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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 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Bonny International Holding Limited (the “**Company**”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2023 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2022, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2023 — unaudited

	<i>Notes</i>	Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
REVENUE	4	96,462	86,027
Cost of sales		(71,394)	(65,854)
Gross profit		25,068	20,173
Other income and gains		4,685	3,281
Selling and distribution expenses		(19,969)	(22,094)
Administrative expenses		(12,981)	(11,789)
(Impairment losses)/reversal of impairment losses on financial and contract assets, net		(869)	1,090
Other expenses		(9,331)	(18,368)
Finance costs		(2,155)	(1,569)

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	<i>Notes</i>	RMB'000	RMB'000
LOSS BEFORE TAX	5	(15,552)	(29,276)
Income tax credit	6	996	5,817
LOSS FOR THE PERIOD		(14,556)	(23,459)
Attributable to:			
Owners of the parent		(14,622)	(23,455)
Non-controlling interests		66	(4)
		(14,556)	(23,459)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic and diluted		RMB (1.2) cent	RMB (2.0) cent

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023 — unaudited

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
LOSS FOR THE PERIOD	(14,556)	(23,459)
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(9,591)</u>	<u>(3,984)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	9,867	4,295
Gains on property revaluation	106,571	—
Income tax effect	<u>(15,986)</u>	<u>—</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>100,452</u>	<u>4,295</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	90,861	311
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>76,305</u>	<u>(23,148)</u>
Attributable to:		
Owners of the parent	76,239	(23,144)
Non-controlling interests	<u>66</u>	<u>(4)</u>
	<u>76,305</u>	<u>(23,148)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 — unaudited

		30 June 2023	31 December 2022
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	225,577	317,955
Advance payments for property, plant and equipment		459	695
Investment properties		251,809	48,400
Financial assets at fair value through other comprehensive income		150	—
Right-of-use assets		28,002	28,634
Intangible assets		388	494
Deferred tax assets		5,894	4,896
Other non-current assets		5,170	5,170
Total non-current assets		517,449	406,244
CURRENT ASSETS			
Inventories		87,538	109,884
Trade receivables	10	49,990	32,576
Prepayments, other receivables and other assets		7,862	6,781
Due from related parties	14	1,344	2,302
Pledged deposits		19,148	7,257
Cash and cash equivalents		980	6,454
Total current assets		166,862	165,254
CURRENT LIABILITIES			
Trade payables	11	32,018	26,378
Other payables and accruals		107,248	88,530
Interest-bearing bank and other borrowings		62,077	60,506
Tax payable		266	266
Provision		—	4,138
Due to related parties	14	30	11,384
Total current liabilities		201,639	191,202

		30 June	31 December
		2023	2022
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
NET CURRENT LIABILITIES		(34,777)	(25,948)
TOTAL ASSETS LESS CURRENT LIABILITIES		482,672	380,296
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		82,519	83,734
Due to a related party	14	11,300	—
Deferred tax liabilities		22,607	6,621
Total non-current liabilities		116,426	90,355
Net assets		366,246	289,941
EQUITY			
Equity attributable to owners of the parent			
Share capital	12	80,827	80,827
Share premium		205,242	205,242
Other reserves		79,047	2,808
		365,116	288,877
Non-controlling interests		1,130	1,064
Total equity		366,246	289,941

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 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 annual consolidated financial statements for the year ended 31 December 2022.

Going concern assumption

As at 30 June 2023, the Group's net current liabilities amounted to approximately RMB34,777,000, which comprised current assets of approximately RMB166,862,000 and current liabilities of approximately RMB201,639,000. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. In preparing the financial statements, the directors of the Company have considered the Group's sources of liquidity and believe that adequate funding is available to fulfil the Group's debt obligations and capital expenditure requirements.

As at 30 June 2023, the Group's total interest-bearing bank and other borrowings amounted to RMB62,077,000, all of which will be due within twelve months from 30 June 2023. The Group had unutilized banking facilities of RMB7,000,000 to meet the debt obligations and capital expenditure requirements. In addition, the measures that the Group has implemented or is in the process of implementing include (i) obtaining further banking facilities at least of RMB40,000,000 pledged by its newly established buildings; (ii) renegotiation with a related party to defer the repayment dates of existing borrowings to 31 March 2025; and (iii) consideration of potential downside risk factors, working capital sensitivities and identified mitigating actions that could be taken to further reduce cash expenditure.

