. The increase was primarily due to the increase in rental income received from phase I of our Beiyuan Production Site.

Selling and Distribution Expenses

Selling and distribution costs for the six months ended 30 June 2019 were approximately RMB29.9 million, which was similar to that for the corresponding period last year of approximately RMB30.7 million.

Administrative and Other Expenses

Administrative and other expenses for the six months ended 30 June 2019 were approximately RMB30.2 million, as compared to approximately RMB19.1 million for the corresponding period last year due to the incurred listing expenses and the increase in administrative expenses due to the hiring of additional managers and executives.

Listing Expenses

Listing expenses for the six months ended 30 June 2019 were approximately RMB9.3 million, as compared to approximately RMB2.1 million for the corresponding period last year.

Finance Costs

Finance costs for the six months ended 30 June 2019 were approximately RMB7.2 million, which increased as compared to the corresponding period last year (2018: approximately RMB6.2 million) due to the increase in interest on bank loans and interest on other borrowings.

Income Tax Credit

Income tax credit for the six months ended 30 June 2019 were approximately RMB2.5 million, which increased as compared to the corresponding period last year (2018: approximately RMB0.4 million) as the loss before tax for the six months ended 30 June 2019 was greater than the loss before tax for the six months ended 30 June 2018, resulting in an increase in deductible tax losses and deferred tax income.

Loss Attributable to Ordinary Equity Holders of the Parent

As a result of foregoing, loss attributable to ordinary equity holders of the parent for the six months ended 30 June 2019 was approximately RMB12.0 million, representing an increase of approximately RMB9.2 million, or approximately 328.6%, from approximately RMB2.8 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, the Group will continue to enhance product design and research and development capability, as well as develop diversified products based on market needs. To strengthen the Group's research and development capability and technical expertise, the Group intends to install 20 additional seamless circular knitting machines at the Group's Beiyuan Production Site specifically designated for product research and development purposes, and recruit additional research and development personnel.

In implementing the Group's capacity expansion plan, phase II of Beiyuan Production Site is under construction and is scheduled for completion in around December 2019. By the end of June 2020, the Group also plans to install 200 additional seamless circular knitting machines, which will be delivered to the Group in batches, as well as to acquire other ancillary facilities. With the first batch of seamless circular knitting machines already delivered to the Group in July 2019 and expected to commence production in September 2019, the Group will continue to invest in acquiring and installing seamless circular knitting machines.

The Group expects its production capacity for seamless products at the end of 2019 to increase by approximately 40% as compared to that for the year ended 31 December 2018. It is expected that the expanded production capacity will be sufficient to meet the Group's expansion needs.

Leveraging the solid business foundation, diversified product portfolio and outstanding product quality and design, the Group is confident of capitalising on market trends and fostering steady business growth so as to generate satisfactory returns to its shareholders in the long term.

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 30 June 2019, the Group had cash and cash equivalents of approximately RMB95.6 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 six months ended 30 June 2019. The interest-bearing liabilities as at 30 June 2019 was approximately RMB249.5 million (2018: approximately RMB253.1 million) with interest rates ranging from approximately 3.8% to 10.8% per annum. The Group's gearing ratio as at 30 June 2019, calculated based on the total borrowings to the equity attributable to owners of the Company, was approximately 115.0% (31 December 2018: approximately 214.8%). The Group recorded net current asset of approximately RMB43.9 million as of 30 June 2019, primarily due to the proceeds from the Listing. Following the completion of the construction of phase II of the Beiyuan Production Site by the end of 2019, the Group does not have any plan to incur 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 Directors expect the Group's net current asset position and net debt to equity ratio to improve after 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 six months ended 30 June 2019. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. During the six months ended 30 June 2019, no forward foreign exchange or hedging contracts had been entered into by the Group. The Group will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

MATERIAL ACQUISITIONS AND DISPOSALS

For the six months ended 30 June 2019, the Group has made no material acquisitions or disposals of subsidiaries, associates and joint ventures.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any significant contingent liabilities.

USE OF PROCEEDS

The net proceeds of the Group raised from the initial public offering were approximately HK$133.7 million, after deducting the underwriting fees, commissions and other listing expenses. The net proceeds will be used in the manner as set out in the section of "Future Plans and Use of Proceeds" in the Prospectus and the announcement of the Company dated 24 May 2019. The unutilised amount of net proceeds at the date of this announcement are placed in licensed banks in Hong Kong and the PRC.

SUBSEQUENT EVENT

No subsequent events occurred after 30 June 2019 which may have a significant effect on the assets and liabilities or future operations of the Group.

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 participants.

SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 June 2019, the Group did not hold any significant investment in equity interest in any other company.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The shares of the Company were first listed on the Main Board of the Stock Exchange on the Listing Date. Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the period from the Listing Date and up to the date of this announcement.

CORPORATE GOVERNANCE MEASURES

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

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

Save as disclosed above, during the period from the Listing Date and up to 30 June 2019, the Company has complied with the CG Code.

AUDIT COMMITTEE

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

The Audit Committee has reviewed with management the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2019, the accounting principles and practices adopted and discussed auditing, internal control and financial reporting matters.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Upon specific enquiry, all Directors have confirmed that they have complied with the Model Code during the period from the Listing Date and up to 30 June 2019. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the period from the Listing Date and up to 30 June 2019.

INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the six months ended 30 June 2019 (30 June 2018: nil).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement of the Group for the six months ended 30 June 2019 is available for viewing on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.bonnychina.com.

An interim report of the Group for the six months ended 30 June 2019, containing all the information required by the Listing Rules, will be despatched to the shareholders of the Company and published on the above websites in due course.

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

Hong Kong, 28 August 2019

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