



bonny 博尼

博尼国际控股有限公司
Bonny International Holding Limited
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1906



**INTERIM REPORT
2019**

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Jin Guojun (*Chairman*)
Mr. Zhao Hui

Non-executive Directors

Ms. Gong Lijin
Mr. Luo Weixing

Independent non-executive Directors

Mr. Li Youxing
Mr. Wang Jian
Mr. Zhang Senquan

COMPANY SECRETARY

Ms. Chen Chun

AUTHORISED REPRESENTATIVES

Mr. Jin Guojun
Ms. Chen Chun

AUDIT COMMITTEE

Mr. Zhang Senquan (*Chairman*)
Mr. Wang Jian
Mr. Li Youxing

REMUNERATION COMMITTEE

Mr. Wang Jian (*Chairman*)
Mr. Jin Guojun
Mr. Zhang Senquan

NOMINATION COMMITTEE

Mr. Jin Guojun (*Chairman*)
Mr. Zhang Senquan
Mr. Wang Jian

REGISTERED OFFICE

4th Floor
Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Yiwu Industrial Park
No. 86, Changfu Road
Yiwu City, Zhejiang Province
PRC

WEBSITE OF THE COMPANY

www.bonnychina.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
248 Queen's Road East
Wanchai
Hong Kong

COMPLIANCE ADVISER

Innovax Capital Limited

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Fiduciary (Cayman) Limited
4th Floor
Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman, KY1-1002
Cayman Islands

AUDITOR

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

Loeb & Loeb LLP
21st Floor
CCB Tower
3 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

China Construction Bank (Yiwu Branch)
Industrial and Commercial Bank of China Limited
(Yiwu Branch)
China Zheshang Bank Co., Ltd (Yiwu Branch)

STOCK CODE

1906

Chairman's Statement

To the Shareholders:

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Bonny International Holding Limited (the “**Company**”), I am pleased to present the interim report of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2019.

BUSINESS REVIEW

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

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

The Group recorded a loss for the six months ended 30 June 2019 attributable to owners of the Company of approximately RMB12.0 million (2018: approximately RMB2.8 million). The loss-making for the six months ended 30 June 2019 was mainly attributable to the increase in (i) listing related expenses as disclosed in the Company's prospectus dated 12 April 2019 (the “**Prospectus**”) under the paragraph headed “Listing expenses” in the section headed “Financial Information”; (ii) administrative expenses due to the hiring of additional managers and executives; and (iii) finance costs as a result of the increase in interest on bank loans and interest on other borrowings.

The shares of the Company were listed (“**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 26 April 2019 (“**Listing Date**”) by way of a global offering, raising net proceeds (after deducting professional fees, underwriting commissions and other fees and expenses payable by the Group in connection with the Listing and the global offering) of approximately HK\$133.7 million.

FUTURE PLAN AND PROSPECTS

As a major manufacturer in the intimate wear industry in the PRC, the Group will closely follow the market changes, adopt flexible and diversified development strategies in a timely manner, respond quickly to market changes and promptly seize the market opportunities.

In addition to the retail outlets network, the Group's products are also sold through different online platforms to enhance brand awareness and expand customer base. The Group will continue to optimise its sales network structure and close underperforming stores, thereby raising overall operating efficiency.

In view of the expected growth of the intimate wear market, the Group will continue to enhance product design and research and development capability, as well as develop diversified products based on market needs. To strengthen the Group's research and development capability and technical expertise, the Group intends to install 20 additional seamless circular knitting machines at the Group's Beiyuan Production Site specifically designated for product research and development purposes, and recruit additional research and development personnel.

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

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

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

APPRECIATION

On behalf of the Board, I would like to express my most sincere gratitude towards the continual support from the shareholders and the valuable contributions of the staff. The management team will continue to fulfill its duties to create more values for the shareholders.

