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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

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 2021 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2020, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	<i>Note</i>	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
REVENUE	4	125,279	151,906
Cost of sales		<u>(91,852)</u>	<u>(91,921)</u>
Gross profit		33,427	59,985
Other income and gains		30,988	2,687
Selling and distribution expenses		(25,693)	(22,798)
Administrative expenses		(13,631)	(10,488)
(Impairment)/reversal of impairment losses on financial and contract assets, net		(75)	668
Other expenses		(13,174)	(9,944)
Finance costs		<u>(2,656)</u>	<u>(5,910)</u>

	<i>Notes</i>	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
PROFIT BEFORE TAX	5	9,186	14,200
Income tax credit/(expense)	6	<u>278</u>	<u>(1,780)</u>
PROFIT FOR THE PERIOD		<u>9,464</u>	<u>12,420</u>
Attributable to:			
Owners of the parent		9,468	12,473
Non-controlling interests		<u>(4)</u>	<u>(53)</u>
		<u>9,464</u>	<u>12,420</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
— Basic and diluted		<u>RMB0.8 cent</u>	<u>RMB1.0 cent</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	9,464	12,420
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>2,775</u>	<u>(2,020)</u>
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(2,915)	2,799
Gains on property revaluation	9,601	—
Income tax effect	<u>(1,440)</u>	<u>—</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>5,246</u>	<u>2,799</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>8,021</u>	<u>779</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>17,485</u>	<u>13,199</u>
Attributable to:		
Owners of the parent	17,489	13,252
Non-controlling interest	<u>(4)</u>	<u>(53)</u>
	<u>17,485</u>	<u>13,199</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

		30 June 2021	31 December 2020
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		241,878	222,679
Advance payments for property, plant and equipment		9,408	18,178
Investment properties		14,080	—
Right-of-use assets		24,772	25,566
Intangible assets		722	937
Deferred tax assets		9,325	—
Other non-current assets		5,170	5,170
		<hr/>	<hr/>
Total non-current assets		305,355	272,530
CURRENT ASSETS			
Inventories		152,099	168,772
Trade receivables	10	62,750	70,781
Prepayments, deposits and other receivables		41,520	28,446
Assets held for sale		—	59,503
Due from related parties	15	3,609	8,710
Pledged deposits		1,053	1,542
Cash and cash equivalents		8,530	48,259
		<hr/>	<hr/>
Total current assets		269,561	386,013
CURRENT LIABILITIES			
Trade and bills payables	11	24,425	34,986
Advances from customers, other payables and accruals		75,637	147,325
Interest-bearing bank and other borrowings		95,178	124,152
Tax payable		15,149	1,080
		<hr/>	<hr/>
Total current liabilities		210,389	307,543

		30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NET CURRENT ASSETS		<u>59,172</u>	<u>78,470</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>364,527</u>	<u>351,000</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		388	366
Provision		927	927
Deferred tax liabilities		—	3,980
Total non-current liabilities		<u>1,315</u>	<u>5,273</u>
Net assets		<u><u>363,212</u></u>	<u><u>345,727</u></u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	12	80,827	80,827
Share premium		205,242	205,242
Other reserves		<u>76,067</u>	<u>58,578</u>
		362,136	344,647
Non-controlling interests		<u>1,076</u>	<u>1,080</u>
Total equity		<u><u>363,212</u></u>	<u><u>345,727</u></u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has 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 for the year ended 31 December 2020.

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 consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period's financial information.