The directors of the Company are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future.

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

2. 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 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period's financial information.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 - Comparative Information</i>
Amendment to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendment to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendment to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group has applied the amendment on the treatment of temporary differences arising from lease from beginning, the amendments did not have any impact on the financial position or performance of the Group.

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

Six months ended 30 June 2023	ODM products RMB'000 (Unaudited)	Brand products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue			
Sales to external customers	74,383	22,079	96,462
Segment results	15,223	(10,124)	5,099
Other income and gains			4,685
Corporate and other unallocated expenses			(23,181)
Finance costs			(2,155)
Loss before tax			<u>(15,552)</u>
Six months ended 30 June 2022	ODM products RMB'000 (Unaudited)	Brand products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue			
Sales to external customers	62,438	23,589	86,027
Segment results	8,527	(10,448)	(1,921)
Other income and gains			3,281
Corporate and other unallocated expenses			(29,067)
Finance costs			(1,569)
Loss before tax			<u>(29,276)</u>

Geographic information

(a) Revenue from external customers

	For the six months ended	
	30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Mainland China	65,812	53,908
United States of America	12,405	15,167
Mexico	5,945	7,787
Netherlands	9,450	5,058
Canada	—	2,818
Britain	1,394	—
Germany	816	322
Other countries or regions	640	967
Total	<u>96,462</u>	<u>86,027</u>

The revenue information above is based on the shipment destinations.

(b) Non-current assets

	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Mainland China	<u>506,235</u>	<u>396,178</u>

The non-current assets information above is based on the locations of the assets and excludes financial assets at fair value through other comprehensive income, deferred tax assets and other non-current assets.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Revenue from contracts with customers	<u>96,462</u>	<u>86,027</u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2023

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>74,383</u>	<u>22,079</u>	<u>96,462</u>
Geographical markets			
Mainland China	43,733	22,079	65,812
United States of America	12,405	—	12,405
Mexico	5,945	—	5,945
Netherlands	9,450	—	9,450
Britain	1,394	—	1,394
Germany	816	—	816
Other countries or regions	640	—	640
Total	<u>74,383</u>	<u>22,079</u>	<u>96,462</u>
Timing of revenue recognition			
Goods transferred at a point in time	<u>74,383</u>	<u>22,079</u>	<u>96,462</u>

For the six months ended 30 June 2022

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	62,438	23,589	86,027
Geographical markets			
Mainland China	30,319	23,589	53,908
United States of America	15,167	—	15,167
Mexico	7,787	—	7,787
Netherlands	5,058	—	5,058
Canada	2,818	—	2,818
Germany	322	—	322
Other countries or regions	967	—	967
Total	62,438	23,589	86,027
Timing of revenue recognition			
Goods transferred at a point in time	62,438	23,589	86,027

5. LOSS BEFORE TAX

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

	For the six months ended	
	30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	71,394	65,854
Depreciation of property, plant and equipment	5,667	9,038
Depreciation of right-of-use assets	2,116	3,034
Amortisation of intangible assets	106	207
Research and development costs	8,233	13,082
Government grants	(1,788)	(2,454)
Outsourced manufacturers	2,345	1,908
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	27,007	30,225
Pension scheme contributions	1,651	768
Staff welfare expenses	132	764
	28,790	31,757
Concession fees	3,026	3,628
Write-down of inventories to net realisable value	3,185	2,616
Impairment/(reversal of impairment) of trade receivables, net	869	(1,090)
Loss on disposal of items of property, plant and equipment	27	64
Bank interest income	(15)	(13)
Exchange differences, net	(214)	11

6. INCOME TAX

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

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

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022:8.25%) and the remaining assessable profits are taxed at 16.5% (2022:16.5%).

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

Zhejiang Bonny 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% (2022:15%) during the period.

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

	For the six months ended	
	30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current		
Charge for the period	2	—
Deferred	(998)	(5,817)
Total tax credit for the period	(996)	(5,817)

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 amounts is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,200,000,000 (2022: 1,200,000,000) in issued during the period.

