



bonny 博尼



**2020**  
INTERIM  
REPORT

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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

# CONTENTS

Corporate Information	2
Chairman's Statement	4
Management Discussion and Analysis	7
Other Information	17
Interim Condensed Consolidated Statement of Profit or Loss	21
Interim Condensed Consolidated Statement of Comprehensive Income	22
Interim Condensed Consolidated Statement of Financial Position	23
Interim Condensed Consolidated Statement of Changes in Equity	25
Interim Condensed Consolidated Statement of Cash Flows	26
Notes to Interim Condensed Consolidated Financial Information	28

# 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. Chan Yin Tsung

## COMPANY SECRETARY

Ms. Chen Chun

## AUTHORISED REPRESENTATIVES

Mr. Jin Guojun  
Ms. Chen Chun

## AUDIT COMMITTEE

Mr. Chan Yin Tsung (*Chairman*)  
Mr. Wang Jian  
Mr. Li Youxing

## REMUNERATION COMMITTEE

Mr. Wang Jian (*Chairman*)  
Mr. Jin Guojun  
Mr. Chan Yin Tsung

## NOMINATION COMMITTEE

Mr. Jin Guojun (*Chairman*)  
Mr. Chan Yin Tsung  
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](http://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 2020 (the “**Reporting Period**”).

## BUSINESS REVIEW

As a manufacturer of seamless and traditional intimate wear products, the Group operates business through two segments. The Group's original design manufacturer (“**ODM**”) sales products segment sells one-piece intimate wear to ODM's customers in the People's Republic of China (the “**PRC**”) and overseas. The Group's branded sales products segment sells mainly traditional intimate wear products under its “Bonny” and “U+Bonny” brands through its nationwide retail network in the PRC.

During the first half of 2020, the domestic and global economy was materially affected by the outbreak of the COVID-19 pandemic. According to the National Bureau of Statistics of China, during the first half of 2020, the total retail sales of consumer goods in the PRC amounted to approximately RMB17,225.6 billion, representing a decrease of 11.4% as compared to the corresponding period in 2019. The total retail sales of clothing and accessories and knitting and textile products amounted to approximately RMB512.0 billion, representing a decrease of 19.6% as compared to the corresponding period in 2019. The online retail sales in the PRC during the first half of 2020 amounted to approximately RMB5,150.1 billion, representing an increase of 7.3% as compared to the corresponding period in 2019. The online retail sales of physical goods amounted to approximately RMB4,348.1 billion, representing an increase of 14.3% as compared to the corresponding period in 2019. The online retail sales of clothing products decreased by 2.9% as compared to the corresponding period in 2019. According to General Administration of Customs of the PRC, during the first half of 2020, the exports of apparel items and clothing accessories in the PRC amounted to approximately USD53.6 billion, representing a decrease of 19.4% as compared to the corresponding period in 2019.

In order to tide over such difficult time, the Board and management of the Group took various measures to maintain the stable operation of the Company, including: i) engaging in new facial masks production and sales business; ii) leveraging the communication functions of Hong Kong and the United State offices to maintain close relationships with overseas customers; iii) providing domestic ODM customers with more tailor-made services and accelerating research and development and production progress; and iv) controlling costs and expenses. In the first half of 2020, the operation of Company's two business segments faced huge challenges. The number of ODM export orders of seamless intimate wear products decreased by approximately 64.3% as compared to the corresponding period in 2019. The domestic branded sales decreased by approximately 25.9% as compared to the corresponding period in 2019. However, we recorded positive profit as the sales revenue from the new facial masks production and sales business, exceeded RMB78.0 million and the Group's domestic ODM sales revenue from seamless intimate wear products maintained more or less at the same level as the corresponding period of 2019.

During the Reporting Period, the Group's total revenue amounted to approximately RMB151.9 million, representing an increase of approximately 19.0% as compared to the corresponding period in 2019 (2019: approximately RMB127.6 million). Such increase was primarily due to the increase in facial masks sales revenue of approximately RMB78.0 million. The Group recorded a gross profit of approximately RMB60.0 million (2019: approximately RMB50.5 million) with a gross profit margin of approximately 39.5% (2019: approximately 39.6%).

The Group recorded a profit attributable to owners of the Company for the Reporting Period of approximately RMB12.5 million (2019: loss attributable to owners of the Company of approximately RMB12.0 million). The profit-making for the Reporting Period was mainly due to the i) recorded increase in gross profit as a result of the increase in sales of facial masks; ii) the Reporting Period did not incur the non-recurring listing expenses incurred in the corresponding period in 2019; and iii) decrease in selling expenses of approximately RMB7.1 million as compared with the corresponding period in 2019.

The shares of the Company were listed ("**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 26 April 2019 by way of 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\$131.3 million.

## **FUTURE PLAN AND PROSPECTS**

In the second half of 2020, it is expected that the COVID-19 pandemic will linger and uncertainties over the global economy will sustain, which will pose huge challenges to the entire clothing industry. The Company is well-prepared to overcome such difficulties. The Company will focus on providing one-stop in-house intimate wear manufacturing solutions to the ODM customers in the PRC and overseas. In addition, the Company will continue to:

- i) take regular measures for the prevention of the COVID-19 pandemic, so as to ensure the stable production and operation and the normal operation of our brand stores;
- ii) closely cooperating with academic institutions and third party design organizations to develop diversified products and smart production systems;
- iii) retain quality domestic customers, so as to grasp opportunities brought by the recent growth of online retail customers in the PRC; and
- iv) expand online sales channels (including micro business, live-streaming sales and social media sales) to enlarge its e-commerce network.