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

Interest Rate Benchmark Reform — Phase 2

Amendment to HKFRS 16

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

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“**RFR**”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had no interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and the London Interbank Offered Rate (“LIBOR”) as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. Since there was no rent concessions granted by the lessors after 30 June 2020, the amendment did not have any impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

Six months ended 30 June 2021	ODM products RMB'000 (Unaudited)	Brand products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue			
Sales to external customers	<u>95,435</u>	<u>29,844</u>	<u>125,279</u>
Segment results	<u>14,675</u>	<u>(6,941)</u>	<u>7,734</u>
Other income and gains			30,988
Corporate and other unallocated expenses			(26,880)
Finance costs			<u>(2,656)</u>
Profit before tax			<u><u>9,186</u></u>

Six months ended 30 June 2020	ODM products <i>RMB'000</i> (Unaudited)	Brand products <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment revenue			
Sales to external customers	127,041	24,865	151,906
Segment results	42,853	(5,666)	37,187
Other income and gains			2,687
Corporate and other unallocated expenses			(19,764)
Finance costs			(5,910)
Profit before tax			<u>14,200</u>

Geographic information

(a) *Revenue from external customers*

	For the six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Mainland China	73,921	114,535
United States of America	28,970	16,560
Japan	5,287	3,930
Germany	3,787	10,579
Netherlands	9,326	75
Other countries or regions	3,988	6,227
Total	<u>125,279</u>	<u>151,906</u>

The revenue information above is based on the shipment destinations.

(b) *Non-current assets*

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

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Revenue from contracts with customers	<u>125,279</u>	<u>151,906</u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2021

Segments	ODM products <i>RMB'000</i> (Unaudited)	Brand products <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Type of goods or services			
Sale of goods	<u>95,435</u>	<u>29,844</u>	<u>125,279</u>
Geographical markets			
Mainland China	44,077	29,844	73,921
United States of America	28,970	—	28,970
Japan	5,287	—	5,287
Germany	3,787	—	3,787
Netherlands	9,326	—	9,326
Other countries or regions	<u>3,988</u>	<u>—</u>	<u>3,988</u>
Total	<u><u>95,435</u></u>	<u><u>29,844</u></u>	<u><u>125,279</u></u>
Timing of revenue recognition			
Goods transferred at a point in time	<u><u>95,435</u></u>	<u><u>29,844</u></u>	<u><u>125,279</u></u>

For the six months ended 30 June 2020

Segments	ODM products <i>RMB'000</i> (Unaudited)	Brand products <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Type of goods or services			
Sale of goods	127,041	24,865	151,906
Geographical markets			
Mainland China	89,670	24,865	114,535
United States of America	16,560	—	16,560
Japan	3,930	—	3,930
Germany	10,579	—	10,579
Netherlands	75	—	75
Other countries or regions	6,227	—	6,227
Total	127,041	24,865	151,906
Timing of revenue recognition			
Goods transferred at a point in time	127,041	24,865	151,906

5. PROFIT BEFORE TAX

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

	For the six months ended	
	30 June	
	2021	2020
	RMB'000	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold	91,852	91,921
Depreciation of property, plant and equipment	6,961	6,372
Depreciation of right-of-use assets	1,688	2,479
Amortisation of intangible assets	215	322
Research and development costs	12,076	9,676
Government grants	(599)	(1,119)
Outsourced manufacturers	12,809	26,293
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	23,001	21,766
Pension scheme contributions	1,524	1,467
Welfare and other benefits	1,239	307
	25,764	23,540
Concession fees	4,346	3,600
(Reversal of provision for write-down of)/write-down of inventories to net realisable value	(514)	748
Impairment/(reversal of impairment) of trade receivables, net	75	(668)
Loss/(gain) on disposal of items of property, plant and equipment	1,074	(89)
Bank interest income	(26)	(135)
Other interest income	—	(374)
Gain on government acquisition	(30,185)	—
Exchange differences, net	24	198

6. INCOME TAX EXPENSE

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

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

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

Zhejiang Bonny Fashion Holding Group Co., Ltd., a subsidiary of the Company is qualified as a High and New Technology Enterprise and was entitled to a preferential income tax rate of 15% (2020: 15%) during the year.

	For the six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Current		
Credit/(charge) for the period	14,467	(594)
Deferred	(14,745)	(1,186)
Total tax charge for the period	<u>(278)</u>	<u>(1,780)</u>

7. DIVIDENDS

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

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,200,000,000 (2020: 1,200,000,000) in issued during the period.