Jin Guojun
Chairman

Hong Kong, 28 August 2019

Management Discussion and Analysis

BUSINESS AND OPERATIONS REVIEW

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

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

The Group recorded a loss for the six months ended 30 June 2019 attributable to owners of the Company of approximately RMB12.0 million (2018: approximately RMB2.8 million). The loss-making for the six months ended 30 June 2019 was mainly attributable to the increase in (i) listing related expenses as disclosed in the Prospectus under the paragraph headed "Listing expenses" in the section headed "Financial Information"; (ii) administrative expenses due to the hiring of additional managers and executives; and (iii) finance costs as a result of the increase in interest on bank loans and interest on other borrowings.

The Group had a provision in the amount of approximately RMB0.1 million as at 30 June 2019 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 (《住房公積金管理條例》) (the "**Housing Provident Fund**") and a provision in the amount of approximately RMB0.2 million as at 30 June 2019 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 "**Social Insurance Law**"). The amount of outstanding housing provident fund contribution of Shanghai Bonny for the six months ended 30 June 2019 was nil and the amount of social insurance payment underpaid by Shanghai Bonny for the six months ended 30 June 2019 was nil. The Group did not make any provision for the non-compliance of Zhejiang Bonny Fashion Holding Group Co., Ltd.* (浙江博尼時尚控股集團有限公司) ("**Zhejiang Bonny**") with the Housing Provident Fund and Social Insurance Law as the risk of Zhejiang Bonny being penalized as a result of its failure to make social insurance contribution and housing provident fund contribution to all of its employees is remote. The amount of outstanding housing provident fund contribution of Zhejiang Bonny for the six months ended 30 June 2019 was approximately RMB1.6 million and the amount of social insurance payment underpaid by Zhejiang Bonny for the six months ended 30 June 2019 was approximately RMB2.5 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

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

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

SALES NETWORK

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

As at 30 June 2019, the Group had 145 self-operated retail outlets (comprising 138 self-operated concession counters and 7 self-operated standalone stores) and 43 franchised retail outlets, covering 18 provinces, municipalities and autonomous regions in the PRC, and did not involve distributors or multiple layers of franchisees.

The total number of the Group's retail outlets decreased from 198 as at the end of 2018 to 188 (comprising 145 self-operated retail outlets and 43 franchised retail outlets) as at 30 June 2019. During the six months ended 30 June 2019, there was a net decrease of 8 self-operated retail outlets of the Group, and a net decrease of 2 franchised retail outlets in light of the Group's strategy in maintaining an effective retail network in the PRC by developing the "U+ Bonny" outlets and closing down self-operated retail outlets with less satisfactory financial or operational performance. To a lesser extent, some of the Group's retail outlets closed due to expiry or early termination of concession agreements with the relevant department stores or shopping malls.

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

PRODUCT DESIGN, RESEARCH AND DEVELOPMENT

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

During the six months ended 30 June 2019, the Group introduced 81 distinct types of products in terms of style, size and colour under different product categories for the Group's branded sales into the domestic retail market. For the six months ended 30 June 2019, expenses for product design, research and development was approximately RMB9.8 million (2018: approximately RMB8.4 million).

Management Discussion and Analysis

As at 30 June 2019, the Group had a total of 77 registered trademarks in the PRC, 1 registered trademark in Hong Kong, 5 registered domain names, 14 registered software copyrights in the PRC, and 30 registered patents in the PRC, including 3 invention patents and 27 utility model patents.

Moving ahead, the Group plans to further improve its research and development capability by continuing to focus on research and development efforts to improve product quality, functionality and designs. The Group intends to expand its research and development efforts and capability by recruiting additional research and development personnel and installing 20 additional seamless circular knitting machines at its Beiyuan Production Site (the Group's production base located at Beiyuan Street, Yiwu, Zhejiang Province, the PRC) specifically designated for product research and development purposes.

PRODUCTION CAPACITY

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

HUMAN RESOURCES

Tight labour supply in the PRC have resulted in continuous wage increase. The Group endeavoured to attract and retain its employees through measures such as providing on-site training and improving employee benefits to enhance solidarity.