The construction of the production building and the staff dormitory of phase II of the Beiyuan Production Site has been completed as at 30 June 2020. The construction acceptance procedures are being processed. It is expected that Phase II of the Beiyuan Production Site will commence production in the second half of 2020.

## Chairman's Statement

As mentioned in the 2019 annual report of the Group, due to the COVID-19 pandemic and its impact on the domestic and global economy, the outlook of future sales prospect is unclear. As a result, the Group has decided to delay the additional purchase of seamless circular knitting machines and other ancillary equipment with unutilized proceeds as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus and the announcement of the Company dated 24 May 2019. The Board will consider to resume the proposed purchase and installation of the equipment based on the recovery of product sales and production capacity of the Group.

### **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*

Zhejiang, PRC. 31 August 2020

## BUSINESS AND OPERATIONS REVIEW

During the Reporting Period, the Group's total revenue amounted to approximately RMB151.9 million, representing an increase of approximately 19.0% as compared to the corresponding period in 2019 (2019: approximately RMB127.6 million). Such increase was primarily due to the increase in facial masks sales revenue of approximately RMB78.6 million. The Group recorded a gross profit of approximately RMB60.0 million (2019: approximately RMB50.5 million) with a gross profit margin of approximately 39.5% (2019: approximately 39.6%).

The Group recorded a profit attributable to owners of the Company for the Reporting Period of approximately RMB12.5 million (2019: loss attributable to owners of the Company of approximately RMB12.0 million). The profit-making for the Reporting Period was mainly due to the i) recorded increase in gross profit as a result of the increase in sales of facial masks; ii) the Reporting Period did not incur the non-recurring listing expenses incurred in the corresponding period in 2019; and iii) decrease in selling expenses of approximately RMB7.1 million as compared to the corresponding period in 2019.

The Group had a provision in the amount of approximately RMB0.1 million as at 30 June 2020 for the non-compliance of Shanghai Bonny Apparel Co., Ltd.\* (上海博尼服裝有限公司) ("**Shanghai Bonny**") with the Regulations on the Administration of Housing Provident Fund of the PRC (《中華人民共和國住房公積金管理條例》) and had a provision in the amount of nil as at 30 June 2020 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》). As at 30 June 2020, the amount of outstanding housing provident fund contribution of Shanghai Bonny for the Reporting Period was approximately RMB0.5 million and the amount of social insurance payment underpaid by Shanghai Bonny for the Reporting Period was approximately RMB0.5 million. Hunan Bonny Apparel Co., Ltd.\* (湖南博尼服裝有限公司) ("**Hunan Bonny**") was deregistered in May 2020. As at 30 June 2020, there were no underpaid housing provident fund contribution and social insurance payment.



### **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 Reporting Period. The Group appropriately optimised its retail network by closing retail outlets with less satisfactory financial or operational performance so as to enhance the overall efficiency of its sales network.

As at 30 June 2020, the Group had 130 self-operated retail outlets (comprising 123 self-operated concession counters and 7 self-operated standalone stores) and 49 franchised retail outlets, covering 17 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 190 as at 31 December 2019 to 179 as at 30 June 2020. The decrease was mainly because the Company closed down 20 loss-making brand stores and delayed plans to open new stores in response to the impact of the outbreak of epidemic in the PRC on offline retail industry in the first half of 2020.

Meanwhile, the Group's products are also available for sale through its current e-commerce network and different well-recognised e-commerce platforms. In response to the change in consumption pattern towards online shopping in the PRC, the Group 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 Reporting Period, the Group introduced 79 distinct types of products in terms of style, size and colour under different product categories for the Group's branded sales into the domestic retail market. For the Reporting Period, expenses for product design, research and development was approximately RMB9.7 million (2019: approximately RMB9.8 million).

As at 30 June 2020, 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 24 registered patents in the PRC, including 3 invention patents and 21 utility model patents.

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

## PRODUCTION CAPACITY

Currently the Group only conducts its production operations at the Group's production base located at the Suxi Production Site. The construction of phase I of the Beiyuan Production Site was completed in September 2016. The construction of the production building and the staff dormitory of phase II of the Beiyuan Production Site has been completed as at 30 June 2020. The construction acceptance procedures are being processed. It is expected that Phase II of the Beiyuan Production Site will commence production in the second half of 2020. During the Reporting Period, there was no change in the seamless production capacity of the Company.

As mentioned in the 2019 annual report of the Group, due to the COVID-19 pandemic and its impact on the domestic and global economy, the outlook of future sales prospect is unclear. As a result, the Group has decided to delay the purchase of additional seamless circular knitting machines and other ancillary equipment with unutilised proceeds as described in the section of "Future Plans and Use of Proceeds" in the Prospectus and the announcements of the Company dated 24 May 2019 and 29 May 2020, respectively. The Board will consider to resume the proposed purchase and installation of the equipment based on the recovery of product sales and production capacity of the Group at the time.

### 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 decreased to 734 as at 30 June 2020 (31 December 2019: 779). The employee benefit expense (excluding directors' and chief executive's remunerations) for the Reporting Period was approximately RMB23.5 million (2019: approximately RMB25.5 million). The service fee payment to the employment agent for the Reporting Period was approximately RMB42,772 (2019: approximately RMB35,000).