No adjustment has been made to the basic loss per share amount presented for the period ended 30 June 2023 and 2022 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:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u><u>(14,622)</u></u>	<u><u>(23,455)</u></u>
	<u>Number of shares</u>	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u><u>1,200,000,000</u></u>	<u><u>1,200,000,000</u></u>

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired assets at a cost of RMB2,009,000 (30 June 2022: RMB49,780,000).

Assets (other than those classified as held for sale) with a net book value of RMB27,000 were disposed of by the Group during the six months ended 30 June 2023 (30 June 2022: RMB1,100,000), resulting in a net loss on disposal of RMB27,000 (30 June 2022: net loss on disposal of RMB64,000).

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 3 months	31,768	30,675
3 to 6 months	179	517
6 to 12 months	17,021	265
1 to 2 years	417	759
2 to 3 years	605	360
	<u>49,990</u>	<u>32,576</u>

11. TRADE PAYABLES

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 3 months	20,278	17,513
3 to 6 months	4,737	5,878
6 to 12 months	4,489	1,737
Over 12 months	2,514	1,250
	<u>32,018</u>	<u>26,378</u>

12. SHARE CAPITAL

Shares

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Issued and fully paid:		
1,200,000,000 (31 December 2022: 1,200,000,000) ordinary shares	<u>80,827</u>	<u>80,827</u>

13. COMMITMENTS

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Contracted, but not provided for:		
Buildings	<u>28,151</u>	<u>35,957</u>

14. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the period:

		For the six months ended	
		30 June	
		2023	2022
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Purchase of materials from:			
	Zhejiang Deshipu New Material Technology Co., Ltd. (“ Deshipu New Material ”)	981	—
		<u><u>981</u></u>	<u><u>—</u></u>
Borrowings from:			
	Zhejiang Baicheng Trading Co., Ltd. (“ Baicheng Trading ”)	20,500	3,000
		<u><u>20,500</u></u>	<u><u>3,000</u></u>
Loans granted to:			
	Mr. Jin Guojun	23	—
		<u><u>23</u></u>	<u><u>—</u></u>

Note:

- (i) The purchases of materials from the related party were made according to the published prices and conditions offered by the related party to its major customers.
- (ii) The loans borrowed from Baicheng Trading are unsecured, non-interest-bearing and repayable on demand.
- (iii) The loans granted to Mr. Jin Guojun are unsecured, non-interest-bearing and repayable on demand.

(b) Other transactions with related parties:

- (i) Mr. Jin Guojun and Ms. Gong Lijin have guaranteed certain of the Group’s bank loans of up to RMB100,000,000 as at 30 June 2023 (31 December 2022: RMB100,000,000).

(c) Outstanding balances with related parties:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Due from related parties		
Deshipu New Material	1,294	2,275
<i>Trade (i)</i>	(965)	16
<i>Non-trade (ii)</i>	2,259	2,259
Mr. Jin Guojun	50	27
	1,344	2,302
Due to related parties		
Baicheng Trading <i>(iii)</i>	11,300	11,298
Bode Holding Co., Ltd. <i>(ii)</i>	30	86
	11,330	11,384

The balances with related parties are unsecured and interest-free.

- (i) The balances with related parties above are trade in nature and repayable on demand.
- (ii) The balances with related parties above are non-trade in nature and represented interest receivables and repayable on demand.
- (iii) The borrowings from Baicheng Trading are unsecured and repayable within two years.

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

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Short-term employee benefits	1,303	1,063
Post-employment benefits	—	33
Total compensation paid to key management personnel	1,303	1,096

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONS REVIEW

As a manufacturer of seamless and traditional intimate wear products, the Group operates business into two segments: 1) original design manufacturer (“**ODM**”) products; and 2) branded products. For ODM 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, while for the Group’s branded products, it mainly focus on selling traditional intimate wear products under the brands namely “Bonny” and “U+ Bonny” through its nationwide retail network in the PRC.