The Group enters into individual employment contracts with its employees, and enters into labour dispatch agreements with independent third party employment agents. The number of full-time employees of the Group increased to approximately 790 as at 30 June 2019 (31 December 2018: approximately 737). The employee benefit expense (excluding directors' and chief executive's remunerations) for the six months ended 30 June 2019 was approximately RMB25.5 million (2018: approximately RMB27.1 million). The service fee payment to the employment agent for the six months ended 30 June 2019 was approximately RMB35,000 (2018: approximately RMB23,000).

In addition to direct employment and labour dispatch, the Group engages production subcontractors to provide on-site sub-contracting staff. The Group's human resources policy does not apply to workers of the relevant production subcontractor and the Group neither determines nor directly pays wages to the subcontracting staff. Subcontracting fees, calculated based on the quantity of goods or services delivered to the Group for the six months ended 30 June 2019 was approximately RMB13.7 million (2018: approximately RMB11.9 million).

FINANCIAL REVIEW

Revenue

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

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

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

Gross Profit

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

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

Segment gross profit for brand products for six months ended 30 June 2019 was approximately RMB21.5 million, which decreased for the corresponding period last year (2018: approximately RMB26.2 million) primarily due to the decrease in “Bonny” brand revenue as the number of “Bonny” retail outlets decreased.

Other Income and Gains

Other income and gains for the six months ended 30 June 2019 was approximately RMB2.6 million, representing an increase of approximately RMB0.3 million, or approximately 13.0%, from approximately RMB2.3 million for the corresponding period last year. The increase was primarily due to the increase in rental income received from phase I of our Beiyuan Production Site.

Selling and Distribution Expenses

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

Management Discussion and Analysis

Administrative and Other Expenses

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

Listing Expenses

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

Finance Costs

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

Income Tax Credit

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

Loss Attributable to Ordinary Equity Holders of the Parent

As a result of foregoing, loss attributable to ordinary equity holders of the parent for the six months ended 30 June 2019 was approximately RMB12.0 million, representing an increase of approximately RMB9.2 million, or approximately 328.6%, from approximately RMB2.8 million for the corresponding period last year.

FUTURE PLAN AND PROSPECTS

As a major manufacturer in the intimate wear industry in the PRC, the Group will closely follow the market changes, adopt flexible and diversified development strategies in a timely manner, respond quickly to market changes and promptly seize the market opportunities.

In addition to the retail outlets network, the Group's products are also sold through different online platforms to enhance brand awareness and expand customer base. The Group will continue to optimise its sales network structure and close underperforming stores, thereby raising overall operating efficiency.

In view of the expected growth of the intimate wear market, the Group will continue to enhance product design and research and development capability, as well as develop diversified products based on market needs. To strengthen the Group's research and development capability and technical expertise, the Group intends to install 20 additional seamless circular knitting machines at the Group's Beiyuan Production Site specifically designated for product research and development purposes, and recruit additional research and development personnel.

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers. As at 30 June 2019, the Group had cash and cash equivalents of approximately RMB95.6 million (31 December 2018: approximately RMB25.4 million). Such increase was mainly a result of the cash flow from the net proceeds generated from the Listing during the six months ended 30 June 2019. The interest-bearing liabilities as at 30 June 2019 was approximately RMB249.5 million (2018: approximately RMB253.1 million) with interest rates ranging from approximately 3.8% to 10.8% per annum. The Group's gearing ratio as at 30 June 2019, calculated based on the total borrowings to the equity attributable to owners of the Company, was approximately 115.0% (31 December 2018: approximately 214.8%). The Group recorded net current asset of approximately RMB43.9 million as of 30 June 2019, primarily due to the proceeds from the Listing. Following the completion of the construction of phase II of the Beiyuan Production Site by the end of 2019, the Group does not have any plan to incur material capital expenditure for further expansion of the production bases. The existing bank borrowings and payables for construction-in-progress will be repaid by instalment using the Group's internal resources according to their respective payment schedule. As a result, the Directors expect the Group's net current asset position and net debt to equity ratio to improve after the year end of 2019. The management believes that the Group has maintained adequate financial resources to fulfil its working capital requirements.