No adjustment has been made to the basic profit or loss per share amount presented for the period ended 30 June 2021 and 2020 in respect of a dilution as there are no dilutive potential ordinary shares.

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

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>9,413</u>	<u>12,473</u>
	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the period	<u>1,200,000,000</u>	<u>1,200,000,000</u>

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired assets at a cost of RMB25,064,000 (30 June 2020: RMB57,871,000).

Assets (other than those classified as held for sale) with a net book value of RMB1,196,000 were disposed of by the Group during the six months ended 30 June 2021 (30 June 2020: RMB111,000), resulting in a net loss on disposal of RMB1,074,000 (30 June 2020: net gain on disposal of RMB89,000).

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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 3 months	32,926	37,769
3 to 6 months	1,275	4,309
6 to 12 months	5,974	9,648
1 to 2 years	13,950	18,973
2 to 3 years	8,625	82
	<u>62,750</u>	<u>70,781</u>

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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 3 months	18,623	17,214
3 to 6 months	3,664	8,515
6 to 12 months	582	7,832
Over 12 months	1,556	1,425
	<u>24,425</u>	<u>34,986</u>

12. SHARE CAPITAL

Shares

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Issued and fully paid: 1,200,000,000 (31 December 2020: 1,200,000,000) ordinary shares	<u>80,827</u>	<u>80,827</u>

13. CONTINGENT LIABILITIES

As at 30 June 2021, the Group has contingent liabilities due to the following lawsuits:

- (a) A subsidiary of the Group is currently a defendant in a lawsuit brought by A Barcs & Co. Nominees Pty. Ltd. (“**BARCS**”) that the subsidiary breached a contract to deliver face masks and BARCS asked the subsidiary to pay the interest of advance payments and the losses generated from transportation, warehousing and delayed delivery amounting to AUD3,100,000 and USD48,000, respectively. The directors, based on the advice from the Group’s legal counsel, believe that the subsidiary has a valid defence against the allegation and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs. Besides, the Group also sued BARCS and asked to continue to carry out the contract.
- (b) A subsidiary of the Group is in a lawsuit brought by E&B Trading Co., Ltd (“**E&B**”) that the subsidiary breached a procurement contract pursuant to which E&B procured face masks from the subsidiary. E&B claimed for RMB1,360,000, which is two times of the deposit paid by E&B, as well as the termination of the contract and legal costs. Based on the advice from the external legal counsel in the PRC, the directors believe that E&B defaulted the contract at the beginning, thus, the subsidiary has not provided for any claim arising from the litigation, other than the related legal and other costs.

14. COMMITMENTS

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

	30 June 2021 RMB’000 (Unaudited)	31 December 2020 RMB’000 (Audited)
Contracted, but not provided for:		
Land and buildings	<u>90,850</u>	<u>93,831</u>

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	
		2021	2020
		RMB'000	RMB'000
<i>Note</i>		(Unaudited)	(Unaudited)
	Prepayments to an entity of which the sister of the chairman of the Company is a controlling shareholder: Zhejiang Deshipu New Material Technology Co., Ltd. (“ Deshipu New Material ”)	<u>—</u>	<u>80,875</u>
	Interest income from: Deshipu New Material	<u>—</u>	<u>374</u>
	Purchase of materials from: Deshipu New Material	<u>4,161</u>	<u>15,569</u>
	Sales of goods to: Deshipu New Material	<u>—</u>	<u>255</u>

Note:

- (i) The purchases of materials from the related party and sales of products to the related party were made according to the published prices and conditions offered by the related party to its major customers, respectively.
- (b) Other transactions with related parties :
- (i) Bode Holding Co. Ltd., an entity controlled by the Chairman’s sister, has guaranteed certain of the Group’s bank loans of up to RMB66,000,000 as at 30 June 2021 (31 December 2020: RMB83,100,000).
- (ii) Deshipu New Material, an entity controlled by the Chairman’s sister, has guaranteed certain of the Group’s bank loans of nil as at 30 June 2021 (31 December 2020: RMB30,000,000).
- (iii) Mr. Jin Guojun, the Chairman, has guaranteed certain of the Group’s bank loans of up to RMB303,020,000 as at 30 June 2021 (31 December 2020: RMB316,020,000).