In addition to direct employment and labour dispatch, the Group engages production subcontractors to provide on-site subcontracting staff. The Group's human resources policy does not apply to workers of the relevant production subcontractor and the Group neither determines nor directly pays wages to the subcontracting staff. Subcontracting fees, calculated based on the quantity of goods or services delivered to the Group for the Reporting Period, was approximately RMB26.3 million (2019: approximately RMB11.3 million).

### FINANCIAL REVIEW

#### Revenue

Revenue for the Reporting Period was approximately RMB151.9 million, representing an increase of approximately RMB24.3 million, or approximately 19.0%, from approximately RMB127.6 million for the corresponding period last year.

The ODM products segment revenue for the Reporting Period was approximately RMB127.0 million, representing an increase of approximately RMB33.0 million, or approximately 35.1%, from segment revenue of approximately RMB94.0 million for the corresponding period last year. This increase was primarily due to the increase in facial masks sales revenue of approximately RMB78.6 million. The revenue from other overseas ODM business of the Company decreased by approximately RMB45.4 million. The decrease was mainly due to the decrease in the number of orders as a result of the outbreak of the COVID-19 pandemic.

The brand products segment revenue for the Reporting Period was approximately RMB24.9 million, representing a decrease of approximately RMB8.7 million, or approximately 25.9% for the corresponding period last year (2019: approximately RMB33.6 million). Such decrease was mainly due to i) the Company closing down 20 loss-making brand stores and delayed its plans to open new stores during the first half of 2020; ii) the normal business hours of brand stores were shortened by over 30% in response to the outbreak of COVID-19 as compared to last year; and iii) the number of customers decreased due to the outbreak of COVID-19.

### Gross Profit

Gross profit for the Reporting Period was approximately RMB60.0 million, representing an increase of approximately RMB9.5 million, or approximately 18.8%, from approximately RMB50.5 million for the corresponding period last year due to the higher gross profit of new facial masks business during the Reporting Period and the increase in revenue.

Segment gross profit for ODM products for the Reporting Period was approximately RMB46.3 million which increased from approximately RMB28.9 million for the corresponding period last year. The increase was due to the recorded gross profit from the sales of facial masks.

Segment gross profit for brand products for the Reporting Period was approximately RMB13.7 million, which decreased for the corresponding period last year (2019: approximately RMB21.5 million) primarily due to i) the decrease in selling price during the promotion sale of products for reducing inventory level; and ii) the significant decrease in total sales of products as a result of the outbreak of COVID-19.

### Other Income and Gains

Other income and gains for the Reporting Period was approximately RMB2.7 million, representing an increase of approximately RMB0.1 million from approximately RMB2.6 million for the corresponding period last year.

### Selling and Distribution Expenses

Selling and distribution costs for the Reporting Period were approximately RMB22.8 million, representing a decrease of approximately RMB7.1 million, or approximately 23.8%, from approximately RMB29.9 million for the corresponding period last year. The decrease was mainly due to i) the decrease in export freight costs for foreign trade ODM as a result of the decrease in sales; ii) the decrease in promotion expenses for self-operated brands as a result of close down of stores and reduction in promotion activities; and iii) the decrease in social insurance payable by Shanghai Bonny as a result of the social insurance concession policy.

### Administrative Expenses

Administrative expenses for the Reporting Period were approximately RMB10.5 million, representing a decrease of approximately RMB10.4 million from approximately RMB20.9 million for the corresponding period last year. The decrease was mainly due to the listing expenses of RMB9.3 million incurred in the corresponding period of 2019, which the Group did not incur during the Reporting Period.

### Other Expenses

Other expenses for the Reporting Period was approximately RMB9.9 million, as compared to approximately RMB9.9 million for the corresponding period last year. Other expenses included research and development expenses of approximately RMB9.7 million.

### Finance Costs

Finance costs for the Reporting Period were approximately RMB5.9 million, representing a decrease of approximately RMB1.3 million, or approximately 18.1%, from approximately RMB7.2 million for the corresponding period last year. The decrease was mainly due to the bank loan interest subsidy received by the Company.

### Income Tax Expenses

Income tax expenses for the Reporting Period was approximately RMB1.8 million as compared to the income tax credit of RMB2.5 million for the corresponding period last year. The income tax expenses incurred during the Reporting Period was due to the positive profits of the Group.

### Total Comprehensive Profit Attributable to Owners of the Parent

Total comprehensive profit attributable to owners of the parent for the Reporting Period was approximately RMB13.3 million, representing an increase of approximately RMB25.2 million from total comprehensive loss attributable to owners of the parent of approximately RMB11.9 million for the corresponding period last year.

## FUTURE PLAN AND PROSPECTS

In the second half of 2020, it is expected that the COVID-19 pandemic will linger and uncertainties over the global economy will sustain, which will pose huge challenges to the entire clothing industry. The Company is well-prepared to overcome such difficulties. The Company will focus on providing one-stop in-house intimate wear manufacturing solutions to the ODM customers in the PRC and overseas. In addition, the Company will continue to:

- i) take regular measures for the prevention of the COVID-19 pandemic, so as to ensure the stable production and operation and the normal operation of our brand stores;
- ii) closely cooperating with academic institutions and third party design organizations to develop diversified products and smart production systems;
- iii) retain quality domestic customers, so as to grasp opportunities brought by the recent growth of online retail customers in the PRC; and
- iv) expand online sales channels (including micro business, live-streaming sales and social media sales) to enlarge its e-commerce network.