During the Reporting Period, the Group’s total revenue amounted to approximately Renminbi (“**RMB**”) 96.5 million, representing an increase of approximately 12.2% as compared to the corresponding period of last year (2022: approximately RMB86.0 million). The increase in total revenue was primarily attributable to the increase in revenue from ODM products segment by approximately 19.2% as compared to the corresponding period of last year, as a result of the improvement of abnormally high market inventory level and disruptions on the market due to COVID-19 pandemic in 2022.

The Group made a loss attributable to owners of the parent for the Reporting Period of approximately RMB14.6 million (2022: a loss attributable to owners of the parent approximately RMB23.5 million). The improvement of the loss attributable to owners of the parent was primarily attributable to the improvement of overall revenue and gross profit margin.

Sales Network

The Group offers its branded products under the Group’s “Bonny” brand and “U+ Bonny” brand 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 by closing retail outlets with less satisfactory financial or operational performance.

As at 30 June 2023, the Group operated 111 self-managed retail outlets (including 104 concession counters and 7 standalone stores) and 12 direct-franchised retail outlets, covering 16 provinces, municipalities and autonomous regions in the PRC, without the involvements of distributors or multiple layers of franchisees. The total number of the Group's retail outlets decreased from 142 as at 30 June 2022 to 123 as at 30 June 2023. Mitigating losses was the primary objective for the Company's brand products segment. With this objective, in the first half of 2023, the Company closed underperforming self-managed counters/stores, leading to a decrease of 5 stores as compared to the corresponding period of last year while the number of franchised retail outlets also decreased by 14 as compared to the corresponding period of last year, primarily due to underperformance and other business considerations.

Meanwhile, the Group's products are also available for sale through its current e-commerce network and different well-recognised e-commerce platforms. The Company has also established a collaborative relationship with well-known anchors and live broadcast marketing companies, so as to quickly increase its brand recognition online.

Product Design, Research And Development

The Group is committed to improving and developing the functionality and designs of its products, and continues to devote resources to the design, research and development of new products. With innovative designs, the Group continued to bring diversified product portfolio of excellent quality to the market. For the Reporting Period, expenses for product design, research and development was approximately RMB8.2 million (2022: approximately RMB13.1 million).

As at 30 June 2023, the Group had a total of 78 registered trademarks, 3 registered domain names, 14 registered software copyrights in the PRC, and 17 registered patents in the PRC, including 5 invention patents and 12 utility model patents, and 1 registered trademark in Hong Kong.

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

Production Capacity

The Group currently operates its production site in Beiyuan Street, Zhejiang Province, the PRC (the “**Beiyuan Production Site**”). In the first half of 2023, the capacity utilisation rate of the Group’s production facilities is approximately 70%, it can meet the production requirements of the existing orders and there is no need to expand production capacity.

Human Resources

The number of full-time employees of the Group decreased to approximately 521 as at 30 June 2023 (31 December 2022: 650). The employee benefit expense (excluding directors’ and chief executive’s remunerations) for the Reporting Period was approximately RMB28.8 million (2022: approximately RMB31.8 million).

In addition, the Group also engages production subcontractors to provide on-site sub-contracting staff. Subcontracting fees, calculated based on the quantity of goods or services delivered to the Group were approximately RMB2.3 million (2022: approximately RMB1.9 million) for the Reporting Period.

Financial Review

Revenue

Revenue for the Reporting Period amounted to approximately RMB96.5 million, representing an increase of approximately RMB10.5 million, or approximately 12.2%, as compared to approximately RMB86.0 million for the corresponding period of last year.

Revenue of the ODM products segment for the Reporting Period amounted to approximately RMB74.4 million, representing an increase of approximately RMB12.0 million, or approximately 19.2%, as compared to approximately RMB62.4 million for the corresponding period of last year. During the three years of COVID-19 pandemic outbreak, a backlog of stock resulted from the suppression of consumption and the mismatch of time between goods delivery and sales in the market has been gradually cleared. The post-pandemic demand of domestic and foreign demands kept increasing. The Company obtained the order placed by ODM customers in the first half of 2023 and, in turn an increase in revenue.