- (iv) Ms. Gong Lijin, a shareholder and the wife of the Chairman, has guaranteed certain of the Group's bank loans of up to RMB303,020,000 as at 30 June 2021 (31 December 2020: RMB316,020,000).
- (v) Mr. Jin Guojun and Ms. Gong Lijin have guaranteed certain of the Group's bank loans of up to RMB108,700,000 as at 30 June 2021 (31 December 2020: RMB117,100,000).

(c) Outstanding balances with related parties:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Due from related parties		
Deshipu New Material	3,335	8,437
<i>Trade (i)</i>	1,076	6,178
<i>Non-trade (ii)</i>	2,259	2,259
Bode Holding Co., Ltd. (ii)	274	273
	3,609	8,710

The balances with related parties are unsecured, interest-free and repayable on demand.

- (i) The balances with related parties above are trade in nature.
- (ii) The balances with related parties above are non-trade in nature.

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

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Short term employee benefits	1,267	1,124
Post-employment benefits	34	9
Total compensation paid to key management personnel	1,301	1,133

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 of original design manufacturer (“ODM”) products and branded products. The Group focuses on providing one-stop in-house intimate wear manufacturing solutions to the Group’s 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.

During the Reporting Period, the Group’s total revenue amounted to approximately RMB125.3 million, representing a decrease of approximately 17.5% as compared to the corresponding period last year (2020: approximately RMB151.9 million). Such decrease was primarily due to the decline in face mask orders. The Group recorded a gross profit of approximately RMB33.4 million (2020: approximately RMB60.0 million) with a gross profit margin of approximately 26.7% (2020: approximately 39.5%).

The Group recorded a profit attributable to owners of the Company for the Reporting Period of approximately RMB9.5 million (2020: approximately RMB12.5 million). The profit for the Reporting Period was mainly attributable to the recognition of gain from the acquisition of the production site of the Group at Suxi Town, Yiwu, Zhejiang, the PRC (the “**Suxi Production Site**”) by the government during the Reporting Period.

The Group had a provision in the amount of approximately RMB0.1 million as at 30 June 2021 for the non-compliance of Shanghai Bonny Apparel Co., Ltd.* (上海博尼服裝有限公司) (“**Shanghai Bonny**”) with the Regulations on the Administration of Housing Provident Fund of the PRC (《中華人民共和國住房公積金管理條例》) and a provision in the amount of nil as at 30 June 2021 for the non-compliance of Shanghai Bonny with the Social Insurance Law of the PRC (《中華人民共和國社會保險法》). The amount of outstanding housing provident fund contribution of Shanghai Bonny for the Reporting Period was approximately RMB0.4 million and the amount of social insurance payment underpaid by Shanghai Bonny for the Reporting Period was approximately RMB0.2 million.

* Denotes the English translation of the PRC entities and is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities and their English translations, the Chinese names shall prevail.

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, sponsorship to modelling competitions, and participation 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 has continued to streamline its retail network in the PRC during the Reporting Period. The Group appropriately optimised its retail network by closing retail outlets with less satisfactory financial or operational performance so as to enhance the overall efficiency of its sales network.

As at 30 June 2021, the Group had 137 self-operating retail outlets (comprising 130 self-operating concession counters and 7 self-operating standalone stores) and 42 franchised retail outlets, covering 17 provinces, municipalities and autonomous regions in the PRC, and did not involve distributors or multiple layers of franchisees. As at 30 June 2021, the total number of the Group's retail outlets was 179, which is consistent with the same period in 2020.