Currently the Group only conducts its production operations at the Group's production base located at the Suxi Production Site. The construction of phase I of the Beiyuan Production Site was completed in September 2016. The construction of the production building and the staff dormitory of phase II of the Beiyuan Production Site has been completed as at 30 June 2020. The construction acceptance procedures are being processed. It is expected that Phase II of the Beiyuan Production Site will commence production in the second half of 2020.

As mentioned in the 2019 annual report of the Group, due to the COVID-19 pandemic and its impact on the domestic and global economy, the outlook of future sales prospect is unclear. As a result, the Group has decided to delay the additional purchase of seamless circular knitting machines and other ancillary equipment with unutilized proceeds as described in the section headed “Future Plans and Use of Proceeds” in the Prospectus and the announcement of the Company dated 24 May 2019. The Board will consider to resume the proposed purchase and installation of the equipment based on the recovery of product sales and production capacity of the Group.

### **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 2020, the Group had cash and cash equivalents, which are mostly denominated in Renminbi, U.S. dollars and Hong Kong dollars currency unit, of approximately RMB30.3 million (31 December 2019: approximately RMB59.2 million). The interest-bearing liabilities as at 30 June 2020 was approximately RMB234.6 million (2019: approximately RMB233.8 million) with interest rates ranging from approximately 3.05% to 6.53% per annum. The Group’s gearing ratio as at 30 June 2020, calculated based on net debts to the total capital and net debts, was approximately 52.0% (as at 31 December 2019: approximately 46.0%). The Group recorded net current liabilities of approximately RMB10.4 million as of 30 June 2020. It is expected that the phase II of the Beiyuan Production Site will commence production in the second half of 2020. The Group does not have any plan to incur material capital expenditure for further expansion of the production bases. The management believes that the Group has maintained adequate financial resources to fulfil its working capital requirements. During the Reporting Period, no financial instruments had been used for hedging purpose.

### **FOREIGN EXCHANGE RISK**

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

### **MATERIAL ACQUISITIONS AND DISPOSALS**

During the Reporting Period, the Group had made no material acquisitions or disposals of subsidiaries, associates and joint ventures.

### CAPITAL COMMITMENTS

As at 30 June 2020, the Group had total capital commitments of RMB16.5 million (as at 31 December 2019: RMB22.1 million), primarily related to the construction of phase II of the Beiyuan Production Site.

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

### CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any significant contingent liabilities.

### PLEDGE OF ASSETS

As at 30 June 2020, save for (i) bank deposits of approximately RMB5.5 million (as at 31 December 2019: RMB9.6 million) and unlisted investments with fair value of nil (as at 31 December 2019: RMB1.3 million) which were pledged for bills payables; and (ii) the Group's leasehold lands with a net carrying amounts of RMB26.8 million (as at 31 December 2019: RMB27.2 million) and certain of the Group's buildings and machinery and equipment with a net carrying amounts of approximately RMB47.2 million (as at 31 December 2019: RMB49.2 million) which were pledged to secure general banking facilities, the Group did not pledge any other assets.

### USE OF PROCEEDS

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

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

The table below sets out the use of net proceeds from the initial public offering and the unutilised amounts as at 30 June 2020:

Use of Net Proceeds	Planned allocation of Net Proceeds as stated in the Prospectus <i>HKD million</i>	Remaining net proceeds to be utilized for such item after revised allocation <i>HKD million</i>	Utilised amount as at 30 June 2020 <i>HKD million</i>	Unutilised amount as at 30 June 2020 <i>HKD million</i>	Expected timeline of fully utilization of the remaining proceeds
<b>Beiyuan Production Site for expansion of our seamless production capacity</b>					
— construction of phase II of the Beiyuan Production Site	26.3	(7.5) <sup>Note 1, 2</sup>	26.3	–	N/A
— acquisition and implementation of additional production equipment at the Beiyuan Production Site	78.8	24.5	4.3	24.5	31 December 2026
<b>Enhancing product design, research and development capability</b>	13.1	(0.4) <sup>Note 2</sup>	13.1	–	N/A
<b>Working capital and general corporate purposes</b>	13.1	(0.7) <sup>Note 2</sup>	13.1	–	N/A
<b>Acquiring mask production line and ancillary equipment and constructing medical mask production workshop</b>	–	50	46.6	3.4	31 December 2020
<b>Total</b>	<b>131.3</b>	<b>65.9</b>	<b>103.4</b>	<b>27.9</b>	

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

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



### **SUBSEQUENT EVENT**

As at 30 June 2020 and up to the date of this report, the Group did not have any significant subsequent events.

### **EMPLOYEE AND REMUNERATION POLICY**

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

### **SIGNIFICANT INVESTMENTS HELD**

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

### **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

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

### 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.

Mr. Zhang Senquan resigned as an independent non-executive Director, the chairman of the audit committee of the Company (the “**Audit Committee**”) and members of each of the remuneration committee (the “**Remuneration Committee**”) and the nomination committee of the Company (the “**Nomination Committee**”) with effect from 19 June 2020. Following the resignation of Mr. Zhang Senquan, the Company failed to meet the requirements under Rules 3.10(1), 3.10(2), 3.10A, 3.21 and 3.25 of the Listing Rules and under the code provision A.5.1 of the CG Code. The Company subsequently appointed Mr. Chan Yin Tsung as an independent non-executive Director, the chairman of the Audit Committee and members of each of the Remuneration committee and the Nomination Committee with effect from 1 July 2020. Following the appointment of Mr. Chan Yin Tsung, the Company continued to comply with the requirements under Rules 3.10(1), 3.10(2), 3.10A, 3.21 and 3.25 of the Listing Rules and the code provision A.5.1 of the CG Code again. For details, please refer to the announcements of the Company dated 18 June 2020 and 30 June 2020, respectively.

