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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)

FURTHER CHANGE IN USE OF PROCEEDS

References are made to the prospectus dated 12 April 2019 (the “**Prospectus**”) issued by Bonny International Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) in relation to the global offering of the Company (the “**Global Offering**”) and the announcement dated 29 May 2020 in relation to the change in use of proceeds of the Company (the “**Announcement**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as defined in the Prospectus and the Announcement.

FURTHER CHANGE IN USE OF PROCEEDS

After deducting professional fees, underwriting commissions and other fees and expenses payable by the Company in connection with the Global Offering, the Net Proceeds raised from the initial public offering were approximately HK\$131.3 million. As at the date of this announcement, the Group had utilised approximately HK\$106.8 million of the Net Proceeds, and the remaining balance of the unutilised Net Proceeds amounted to approximately HK\$24.5 million (the “**Unutilised Net Proceeds**”).

Having duly considered the general business environment and development needs, the board (the “**Board**”) of directors (the “**Directors**”) of the Company proposed to reallocate part of the Net Proceeds originally allocated for acquisition and implementation of additional production equipment at the Beiyuan Production Site to i) preparation for the construction of the Group’s proposed production base located at Yushan County, Shangrao, Jiangxi Province, China (the “**Jiangxi Shangrao Production Site**”); and ii) replenishment of general working capital. The adjusted allocation is as follows:

	Planned allocation of Net Proceeds as stated in the Prospectus <i>HKD million</i>	Amount utilised as at the date of this announcement <i>HKD million</i>	Amount unutilised as at the date of this announcement (before revised allocation) <i>HKD million</i>	Change in allocation of unutilised Net Proceeds <i>HKD million</i>	Amount unutilised as at the date of this announcement (after revised allocation) <i>HKD million</i>	Expected timeline for full utilisation
Beiyuan Production Site for expansion of our seamless production capacity						
— construction of phase II of the Beiyuan Production Site	26.3	26.3	0	—	—	N/A
— acquisition and implementation of additional production equipment at the Beiyuan Production Site	78.8	4.3 <i>(Note 1)</i>	24.5	(24.5)	0	N/A
Enhancing product design, research and development capability	13.1	13.1	0	—	—	N/A
Working capital and general corporate purposes	13.1	13.1	0	—	—	N/A
Acquisition mask production line and ancillary equipment and constructing medical mask production workshop	—	50.0 <i>(Note 1)</i>	0	—	—	N/A
Preparation for the construction of the Jiangxi Shangrao Production Site	—	—	—	5.5	5.5 <i>(Note 2)</i>	Before 31 December 2024
General working capital	—	—	—	19.0	19.0 <i>(Note 3)</i>	Before 31 December 2022
Total	131.3	106.8	24.5	0	24.5	

Notes:

- As disclosed in the Announcement, the Board reallocated approximately HK\$50 million from the unutilised Net Proceeds of approximately HK\$74.5 million originally allocated for the acquisition and implementation of additional production equipment at the Beiyuan Production Site to the acquisition of mask production line and ancillary equipment and constructing medical mask production workshop.
- The proposed preparation for the construction of the Jiangxi Shangrao Production Site will be made by way of operating lease of a plant located at Yushan County, Shangrao, Jiangxi Province, China. The unutilised amount (after revised allocation) will be mainly used for plant leasing, renovation and trial production.
- Net Proceeds of approximately HK\$19 million from the planned reallocation will be used for capital replenishment, representing approximately 14.5% of the Net Proceeds. Employee remuneration and procurement of raw materials will represent approximately 35% and 65% of the above reallocation, respectively.

REASONS FOR AND BENEFITS OF THE FURTHER CHANGE IN USE OF PROCEEDS

In the face of the outbreak of COVID-19 and the uncertainties brought by COVID-19 variants, coupled with the difficulties of recruitment at the Beiyuan Production Site and surge in labor cost, the Group will temporarily suspend acquisition of additional production equipment at the Beiyuan Production Site to increase production capacity. The current priority is to secure stable and on-time delivery and to reduce operating cost. The preparation for the construction of the Jiangxi Shangrao Production Site will facilitate local recruitment and reduce labour cost, which will be beneficial for maintaining regular production and operation.

Due to fluctuating cost of raw materials, disrupted supply chains and shortened settlement cycle after the launch of the government policy of energy consumption reduction, the Group experienced higher funding cost and a lack of liquidity. The Group is of the view that maintaining additional working capital and enhancing capital management will strengthen its ability to respond to any market fluctuations and current operating needs.

The Board has resolved to change the use of part of the Unutilised Net Proceeds of approximately HK\$24.5 million, which is originally allocated for acquisition and implementation of additional production equipment at the Beiyuan Production Site, to i) preparation for the construction of the Jiangxi Shangrao Production Site; and ii) replenishment of general working capital.

The Board is of the view that the reallocation of the Unutilised Net Proceeds of approximately HK\$24.5 million is more suitable for the current business and operating needs of the Group. The abovementioned changes in the use of proceeds are fair and reasonable as the Group can effectively utilise its financial resources to improve its profitability, and are in the interests of the Group and its shareholders as a whole. The changes in the use of proceeds will not have any material adverse effect on the current business and operation of the Group.

The Directors will continue to evaluate the plans for the use of the Unutilised Net Proceeds, and will revise or modify such plans when necessary in response to the changing market condition and to achieve better business performance of the Group.

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

Hong Kong, 30 November 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.