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

PRODUCT DESIGN, RESEARCH AND DEVELOPMENT

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

During the Reporting Period, the Group introduced 120 distinct types of products in terms of style, size and colour under different product categories for the Group's branded sales into the domestic retail market. For the Reporting Period, expenses for product design, research and development was approximately RMB12.1 million (2020: approximately RMB9.7 million).

As at 30 June 2021, the Group had a total of 80 registered trademarks in the PRC, 1 registered trademark in Hong Kong, 4 registered domain names, 14 registered software copyrights in the PRC, and 30 registered patents in the PRC, including 3 invention patents and 27 utility model patents.

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

PRODUCTION CAPACITY

On 31 December 2020 (after trading hours), Zhejiang Bonny Fashion Holding Group Co., Ltd.* (浙江博尼時尚控股集團有限公司) (“**Zhejiang Bonny**”), a wholly-owned subsidiary of the Company, entered into a disposal agreement with the People's Government of Suxi, Yiwu, Zhejiang, the PRC (the “**Local Government**”) and the Local Government's nominee, pursuant to which Zhejiang Bonny will sell a parcel of land of approximately 40,000 square meters located at 168 Haopai Road, Suxi, the PRC together with the buildings thereon to the Local Government. Since the disposal of the Suxi Production Site on 31 December 2020, the Company has relocated its production and office facilities to the production site of the Group at Beiyuan Street, Yiwu, Zhejiang, the PRC (the “**Beiyuan Production Site**”). Phase I and Phase II of the Beiyuan Production Site have commenced operation officially since January 2021. During the Reporting Period, there was no change in the seamless production capacity of the Company.

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 756 as at 30 June 2021 (31 December 2020: 720). The employee benefit expense (excluding directors' and chief executive's remunerations) for the Reporting Period was approximately RMB25.8 million (2020: approximately RMB23.5 million). The service fee payment to the employment agent for the Reporting Period was nil (2020: approximately RMB42,772).

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 RMB12.8 million (2020: approximately RMB26.3 million).

FINANCIAL REVIEW

Revenue

Revenue for the Reporting Period was approximately RMB125.3 million, representing a decrease of approximately RMB26.6 million, or approximately 17.5%, from approximately RMB151.9 million for the corresponding period last year.

Revenue of the ODM products segment for the Reporting Period was approximately RMB95.4 million, representing a decrease of approximately RMB31.6 million, or approximately 24.9%, from segment revenue of approximately RMB127.0 million for the corresponding period last year. This decrease was primarily due to the decline in orders for facial masks. During the reporting period, due to the significant increase in the market supply and severe drop of the price of facial mask products, the Group allocated more time and resources on its principal business of seamless and traditional intimate wear products.

Revenue of the brand products segment revenue for the Reporting Period was approximately RMB29.8 million, representing an increase of approximately RMB4.9 million, or approximately 19.7% from approximately RMB24.9 million for the corresponding period last year. Such increase was primarily due to the increase in business hours and customer flow as the pandemic was under effective control during the Reporting Period.

Gross Profit

Gross profit for the Reporting Period was approximately RMB33.4 million, representing a decrease of approximately RMB26.6 million, or approximately 44.3%, from approximately RMB60.0 million for the corresponding period last year due to (i) the decrease in revenue from ODM business as a result of the decline in orders for facial masks; (ii) the higher production costs as a result of relocation from Suxi Production Site to the Beiyuan Production Site and price increase in raw material and (iii) appreciation of Renminbi.

Other Income and Gains

Other income and gains for the Reporting Period was approximately RMB31.0 million, representing an increase of approximately RMB28.3 million, or approximately 1,048.1%, from approximately RMB2.7 million for the corresponding period last year. The increase was primarily due to the gain on government acquisition of the Suxi Production Site.

Selling and Distribution Expenses

Selling and distribution costs for the Reporting Period were approximately RMB25.7 million, representing an increase of approximately RMB2.9 million, or approximately 12.7%, from approximately RMB22.8 million for the corresponding period last year. The increase was primarily due to significant increase in staff remuneration and social insurance payment as compared with the pandemic period last year.