Save as disclosed above, during the Reporting Period, the Company has complied with all the applicable code provisions of the CG Code.

### AUDIT COMMITTEE

The Audit Committee currently consists of three independent non-executive Directors, being Mr. Chan Yin Tsung, Mr. Wang Jian and Mr. Li Youxing. Mr. Chan Yin Tsung currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed with management the Group’s unaudited interim condensed consolidated financial statements for the six months ended 30 June 2020 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 Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the Reporting Period.

## INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the Reporting Period (30 June 2019: nil).

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

As at 30 June 2020, 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 <sup>(Note 1)</sup>
Jin Guojun	Interested in controlled corporation <sup>(Note 2)</sup>	634,500,000	52.88%
Gong Lijin	Interest of spouse <sup>(Note 3)</sup>	634,500,000	52.88%
Luo Weixing	Interested in controlled corporation <sup>(Note 4)</sup>	3,456,539	0.28%

Notes:

- As at 30 June 2020, 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.
- 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.

### 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 or held	Approximate percentage of shareholding
Jin Guojun	Maximax Holding Corporation <sup>(Note 1)</sup>	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 2020, 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 2020, 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	Capacity/Nature of Interest	Number of shares or held	Approximate percentage of shareholding <sup>(Note 1)</sup>
Maximax Holding Corporation	Beneficial Owner	634,500,000	52.88%
Jin Xiaohong	Beneficial Owner	63,000,000	5.25%

Note:

1. As at 30 June 2020, the total number of issued shares of the Company is 1,200,000,000 shares.

Save as disclosed above, as at 30 June 2020, 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 Reporting Period 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**

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

### **CHANGES IN INFORMATION OF DIRECTORS**

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the annual report 2019 of the Company are set out below:

Hunan Bonny, a subsidiary of the Company which was established in June 2019, was deregistered in May 2020. Subsequent to the aforesaid deregistration, Mr. Jin Guojun, an executive Director ceased to be a director of Hunan Bonny and Ms. Gong Lijin, a non-executive Director, ceased to be a supervisor of Hunan Bonny, respectively.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### **SHARE OPTION SCHEME**

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 19 March 2019. No share option was granted by the Company under the Share Option Scheme since the date of its adoption.

# Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

	<i>Notes</i>	<b>2020</b> <b>(Unaudited)</b> <b>RMB'000</b>	2019 (Unaudited) RMB'000
<b>REVENUE</b>	4	<b>151,906</b>	127,604
Cost of sales		<u>(91,921)</u>	<u>(77,124)</u>
Gross profit		<b>59,985</b>	50,480
Other income and gains		<b>2,687</b>	2,589
Selling and distribution expenses		<b>(22,798)</b>	(29,935)
Administrative expenses		<b>(10,488)</b>	(20,909)
Reversal of impairment losses on financial and contract assets, net		<b>668</b>	282
Other expenses		<b>(9,944)</b>	(9,869)
Finance costs		<u>(5,910)</u>	<u>(7,153)</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>	5	<b>14,200</b>	(14,515)
Income tax (expense)/credit	6	<u>(1,780)</u>	<u>2,464</u>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<u><b>12,420</b></u>	<u>(12,051)</u>
Attributable to:			
Owners of the parent		<b>12,473</b>	(11,959)
Non-controlling interests		<u>(53)</u>	<u>(92)</u>
		<u><b>12,420</b></u>	<u>(12,051)</u>
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	8		
— Basic and diluted		<u><b>RMB1.0 cent</b></u>	<u>RMB(1.2) cents</u>

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	<b>2020</b> <b>(Unaudited)</b> <b>RMB'000</b>	2019 (Unaudited) RMB'000
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<u>12,420</u>	<u>(12,051)</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(2,020)</u>	<u>(2,934)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>2,799</u>	<u>2,976</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<u>779</u>	<u>42</u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<u><b>13,199</b></u>	<u><b>(12,009)</b></u>
Attributable to:		
Owners of the parent	<u>13,252</u>	<u>(11,917)</u>
Non-controlling interests	<u>(53)</u>	<u>(92)</u>
	<u><b>13,199</b></u>	<u><b>(12,009)</b></u>

# Interim Condensed Consolidated Statement of Financial Position

30 June 2020

		<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	<b>223,564</b>	172,176
Advance payments for property, plant and equipment		<b>5,967</b>	22,617
Investment properties		<b>46,510</b>	46,510
Right-of-use assets		<b>38,657</b>	40,028
Intangible assets		<b>1,195</b>	1,174
Deferred tax assets		<b>1,232</b>	2,418
Other non-current assets		<b>5,170</b>	5,170
<b>Total non-current assets</b>		<b>322,295</b>	290,093
<b>CURRENT ASSETS</b>			
Inventories		<b>171,434</b>	136,053
Trade receivables	10	<b>81,784</b>	88,776
Prepayments, deposits and other receivables		<b>55,144</b>	34,782
Financial assets at fair value through profit or loss		–	1,321
Due from related parties	15	<b>12,178</b>	375
Pledged deposits		<b>5,542</b>	9,629
Cash and cash equivalents		<b>30,320</b>	59,165
<b>Total current assets</b>		<b>356,402</b>	330,101
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	<b>37,145</b>	43,676
Advances from customers, other payables and accruals		<b>94,392</b>	43,369
Interest-bearing bank and other borrowings		<b>227,762</b>	223,712
Lease Liabilities		<b>5,906</b>	8,685
Due to related parties	15	<b>228</b>	232
Tax payable		<b>1,080</b>	1,035
Provision		<b>267</b>	267
<b>Total current liabilities</b>		<b>366,780</b>	320,976