FOREIGN EXCHANGE RISK

The monetary assets and liabilities and business transaction of the Group are mainly carried out and conducted in Renminbi, U.S. dollars and the European currency unit. In view of the stability of the exchange rate between these currencies, the Directors do not consider that the Group was significantly exposed to foreign exchange risk for the six months ended 30 June 2019. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. During the six months ended 30 June 2019, no forward foreign exchange or hedging contracts had been entered into by the Group. The Group will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

MATERIAL ACQUISITIONS AND DISPOSALS

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

CONTINGENT LIABILITIES

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

USE OF PROCEEDS

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

	Approximate percentage of total amount	Net proceeds HK\$ million	Actual utilized amount as at 30 June 2019 HK\$ million	Unutilised amount as at 30 June 2019 HK\$ million
Beiyuan Production Site				
— for construction of phase II of our Beiyuan Production Site	20%	26.7	27.4	(0.7)
— for acquisition and implementation of additional production equipment at our Beiyuan Production Site	60%	80.2	—	80.2
Enhancing our product design, research and development capability	10%	13.4	2.5	10.9
Working capital and general corporate purposes	10%	13.4	14.7	(1.3)
Total	100%	133.7	44.6	89.1

SUBSEQUENT EVENT

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

EMPLOYEE AND REMUNERATION POLICY

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

SIGNIFICANT INVESTMENTS HELD

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

PLEDGE OF ASSETS

As at 30 June 2019, the Group's banking facilities were secured by:

- (a) the Group's buildings and equipment situated in the PRC; and
- (b) the Group's leasehold lands situated in the PRC.

Other Information

CORPORATE GOVERNANCE MEASURES

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

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

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed with management the Group’s unaudited interim condensed consolidated financial statements for the six months ended 30 June 2019 and this interim report, 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 period from the Listing Date and up to 30 June 2019. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the period from the Listing Date and up to 30 June 2019.

INTERIM DIVIDEND

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")), which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have taken under such provisions of the SFO), or were recorded in the register required to be kept under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position in the issued shares of the Company

Name of Director	Capacity/Nature of interest	Number of shares held	Approximate percentage of shareholding ^(Note 1)
Jin Guojun	Interested in controlled corporation ^(Note 2)	634,500,000	52.88%
Gong Lijin	Interest of spouse ^(Note 3)	634,500,000	52.88%
Luo Weixing	Interested in controlled corporation ^(Note 4)	13,500,000	1.13%

Notes:

- As at 30 June 2019, the total number of issued shares of the Company is 1,200,000,000 shares.
- These shares are held by Maximax Holding Corporation ("Maximax"), which is wholly owned by Jin Guojun. By virtue of the SFO, Jun Guojun is deemed to be interested in the shares held by Maximax.
- Mr. Jin Guojun is the spouse of Gong Lijin. By virtue of the SFO, Gong Lijin is deemed to be interested in the shares interested by Jin Guojun.
- These shares are held by Luo Weixing Holding Limited, which is wholly owned by Luo Weixing. By virtue of the SFO, Luo Weixing is deemed to be interested in the shares held by Luo Weixing Holding Limited.

Other Information

Long Position in the shares of associated corporations of the Company

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares held	Approximate percentage of shareholding
Jin Guojun	Maximax Holding Corporation <i>(Note 1)</i>	Interest in controlled corporation	1	100%

Note:

1. Maximax Holding Corporation is one of the controlling shareholders of the Company and is wholly owned by Jin Guojun.

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executive of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have taken under such provisions of the SFO), or were recorded in the register required to be kept under Section 352 of the SFO, or as otherwise were notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, so far as known to the Directors, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position in issued shares of the Company

Name of shareholder	Capacity/ Nature of Interest	Number of shares held	Approximate percentage of shareholding <i>(Note 1)</i>
Maximax Holding Corporation	Beneficial Owner	634,500,000	52.88%
Jin Chunlong Holding Limited	Beneficial Owner	63,000,000	5.25%
Jin Chunlong <i>(Note 2)</i>	Interest in controlled corporation	63,000,000	5.25%

Notes:

1. As at 30 June 2019, the total number of issued shares of the Company is 1,200,000,000 shares.
2. Jin Chunlong Holding Limited is wholly-owned by Jin Chunlong. By virtue of the SFO, Jin Chunlong is deemed to be interested in the shares held by Jin Chunlong Holding Limited.