Administrative and Other Expenses

Administrative and other expenses for the Reporting Period were approximately RMB26.8 million, representing an increase of approximately RMB6.4 million, or approximately 31.4%, from approximately RMB20.4 million for the corresponding period last year due to (i) the increase in staff remuneration and welfare expenses; (ii) the increase in research and development expenses; and (iii) the increase in depreciation of fixed assets.

Finance Costs

Finance costs for the Reporting Period were approximately RMB2.7 million, representing a decrease of approximately RMB3.2 million, or approximately 54.2%, from approximately RMB5.9 million for the corresponding period last year due to the decrease in loan interests as a result of the reduction in bank loans.

Income Tax Credit

Income tax credit for the Reporting Period were approximately RMB0.3 million as compared to the income tax expenses of RMB1.8 million for the corresponding period last year. The income tax credit incurred during the Reporting Period was due to higher deductible amount of research and development expenses for the Reporting Period.

Total Comprehensive Profit Attributable to Owners of the Parent

As a result of foregoing, total comprehensive profit attributable to owners of the parent for the Reporting Period was approximately RMB17.5 million, representing an increase of approximately RMB4.2 million, or approximately 31.6%, from approximately RMB13.3 million for the corresponding period last year.

FUTURE PLAN AND PROSPECTS

In the second half of 2021, the Group's principal activities will still be affected by the unfavorable factors including the fluctuations in the external condition and exchange rate and the increases in costs and expenses. The Group will continue to take the following steps to mitigate the effect of the abovementioned risks and further improve our business operations, including:

- (i) establishing automatic and informatized production and management system and upgrading the intelligent production system to improve production efficiency and reduce labor cost;
- (ii) reducing costs and improving efficiency by refining internal management;
- (iii) putting efforts in supporting potential high-quality customers, in particular e-commerce customers;
- (iv) improving the brand image, providing more support to profit marking retail stores, enhancing the profitability of certain brands and extending online sales channels (including micronets, live-streaming sales and social media sales); and
- (v) increasing the investment in research and development for new product development to fulfil market and customers' demand.

Phase III of the Beiyuan Production Site is under construction and is expected to be completed by 30 June 2022. In order to ease the difficulties in recruitment, the Group intends to set up factories in regions with larger labor force. The Board will consider the additional purchase of seamless circular knitting machines and other ancillary equipment based on the needs from the expansion of productivity with unutilised proceeds as described in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 12 April 2019 and the announcements of the Company dated 24 May 2019 and 29 May 2020.

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 2021, the Group had cash and cash equivalents, which are mostly denominated in Renminbi, U.S. dollars and Hong Kong dollars currency unit, of approximately RMB8.5 million (31 December 2020: approximately RMB48.3 million). Such decrease was mainly a result of the decrease in new bank loans. The interest-bearing liabilities as at 30 June 2021 was approximately RMB95.6 million (31 December 2020: approximately RMB124.5 million) with interest rates ranging from approximately 4.15% to 5.66% per annum. The Group’s gearing ratio as at 30 June 2021, calculated based on net debts to the total capital and net debts, was approximately 33.9% (as at 31 December 2020: approximately 33.7%). The Group recorded net current asset of approximately RMB59.2 million as of 30 June 2021. The Group intends to incur material capital expenditure for construction of phase III of the Beiyuan Production Site upon obtaining additional bank loans. The management believes that the Group has maintained adequate financial resources to fulfil its working capital requirements. During the Reporting Period, no financial instruments had been used for hedging purpose.

FOREIGN EXCHANGE RISK

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

MATERIAL ACQUISITIONS AND DISPOSALS

For the Reporting Period, the Group did not make material acquisitions or disposals of subsidiaries, associates and joint ventures.

CAPITAL COMMITMENTS

As at 30 June 2021, the Group had total capital commitments of RMB90.8 million (as at 31 December 2020: RMB93.8 million), primarily related to the construction of phase III of the Beiyuan Production Site.