# Interim Condensed Consolidated Statement of Financial Position

30 June 2020

	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
<i>Note</i>		
<b>NET CURRENT (LIABILITIES)/ASSETS</b>	<b>(10,378)</b>	9,125
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>311,917</b>	299,218
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	<b>888</b>	1,388
<b>Total non-current liabilities</b>	<b>888</b>	1,388
<b>Net assets</b>	<b>311,029</b>	297,830
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	12 <b>80,827</b>	80,827
Share premium	<b>205,242</b>	205,242
Other reserves	<b>24,249</b>	10,997
	<b>310,318</b>	297,066
Non-controlling interests	<b>711</b>	764
<b>Total equity</b>	<b>311,029</b>	297,830

# Interim Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2020

	Attributable to owners of the parent							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Asset revaluation reserve#	Retained earnings			
<b>At 31 December 2019 and 1 January 2020 (audited)</b>	<b>80,827</b>	<b>205,242</b>	<b>(41,769)</b>	<b>14,976</b>	<b>9,339</b>	<b>16,134</b>	<b>12,317</b>	<b>297,066</b>	<b>764</b>	<b>297,830</b>
Profit for the period										
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	—	—	—	—	—	—	12,473	12,473	(53)	12,420
	—	—	—	—	779	—	—	779	—	779
Total comprehensive income for the period	—	—	—	—	779	—	12,473	13,252	(53)	13,199
<b>At 30 June 2020 (unaudited)</b>	<b>80,827</b>	<b>205,242</b>	<b>(41,769)</b>	<b>14,976</b>	<b>10,118</b>	<b>16,134</b>	<b>24,790</b>	<b>310,318</b>	<b>711</b>	<b>311,029</b>
	Attributable to owners of the parent							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Asset revaluation reserve#	Retained earnings			
<b>At 31 December 2018 and 1 January 2019 (audited)</b>	<b>400</b>	<b>147,602</b>	<b>(41,769)</b>	<b>14,976</b>	<b>8,585</b>	<b>15,970</b>	<b>24,516</b>	<b>170,280</b>	<b>927</b>	<b>171,207</b>
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 loss for the period	—	—	—	—	42	—	(11,959)	(11,917)	(92)	(12,009)
Issue of shares	80,427	58,477	—	—	—	—	—	138,904	—	138,904
<b>At 30 June 2019 (unaudited)</b>	<b>80,827</b>	<b>206,079</b>	<b>(41,769)</b>	<b>14,976</b>	<b>8,627</b>	<b>15,970</b>	<b>12,557</b>	<b>297,267</b>	<b>835</b>	<b>298,102</b>

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

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Note	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before tax:		<b>14,200</b>	(14,515)
Adjustments for:			
Gain on disposal of items of property, plant and equipment	5	<b>(89)</b>	(19)
Lease payment concession from lessors		<b>(74)</b>	–
Gain on derecognition of right-of-use assets		<b>(78)</b>	–
Finance costs		<b>5,910</b>	7,153
Interest income		<b>(374)</b>	–
Depreciation of property, plant and equipment		<b>6,372</b>	6,565
Depreciation of right-of-use assets		<b>2,479</b>	1,451
Changes in fair value of investment properties		–	(200)
Amortisation of intangible assets		<b>322</b>	373
Write-down of/(reversal of provision for write-down of) inventories to net realisable value	5	<b>748</b>	(421)
Impairment of financial and contract assets, net:			
Reversal of impairment of trade receivables	5	<b>(668)</b>	(282)
Exchange differences, net		<b>730</b>	40
		<b>29,478</b>	145
Increase in inventories		<b>(36,129)</b>	(12,057)
Decrease/(increase) in trade receivables		<b>7,660</b>	(92)
Increase in prepayments, deposits and other receivables		<b>(7,242)</b>	(16,571)
Decrease in pledged deposits		<b>4,087</b>	4,964
Increase in amounts due from related parties		<b>(9,544)</b>	(8,828)
Decrease in trade and bills payables		<b>(6,531)</b>	(20,819)
Increase/(decrease) in other payables and accruals		<b>51,747</b>	(4,980)
(Decrease)/increase in amounts due to related parties		<b>(1,889)</b>	5,499
Cash generated from/(used in) operations		<b>31,637</b>	(52,739)
Income tax paid		<b>(549)</b>	(1,952)
Net cash flows generated from/(used in) operating activities		<b>31,088</b>	(54,691)

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

<i>Note</i>	<b>2020</b> <b>(Unaudited)</b> <b>RMB'000</b>	2019 (Unaudited) RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	<b>(56,153)</b>	(26,913)
Additions to other intangible assets	<b>(104)</b>	(15)
Proceeds from disposal of property, plant and equipment	<b>200</b>	85
Advance of loans to a related party	–	(13,993)
Repayment of loans from a related party	–	34,290
Proceeds from derecognition of financial assets at fair value through profit or loss	<b>1,321</b>	–
Net cash flows used in investing activities	<b>(54,736)</b>	(6,546)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	–	149,738
Share issue expenses	–	(4,478)
New bank loans	<b>385,850</b>	234,690
Repayment of bank loans	<b>(382,300)</b>	(238,616)
Principal portion of lease payments	<b>(3,738)</b>	(2,722)
Interest paid	<b>(5,061)</b>	(7,189)
Net cash flows (used in)/generated from financing activities	<b>(5,249)</b>	131,423
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	<b>(28,897)</b>	70,186
Cash and cash equivalents at beginning of period	<b>59,165</b>	25,438
Effect of foreign exchange rate changes, net	<b>52</b>	2
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		
	<b>30,320</b>	95,626
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>30,320</b>	95,626

# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

## 1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 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 consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKAS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

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

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB74,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

## 3. OPERATING SEGMENT INFORMATION

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

30 June 2020

**3. OPERATING SEGMENT INFORMATION** (Continued)

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

**Geographic information****(a) Revenue from external customers**

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Mainland China	114,535	60,231
United States of America	16,560	30,826
Japan	3,930	14,209
Germany	10,579	8,902
Netherlands	75	2,321
Other countries or regions	6,227	11,115
Total	151,906	127,604

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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue from contracts with customers	151,906	127,604

**4. REVENUE** (Continued)**Disaggregated revenue information for revenue from contracts with customers****For the six months ended 30 June 2020**

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

**For the six months ended 30 June 2019**

Segments	ODM products RMB'000 (Unaudited)	Brand products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>Type of goods or services</b>			
Sale of goods	94,023	33,581	127,604
<b>Geographical markets</b>			
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 or regions	11,115	–	11,115
<b>Total</b>	<b>94,023</b>	<b>33,581</b>	<b>127,604</b>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	94,023	33,581	127,604



30 June 2020

**5. PROFIT/(LOSS) BEFORE TAX**

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

	<b>For the six months ended 30 June</b>	
	<b>2020</b> <i>RMB'000</i> <b>(Unaudited)</b>	2019 <i>RMB'000</i> (Unaudited)
Cost of inventories sold	<b>91,921</b>	77,124
Depreciation of property, plant and equipment	<b>6,372</b>	6,565
Depreciation of right-of-use assets	<b>2,479</b>	1,451
Amortisation of intangible assets	<b>322</b>	373
Research and development costs	<b>9,676</b>	9,831
Minimum lease payments under operating lease	–	677
Government grants	<b>(1,119)</b>	(645)
Listing expense	–	9,331
Outsourced manufacturers	<b>26,293</b>	11,286
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	<b>21,766</b>	23,298
Pension scheme contributions	<b>1,467</b>	1,650
Welfare and other benefits	<b>307</b>	518
	<b>23,540</b>	25,466
Concession fees	<b>3,600</b>	6,172
Write-down of/(reversal of provision for write-down of) inventories to net realisable value	<b>748</b>	(421)
Reversal of impairment of trade receivables, net	<b>(668)</b>	(282)
Changes in fair value of investment properties	–	(200)
Gain on disposal of items of property, plant and equipment	<b>(89)</b>	(19)
Bank interest income	<b>(135)</b>	(159)
Other interest income	<b>(374)</b>	–
Exchange differences, net	<b>198</b>	(305)

## 6. INCOME TAX (EXPENSE)/CREDIT

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

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

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2019: No provision for income tax in Hong Kong has been made as the Group did not generate any assessable profits in Hong Kong) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (six months ended 30 June 2019: Nil) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

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

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Current		
Charge for the period	<b>(594)</b>	–
Deferred	<b>(1,186)</b>	2,464
Total tax (charge)/credit for the period	<b>(1,780)</b>	2,464

## 7. DIVIDENDS

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

30 June 2020

## 8. EARNING/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of RMB12,473,000 (six months ended 30 June 2019: the loss for the period attributable to ordinary equity holders of the parent of RMB11,959,000), and the weighted average number of ordinary shares of 1,200,000,000 shares in issue during the period (six months ended 30 June 2019: weighted average number of 1,008,333,333 shares issued during the period).

No adjustment has been made to the basic profit or loss per share amount presented for the period ended 30 June 2020 and 2019 in respect of a dilution as there are no dilutive potential ordinary shares.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired assets with a cost of RMB57,871,000 (six months ended 30 June 2019: RMB20,070,000).

Assets (other than those classified as held for sale) with a net book value of RMB111,000 were disposed of by the Group during the six months ended 30 June 2020 (30 June 2019: RMB66,000), resulting in a net gain on disposal of RMB89,000 (six months ended 30 June 2019: net gain on disposal of RMB19,000).

## 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:

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Within 3 months	<b>47,253</b>	64,830
3 to 6 months	<b>6,621</b>	15,561
6 to 12 months	<b>24,558</b>	2,575
1 to 2 years	<b>3,207</b>	5,597
2 to 3 years	<b>145</b>	213
	<b>81,784</b>	88,776

## 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:

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Within 3 months	26,658	28,725
3 to 6 months	8,906	14,397
6 to 12 months	1,383	364
Over 12 months	198	190
	<b>37,145</b>	43,676

## 12. SHARE CAPITAL

### Shares

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Issued and fully paid: 1,200,000,000 (31 December 2019: 1,200,000,000) ordinary shares	<b>80,827</b>	80,827

## 13. CONTINGENT LIABILITIES

As at 30 June 2020 and 31 December 2019, the Group had no significant contingent liabilities.