Save as disclosed above, as at 30 June 2019, the Directors were not aware of any other persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed in the paragraph headed "Share Option Scheme" below, at no time during the period from the Listing Date and up to 30 June 2019 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares, or debt securities, including debentures, of the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

SHARE OPTION SCHEME

The following is a summary of the principal terms of the share option scheme (the "**Share Option Scheme**") conditionally approved and adopted in compliance with Chapter 17 of the Listing Rules by written resolutions of all shareholders of the Company passed on 19 March 2019. The following summary does not form, nor is intended to be, part of the Share Option Scheme, nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

(i) Purpose of the scheme

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group.

(ii) Who may join

The Directors (which expression shall, for the purpose of this paragraph, include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants ("**Eligible Participants**"), to take up options to subscribe for Shares:

- (aa) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of the Company, any of the subsidiaries ("**Subsidiaries**") or any entity ("**Invested Entity**") in which the Group holds an equity interest ("**Eligible Employee**");
- (bb) any non-executive director (including independent non-executive directors) of the Company, any Subsidiary or any Invested Entity;
- (cc) any supplier of goods or services to any member of the Group or any Invested Entity;
- (dd) any customer of any member of the Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (ff) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group, and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more Eligible Participants. For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who falls within any of the above classes of Eligible Participants shall not, by itself, unless the Directors otherwise determined, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the Eligible Participants to the grant of options shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of the Group.

(iii) Maximum number of Shares

- (aa) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group shall not exceed 30% of the issued share capital of the Company from time to time.
- (bb) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the day on which dealings in the Shares first commence on the Stock Exchange (i.e. not exceeding 120,000,000 Shares) (the “**General Scheme Limit**”).
- (cc) Subject to paragraph (aa) above but without prejudice to paragraph (dd) below, the Company may issue a circular to its Shareholders and seek approval of its Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of the Group shall not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, canceled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted. The circular sent by the Company to its Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.
- (dd) Subject to paragraph (aa) above and without prejudice to paragraph (cc) above, the Company may seek separate Shareholders’ approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to Eligible Participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

Subject to paragraph (v) (bb) below, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of the Company with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) Grant of options to connected persons

(aa) Without prejudice to paragraph (bb) below, any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the option).

(bb) Without prejudice to paragraph (aa) above, where any grant of options to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million;

such further grant of options must be approved by the Shareholders in general meeting. The Company must send a circular to the Shareholders. The grantee, his associates and all connected persons of the Company must abstain from voting in favor at such general meeting. Any change in the terms of options granted to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless the Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for Shares and consideration for the option

The subscription price per Share under the Share Option Scheme shall be determined at the discretion of the Directors, provided that it shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a Business Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five Business Days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Share.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) Ranking of Shares

(aa) Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the completion of the registration of the grantee on the register of members of the Company as the holder thereof.

(bb) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary share capital of the Company of such nominal amount as shall result from a sub-division, consolidation, re-classification, reduction or re-construction of the share capital of the Company from time to time.

(x) Restrictions on the time of grant of options

The Company may not make any offer for grant of options after inside information has come to the knowledge until the Company has announced the information. In particular, the Company may not make any offer during the period commencing one month immediately before the earlier of (aa) the date of the meeting of the Board (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the deadline for the Company to announce the results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement.

The Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with the Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of the Company, any of its Subsidiaries or any Invested Entity.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with the Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of persistent and serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offense (other than an offense which in the opinion of the Directors does not bring the grantee or the Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If the Directors shall at their absolute discretion determine that (aa) the grantee of any option (other than an Eligible Employee) or his close associate (or his associates if the grantee is a connected person) has committed any breach of any contract entered into between the grantee or his close associate on the one part and the Group or any Invested Entity on the other part; or (bb) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (cc) the grantee could no longer make any contribution to the growth and development of the Group by reason of the cessation of its relations with the Group or by other reason whatsoever, then the option granted to the grantee under the Share Option scheme shall lapse as a result of any event specified in sub-paragraph (aa), (bb) or (cc) above.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavors to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of the Company. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes or the relevant record date for entitlements under the scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of the Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and the Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one Business Day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of the Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of the Company.

(xviii) Grantee being a company wholly owned by Eligible Participants

If the grantee is a company wholly owned by one or more Eligible Participants:

- (i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant Eligible Participant; and
- (ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of the Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to the Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the option so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such adjustment; (ii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iii) the issue of Shares or other securities of the Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules and such other applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the consent of the relevant grantee and the approval of the Directors.

When the Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant to sub-paragraphs (iii) (cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

The Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of options

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the period referred to in paragraph (vi);
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvii) and (xviii);
- (cc) the date on which the Directors shall exercise the Company's right to cancel the option by reason of a breach of paragraph (xxii) by the grantee in respect of that or any other options.

(xxiv) Others

- (aa) The Share Option Scheme is conditional on the Listing Committee granting the listing of and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.
- (bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

Other Information

- (dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules, the “Supplementary Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rule 23.03(13) and the Note Immediately After the Rule” set out in the letter from the Stock Exchange to all listed issues dated September 5, 2005 and other relevant guidance of the Stock Exchange.
- (ee) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders in general meeting.

During the period from the Listing Date to the date of this report, no options under the Share Option Scheme have been granted, exercised, lapsed or cancelled.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June	
		2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
REVENUE	4	127,604	126,436
Cost of sales		(77,124)	(75,532)
Gross profit		50,480	50,904
Other income and gains		2,589	2,315
Selling and distribution expenses		(29,935)	(30,690)
Administrative expenses		(20,345)	(10,124)
Impairment losses on financial and contract assets, net		(282)	(587)
Other expenses		(9,869)	(8,967)
Finance costs		(7,153)	(6,194)
LOSS BEFORE TAX	5	(14,515)	(3,343)
Income tax credit	6	2,464	398
LOSS FOR THE PERIOD		(12,051)	(2,945)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(2,934)	6,242
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		2,976	138
Gains on property revaluation		—	8,677
Income tax effect		—	(1,302)
		2,976	7,513

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June	
		2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		42	13,755
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(12,009)	10,810
Loss attributable to:			
Owners of the parent		(11,959)	(2,774)
Non-controlling interests		(92)	(171)
		(12,051)	(2,945)
Total comprehensive (loss)/profit attributable to:			
Owners of the parent		(11,917)	10,981
Non-controlling interests		(92)	(171)
		(12,009)	10,810
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (<i>RMB cents</i>)			
— For loss for the period	8	1.2	0.3

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

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

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the parent									
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Asset revaluation reserve [#]	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2018 and 1 January 2019 (audited)	400	147,602	(41,769)	14,976	8,585	15,970	24,516	170,280	927	171,207
Loss for the period	—	—	—	—	—	—	(11,959)	(11,959)	(92)	(12,051)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	—	—	—	—	42	—	—	42	—	42
Total comprehensive income for the period	—	—	—	—	42	—	(11,959)	(11,917)	(92)	(12,009)
Issue of shares (note 12)	80,427	58,477	—	—	—	—	—	138,904	—	138,904
At 30 June 2019 (unaudited)	80,827	206,079	(41,769)	14,976	8,627	15,970	12,557	297,267	835	298,102
	Attributable to owners of the parent									
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Asset revaluation reserve [#]	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018 (audited)	337	—	(41,769)	11,500	1,866	3,445	1,290	(23,331)	1,234	(22,097)
Loss for the period	—	—	—	—	—	—	(2,774)	(2,774)	(171)	(2,945)
Other comprehensive income for the period:										
Gains on property revaluation, net of tax	—	—	—	—	—	7,375	—	7,375	—	7,375
Exchange differences related to foreign operations	—	—	—	—	6,380	—	—	6,380	—	6,380
Total comprehensive income for the period	—	—	—	—	6,380	7,375	(2,774)	10,981	(171)	10,810
Issue of shares (note 25)	63	147,602	—	—	—	—	—	147,665	—	147,665
Disposal of non-controlling interests	—	—	—	—	—	—	—	—	20	20
Transfer from retained profits	—	—	—	79	—	—	(79)	—	—	—
At 30 June 2018 (unaudited)	400	147,602	(41,769)	11,579	8,246	10,820	(1,563)	135,315	1,083	136,398