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

CONTINGENT LIABILITIES

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

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

PLEDGE OF ASSETS

As at 30 June 2021, save for (i) bank deposits of nil (as at 31 December 2020: RMB488,000) which were pledged for bills payables; (ii) the Group’s leasehold lands with a net carrying amounts of RMB21,489,000 (as at 31 December 2020: RMB21,740,000) and certain of the Group’s buildings and machinery and equipment with a net carrying amounts of approximately RMB103,614,000 (as at 31 December 2020: RMB106,121,000) which were pledged to secure general banking facilities, (iii) certain of the Group’s machinery and equipment with a net carrying amount of RMB17,050,000 (as at 31 December 2020: RMB17,586,000) were pledged to secure the property preservation applied by BARCS who has a legal arbitration of contract dispute with the Group; and (iv) the Group’s deposits with a net carrying amount of RMB1,053,000 (2020: 1,053,000) was frozen to secure the property preservation applied by E&B who has a legal dispute with a subsidiary of the Group, the Group did not pledge any other assets.

USE OF PROCEEDS

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

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

The table below sets out the use of net proceeds from the initial public offering and the unutilised amounts as at 30 June 2021:

Use of Net Proceeds	Planned allocation of Net Proceeds as stated in the Prospectus <i>HKD million</i>	Remaining net proceeds to be utilised for such item after revised allocation <i>HKD million</i>	Utilised amount as at 30 June 2021 <i>HKD million</i>	Unutilised amount as at 30 June 2021 <i>HKD million</i>	Expected timeline of fully utilization of the remaining proceeds
Beiyuan Production Site for expansion of our seamless production capacity					
— construction of phase II of the Beiyuan Production Site	26.3	(7.5) ^{Note 1,2}	26.3	—	N/A
— acquisition and implementation of additional production equipment at the Beiyuan Production Site	78.8	24.5	4.3	24.5	31 December 2026
Enhancing product design, research and development capability	13.1	(0.4) ^{Note 2}	13.1	—	N/A
Working capital and general corporate purposes	13.1	(0.7) ^{Note 2}	13.1	—	N/A
Acquisition mask production line and ancillary equipment and constructing medical mask production workshop	—	50	50	—	N/A
Total	<u>131.3</u>	<u>65.9</u>	<u>106.8</u>	<u>24.5</u>	

Notes: 1. The utilised amount for the construction of phase II of the Beiyuan Production Site exceeded the initially planned amount by HK\$7.5 million due to: (i) an additional amount utilised for an improved design of the factory blueprint in order to raise the utilisation rate of the production space and the quality of basic constructions; and (ii) multiple rounds of modifications to the construction blueprint and adjustments made in implementing the construction accordingly.

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

SUBSEQUENT EVENT

As at 30 June 2021 and up to the date of this announcement, the Group had no significant event occurred which would materially affect the Group's operating and financial performance.

EMPLOYEE AND REMUNERATION POLICY

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

SIGNIFICANT INVESTMENTS HELD

During the Reporting Period, the Group did not hold any significant investment in equity interest in any other company.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and the announcement of the Company dated 24 May 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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

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 Reporting Period, the Company has complied with all the applicable code provisions of the CG Code.

AUDIT COMMITTEE

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

The Audit Committee has reviewed with management the Group’s unaudited interim condensed consolidated financial statements for the six months ended 30 June 2021 and this interim results announcement, the accounting principles and practices adopted and discussed auditing, internal control and financial reporting matters. The Audit Committee is of the view that the applicable accounting standards and requirements have been complied with by the Company and that appropriate disclosure have been made.

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.

INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the Reporting Period (30 June 2020: nil).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement of the Group for the Reporting Period 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 Reporting Period, containing all the information required by the Listing Rules, will be despatched to the shareholders of the Company and published on the above websites in due course.

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

Hong Kong, 31 August 2021

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