Revenue of the brand products segment for the Reporting Period amounted to approximately RMB22.1 million, representing a decrease of approximately RMB1.5 million, or approximately 6.4% as compared to approximately RMB23.6 million for the corresponding period of last year. As of 30 June 2023, the total number of the Group's retail stores amounted to 123 only, decreased by 19 as compared to the corresponding period of last year. The Company managed a seamless transition by moderately reducing distribution channels. This was achieved through careful timing of product introductions and withdrawals, as well as the execution of several large-scale promotional activities to enhance store performance. As a result, the revenue decline in the brand product segment was minimal.

Gross Profit

Gross profit for the Reporting Period amounted to approximately RMB25.1 million, representing an increase of approximately RMB4.9 million, or approximately 24.3%, as compared to approximately RMB20.2 million for the corresponding period of last year primarily due to i) the revenue of ODM segment increased by approximately 19.2% as compared to the corresponding period of last year; and ii) the gross profit of overseas ODM orders increased.

Other Income and Gains

Other income and gains for the Reporting Period was approximately RMB4.7 million, representing an increase of approximately RMB1.4 million, or approximately 42.4%, from approximately RMB3.3 million for the corresponding period last year. Such increase was primarily due to the property rental incomes increased by approximately RMB2.0 million during the Reporting Period.

Selling and Distribution Expenses

Selling and distribution expenses for the Reporting Period were approximately RMB20.0 million, representing a decrease of approximately RMB2.1 million, or approximately 9.5%, from approximately RMB22.1 million for the corresponding period last year. The decrease was primarily due to the decrease number of retail stores, which led to a decrease in the salaries of sales personnels, the leasing cost to shopping mall and the renovation costs.

Administrative and Other Expenses

Administrative and other expenses for the Reporting Period were approximately RMB23.2 million, representing a decrease of approximately RMB5.9 million, or approximately 20.3%, from approximately RMB29.1 million for the corresponding period last year. In the first half of 2023, the Group decreased R&D expense of approximately RMB4.8 million through lowering the purchasing cost in R&D materials and reducing the engagement of R&D projections.

Finance Costs

Finance costs for the Reporting Period were approximately RMB2.2 million, representing an increase of approximately RMB0.6 million, or approximately 37.5%, from approximately RMB1.6 million for the corresponding period last year. The increase was primarily due to fluctuations in the exchange rate of RMB, which led to substantial exchange loss.

Income Tax Credit

Income tax credit for the Reporting Period amounted to approximately RMB1.0 million as compared to the income tax credit of approximately RMB5.8 million for the corresponding period of last year. The income tax credit incurred during the Reporting Period was due to the recognition of deferred income tax assets which used against the deductible loss from Zhejiang Bonny Fashion Holding Group Co., Ltd.* (浙江博尼时尚控股集团有限公司), a subsidiary of the Company.

Loss Attributable to Owners of the Parent Company

As a result of foregoing, loss attributable to owners of the parent company for the Reporting Period amounted to approximately RMB14.6 million, representing an improvement of approximately RMB8.9 million, from a loss attributable to owners of the parent company of approximately RMB23.5 million for the corresponding period of last year.

FUTURE PLAN AND PROSPECTS

In the first half of 2023, the Group was benefited from the improvement of consumption environment and the reduction in pressure of inventories. Although our sales revenue improved by approximately 12.2% as compared to the corresponding period of last year, and it has not been able to cover all the expense, which led to approximately RMB 14.6 million of the total comprehensive loss attributable to owners of the parent company.

The Group clearly recognizes if it expects to achieve turnaround from profit to loss, it still needs to resolve the following internal concerns and external issues:

1. The marketing and management approaches of the Company's self-operated brand significantly differ from industry norms. There is an urgent need to introduce products with high sell-through rates and to formulate effective marketing strategies. These measures aim to elevate store performance to meet industry-average benchmarks.
2. The Company's newly built seamless lamination product production line does not yet have mass production capacity, To meet the diverse needs of customers, the Company is focusing on multi-channel staff recruitment, on-site training, and the acquisition of specialized talent to enhance both production capacity and efficiency; and

3. In the post-pandemic era, international political and economic situations are still complicated, the trade tension still exists and the challenges for apparel export companies are still severe. The Company needs to look for opportunities in the midst of challenges, adjust layout in due time and seek for new growth drivers.