The asset revaluation reserve arose from a change in use from owner-occupied properties to investment properties.

Notes to the Interim Consolidated Financial Information

For the six months ended 30 June 2019

1. BASIS OF PREPARATION

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9
HKFRS 16
Amendments to HKAS 19
Amendments to HKAS 28
HK(IFRIC)-Int 23
*Annual Improvements
2015–2017 Cycle*

*Prepayment Features with Negative Compensation
Leases
Plan Amendment, Curtailment or Settlement
Long-term Interests in Associates and Joint Ventures
Uncertainty over Income Tax Treatments
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and
HKAS 23*

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

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

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

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings and due to related parties.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

Notes to the Interim Consolidated Financial Information

For the six months ended 30 June 2019

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

As a lessee — Leases previously classified as operating leases (continued)

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

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

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease;
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review; and
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)**As a lessee — Leases previously classified as operating leases** (continued)

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

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

Summary of new accounting policies

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

Right-of-use assets

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

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)**Summary of new accounting policies** (continued)**Lease liabilities** (continued)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION

For the six months ended 30 June 2019	ODM products <i>RMB'000</i> (Unaudited)	Brand products <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment revenue			
Sales to external customers	<u>94,023</u>	<u>33,581</u>	<u>127,604</u>
Segment results	<u>24,924</u>	<u>(4,379)</u>	<u>20,545</u>
Other income and gains			2,589
Corporate and other unallocated expenses			(30,496)
Finance costs			<u>(7,153)</u>
Loss before tax			<u>(14,515)</u>
For the six months ended 30 June 2018	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	<u>85,006</u>	<u>41,430</u>	<u>126,436</u>
Segment results	<u>21,869</u>	<u>(1,655)</u>	<u>20,214</u>
Other income and gains			2,315
Corporate and other unallocated expenses			(19,678)
Finance costs			<u>(6,194)</u>
Loss before tax			<u>(3,343)</u>

Notes to the Interim Consolidated Financial Information

For the six months ended 30 June 2019

3. OPERATING SEGMENT INFORMATION (continued)

Geographic information

(a) Revenue from external customers

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

The revenue information above is based on the shipment destinations.

(b) Non-current assets

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

4. REVENUE

An analysis of revenue is as follows:

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

4. REVENUE (continued)**Disaggregated revenue information for revenue from contracts with customers**

For the six months ended 30 June 2019

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

For the six months ended 30 June 2018

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

Notes to the Interim Consolidated Financial Information

For the six months ended 30 June 2019

5. LOSS BEFORE TAX

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

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

6. INCOME TAX

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

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

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

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

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

7. DIVIDENDS

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

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

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

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

Notes to the Interim Consolidated Financial Information

For the six months ended 30 June 2019

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(continued)*

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

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent	11,959	2,774
	For the six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period	1,008,333,333	5,505,555
Effect of conversion of share premium	—	820,327,778
	1,008,333,333	825,833,333

9. PROPERTY, PLANT AND EQUIPMENT

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

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

10. TRADE RECEIVABLES

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

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

11. TRADE AND BILLS PAYABLES

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

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

12. SHARE CAPITAL

In connection with the Company's initial public offering, 300,000,000 ordinary shares of US\$0.01 each were issued at a price of HK\$0.58 per share for a total cash consideration, before expenses, of approximately HK\$174,000,000 (equivalent to RMB149,737,000). Dealings in these shares on the Stock Exchange commenced on 26 April 2019.