## 14. COMMITMENTS

The Group had the following capital commitments at the end of the Reporting Period:

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Contracted, but not provided for:		
Land and buildings	13,764	16,949
Plant and machinery	2,735	5,121
	<b>16,499</b>	22,070

**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:

		<b>For the six months ended 30 June</b>	
		<b>2020</b>	2019
		<b>RMB'000</b>	RMB'000
<i>Notes</i>		<b>(Unaudited)</b>	(Unaudited)
Loans granted to an entity of which the Chairman's sister is a controlling shareholder:			
	Zhejiang Deshipu New Material Technology Co., Ltd. (" <b>Deshipu New Material</b> ")	–	13,993
	Prepayments to:		
	Deshipu New Material	<b>80,875</b>	–
	Interest income from:		
	Deshipu New Material	<b>374</b>	–
	Purchase of materials from:		
	Deshipu New Material	<b>15,569</b>	5,471
Sales of goods to entities of which the Chairman's sister is a controlling shareholder:			
	Deshipu New Material	<b>255</b>	48
	Zhejiang Deshipu Polyamide Technology Co., Ltd. (" <b>Deshipu Polyamide</b> ")	–	332
		<b>255</b>	380
	Property lease from an entity of which the Chairman's sister is a controlling shareholder:		
	Bode Holding Co., Ltd.	–	3,405

**15. RELATED PARTY TRANSACTIONS** (continued)

## (a) (continued)

*Notes:*

- (i) The loans and payables were unsecured, repayable on demand and have no interest at the corresponding bank borrowing rate.
- (ii) The Group entered into 19 procurement agreements with Deshipu New Material with amount of RMB81,030,000. Pursuant to the terms and conditions of the procurement agreements, the Group prepaid RMB 80,875,000 upon the signing of the procurement agreements. 10 of the procurement agreements were subsequently cancelled, and Deshipu New Material refunded with amount of RMB60,000,000 accordingly and the left amounts were treated as payments of goods purchased. The number of days from the date of a procurement agreements to the receipt of the refund with a weighted average of 53 days. Deshipu New Material agreed to pay interest of RMB374,000 during the time between the payment of prepayment and the refund at the corresponding bank borrowing rate.
- (iii) The purchases of materials from the related parties and sales of products to the related parties were made according to the published prices and conditions offered by the related parties to their major customers, respectively.
- (iv) The property lease from the related party was made according to the market price and conditions.

## (b) Other transactions with related parties:

- (i) Bode Holding Co. Ltd., an entity controlled by the Chairman's sister, has guaranteed certain of the Group's bank loans of up to RMB83,100,000 as at 30 June 2020 (31 December 2019: RMB83,100,000).
- (ii) Deshipu New Material, an entity controlled by the Chairman's sister, has guaranteed certain of the Group's bank loans of up to RMB30,000,000 as at 30 June 2020 (31 December 2019: RMB30,000,000).
- (iii) Mr. Jin Guojun, the Chairman, has guaranteed certain of the Group's bank loans of up to RMB203,000,000 as at 30 June 2020 (31 December 2019: RMB203,000,000).
- (iv) Ms. Gong Lijin, a shareholder and the wife of the Chairman, has guaranteed certain of the Group's bank loans of up to RMB203,000,000 as at 30 June 2020 (31 December 2019: RMB203,000,000).
- (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 2020 (31 December 2019: RMB117,100,000).

**15. RELATED PARTY TRANSACTIONS** (continued)

(c) Outstanding balances with related parties:

	<b>30 June 2020 RMB'000 (Unaudited)</b>	31 December 2019 RMB'000 (Audited)
Due from related parties		
Deshipu New Material	<b>11,803</b>	–
Trade (i)	<b>9,544</b>	–
Non-trade (ii)	<b>2,259</b>	–
Deshipu Polyamide (i)	<b>375</b>	375
	<b>12,178</b>	375
Due to related parties		
Deshipu New Material (i)	–	141
Trade (i)	–	2,026
Non-trade (ii)	–	(1,885)
Bode Holding Co., Ltd.(ii)	<b>228</b>	91
	<b>228</b>	232

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

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

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

	<b>For the six months ended 30 June</b>	
	<b>2020 RMB'000 (Unaudited)</b>	2019 RMB'000 (Unaudited)
Short term employee benefits	<b>1,124</b>	1,186
Post-employment benefits	<b>9</b>	34
Total compensation paid to key management personnel	<b>1,133</b>	1,220

## 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying Amounts		Fair values	
	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	-	1,321	-	1,321

The Group did not have any financial assets measured at fair value as at 30 June 2020.

The Group did not have any financial liabilities measured at fair value as at 30 June 2020 and 31 December 2019.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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.



30 June 2020

**16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS** (continued)**Fair value hierarchy****Assets measured at fair value:***As at 31 December 2019*

	Fair value measuring using			Total RMB'000
	Quoted price in active markets (level 1) RMB'000	Significant observable inputs (level 2) RMB'000	significant unobservable inputs (level 3) RMB'000	
Financial assets at fair value through profit or loss	–	1,321	–	1,321

**Liabilities for which fair values are disclosed:***As at 30 June 2020*

	Fair value measuring using			Total RMB'000
	Quoted price in active markets (level 1) RMB'000	Significant observable inputs (level 2) RMB'000	significant unobservable inputs (level 3) RMB'000	
Other borrowings (other than lease liabilities)	–	2,314	–	2,314

*As at 31 December 2019*

	Fair value measuring using			Total RMB'000
	Quoted price in active markets (level 1) RMB'000	Significant observable inputs (level 2) RMB'000	significant unobservable inputs (level 3) RMB'000	
Other borrowings (other than lease liabilities)	–	4,067	–	4,067

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2019: Nil).