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 2023, the Group had cash and cash equivalents, which are mostly denominated in Renminbi, U.S. dollars and Hong Kong dollars currency unit, of approximately RMB1.0 million (31 December 2022: approximately RMB6.5 million). The interest-bearing liabilities as at 30 June 2023 were approximately RMB144.6 million (31 December 2022: approximately RMB144.2 million) with interest rates ranging from approximately 4.35% to 6.0% per annum. The Group's gearing ratio as at 30 June 2023, calculated based on net debts to the total capital and net debts, was approximately 43.0% (as at 31 December 2022: approximately 47.1%). The Group recorded net current liabilities of approximately RMB34.8 million as of 30 June 2023. 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. 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 2023, the Group had total capital commitments of RMB28.2 million (as at 31 December 2022: RMB36.0 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

As at 30 June 2023 and 31 December 2022, the Group did not have any significant contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2023, save for (i) the Group's leasehold lands with a net carrying amounts of RMB20,478,000 (31 December 2022: RMB20,735,000) and certain of the Group's buildings and machinery and equipment with a net carrying amounts of approximately RMB110,028,000 (31 December 2022: RMB111,907,000) which were pledged to secure general banking facilities; and (ii) certain of the Group's machinery and equipment with a net carrying amount of RMB13,388,000 (31 December 2022: RMB14,228,000) were pledged to secure the property preservation applied by A Barcs & Co Nominees Pty Ltd who has a legal arbitration of contract dispute with the Group, the Group did not pledge any other assets.

UPDATE ON USE OF PROCEEDS

The shares of the Company (the “**Shares**”) 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 (the “**Net Proceeds**”) were approximately HK\$131.3 million, after deducting the underwriting fees, commissions and other listing expenses. The unutilised amounts of Net Proceeds raised from the initial public offering (the “**Unutilised Net Proceeds**”) at the date of this announcement are placed in licensed banks in Hong Kong and the PRC.

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

The table below sets out the use of Net Proceeds and the Unutilised Net Proceeds as at 30 June 2023:

	Planned allocation of Net Proceeds as stated in the prospectus <i>HK\$ million</i>	Amount unutilised as at 31 December 2020 (before revised allocation on 30 November 2021) <i>HK\$ million</i>	Remaining net proceeds to be utilised (after revised allocation on 30 November 2021) <i>HK\$ million</i>	Amount utilised as at 30 June 2023 <i>HK\$ million</i>	Unutilised Net Proceeds as at 30 June 2023 <i>HK\$ million</i>	Expected timeline for full utilisation
Beiyuan Production Site for expansion of our seamless production capacity						
	26.3	—	—	—	—	N/A
– acquisition and implementation of additional production equipment at the Beiyuan Production Site	78.8	24.5	—	—	—	N/A
Enhancing product design, research and development capability	13.1	—	—	—	—	N/A
Working capital and general corporate purposes	13.1	—	—	—	—	N/A
Acquisition mask production line and ancillary equipment and constructing medical mask production workshop	—	—	—	—	—	N/A
Preparation for the construction of the Jiangxi Shangrao Production Site	—	—	5.5	4.9	0.6	Before 31 December 2024
General working capital	—	—	19.0	19.0	0.0	N/A
Total	<u>131.3</u>	<u>24.5</u>	<u>24.5</u>	<u>23.9</u>	<u>0.6</u>	

SUBSEQUENT EVENT

As at 30 June 2023 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.

EMPLOYEES 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. The employees of the Company's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government (the "**Central Pension Scheme**"), which is also considered as a defined contribution plan and these subsidiaries are required to contribute certain percentage of employees' salaries to the Central Pension Scheme. The Group has no further payment obligations once the contributions have been paid. All contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees and when they fall due under the relevant regulations. No forfeited contributions could be used by employer to reduce the existing level of contributions.

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 note 9 to the interim condensed consolidated financial statement, 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 is the Chairman and chief executive officer of the Company. Although this deviates from the practice under code provision C.2.1, Part 2 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 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. Chow Chi Hang Tony and Dr. Wei Zhongzhe. Mr. Chan Yin Tsung currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the Group’s unaudited interim condensed consolidated financial information for the six months ended 30 June 2023 and 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 2022: 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 and published on the above websites in due course.

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

Hong Kong, 29 August 2023

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