On 26 April 2019, share premium amounting to HK\$70,125,000 (equivalent to RMB60,170,000) were converted into 894,000,000 ordinary shares at USD0.01 each.

13. CONTINGENT LIABILITIES

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

14. COMMITMENTS

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

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

Notes to the Interim Consolidated Financial Information

For the six months ended 30 June 2019

15. RELATED PARTY TRANSACTIONS

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

		For the six months ended	
		30 June	
		2019	2018
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Loans granted to entities of which the chairman of the Company is a controlling shareholder:			
Deshipu New Material Co., Ltd.	<i>(i)</i>	13,993	74,350
Bode Holding Co., Ltd.	<i>(i)</i>	—	7,550
		13,993	81,900
Loans granted to a director:			
Mr. Luo Weixing	<i>(ii)</i>	—	150
Purchase of materials from an entity of which the chairman of the Company is a controlling shareholder:			
Deshipu New Material Co., Ltd.	<i>(iii)</i>	5,471	8,672
Sales of products to entity of which the chairman of the Company is a controlling shareholder:			
Deshipu New Material Co., Ltd.	<i>(iii)</i>	48	—
Zhejiang Deshipu Polyamide Technology Co., Ltd. (“ Deshipu Polyamide ”)	<i>(iii)</i>	332	320
		380	320
Property lease from an entity of which the chairman of the Company is a controlling shareholder:			
Bode Holding Co., Ltd.	<i>(iv)</i>	3,405	—

Notes:

- (i) The loans and payables were unsecured, non-interest bearing and repayable on demand.
- (ii) The loan granted to a director is unsecured, non-interest-bearing and repayable on demand.
- (iii) The purchases of materials from the related parties and sales of products to the related parties were made according to the published prices and conditions offered by the related parties to their major customers, respectively.
- (iv) The property lease from the related party was made according to the market price and conditions.

15. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties:

- (i) Bode Holding Co. Ltd., an entity controlled by the Chairman of the company, has guaranteed certain of the Group's bank loans of up to RMB83,100,000 as at 30 June 2019 (31 December 2018: RMB50,100,000).
- (ii) Deshipu New Material Co., Ltd., an entity controlled by a shareholder, has guaranteed certain of the Group's bank loans of up to RMB30,000,000 as at 30 June 2019 (31 December 2018: nil).
- (iii) Mr. Jin Guojun, the Chairman, has guaranteed certain of the Group's bank loans of up to RMB213,000,000 as at 30 June 2019 (31 December 2018: RMB85,400,000).
- (iv) Ms. Gong Lijin, a shareholder and the wife of the Chairman, has guaranteed certain of the Group's bank loans of up to RMB213,000,000 as at 30 June 2019 (31 December 2018: RMB85,400,000).
- (v) Mr. Jin Guojun and Ms. Gong Lijin have guaranteed certain of the Group's bank loans of up to RMB117,100,000 as at 30 June 2019 (31 December 2018: RMB170,200,000).
- (vi) Mr. Jin Chunlong, a shareholder of the Company, has guaranteed certain of the Group's bank loans of nil as at 30 June 2019 (31 December 2018: RMB8,400,000).

(c) Outstanding balances with related parties:

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

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

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

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in advances from customers, other payables and accruals, the current portion of interest-bearing bank borrowings, due from related parties, due to related parties, due from a director and due to a director approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Management has assessed that the fair values of non-current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the fact that such borrowings were made between the Group and an independent third party financial institution based on prevailing market interest rates.

Fair value hierarchy

The Group did not have any financial assets and liabilities measured at fair value as at 30 June 2019 (six months ended 30 June 2018: nil).