

2022

INTERIM REPORT



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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Ms. Gong Lijin
Ms. Huang Jingyi

Independent non-executive Directors

Mr. Chan Yin Tsung
Mr. Chow Chi Hang Tony
Dr. Wei Zhongzhe

COMPANY SECRETARY

Ms. Ng Wing Shan (resigned on 1 March 2022)
Mr. Wong Wai Chiu (appointed on 1 March 2022
and resigned on 30 June 2022)
Mr. Zhao Hui (appointed on 30 June 2022)
Mr. Ip Tak Wai (appointed on 30 June 2022)

AUTHORISED REPRESENTATIVES

Mr. Zhao Hui (appointed on 30 June 2022)
Mr. Ip Tak Wai (appointed on 30 June 2022)
Ms. Ng Wing Shan (resigned on 1 March 2022)
Mr. Wong Wai Chiu
(appointed on 1 March 2022 and
resigned on 30 June 2022)
Mr. Jin Guojun (resigned on 30 June 2022)

AUDIT COMMITTEE

Mr. Chan Yin Tsung (*Chairman*)
Dr. Wei Zhongzhe
Mr. Chow Chi Hang Tony

REMUNERATION COMMITTEE

Dr. Wei Zhongzhe (*Chairman*)
Mr. Jin Guojun
Mr. Chan Yin Tsung

NOMINATION COMMITTEE

Mr. Jin Guojun (*Chairman*)
Mr. Chan Yin Tsung
Dr. Wei Zhongzhe

REGISTERED OFFICE

Harneys Fiduciary (Cayman) Limited
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

No. 129, Chunhan Road
Beiyuan Street, Yiwu City
Zhejiang Province
PRC

WEBSITE OF THE COMPANY

www.bonnychina.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road
Kowloon, Hong Kong

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
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

Loeb & Loeb LLP
2206–19 Jardine House
1 Connaught Place, 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

Management Discussion and Analysis

The board (the “**Board**”) of directors (the “**Directors**”) of Bonny International Holding Limited (the “**Company**”) hereby presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2021.

BUSINESS AND OPERATIONS REVIEW

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

During the Reporting Period, the Group’s total revenue amounted to approximately Renminbi (“**RMB**”) 86.0 million, representing a decrease of approximately 31.3% as compared to the corresponding period last year (2021: approximately RMB125.3 million). Such decrease was primarily due to the following factors: i) under the ongoing worldwide COVID-19 pandemic and increasingly challenging international political and economic environment, consumer demand has softened, the costs of raw materials, shipment and export have increased and the supply of raw materials was tight, which forced our cooperative brands to cut back on replenishment orders to consume their existing inventories and minimise operating risks; ii) major breakthroughs in market penetration have not been achieved as the cooperation with new customers was still in the early stage; iii) to comply with the COVID-19 pandemic control measures, brand stores were closed, and marketing and promotional events were cancelled during the pandemic; and iv) 27 loss-making self-operated stores were closed down. The Group recorded a gross profit of approximately RMB20.2 million (2021: approximately RMB33.4 million) with a gross profit margin of approximately 23.4% (2021: approximately 26.7%).

The Group recorded a loss attributable to owners of the parent company for the Reporting Period of approximately RMB23.5 million (2021: a profit attributable to owners of the parent company approximately RMB9.5 million). The loss for the Reporting Period was mainly due to the following factors: i) impacted by the COVID-19 pandemic and external political environment, our total revenue decreased by approximately 31.3% during the Reporting Period as compared to the corresponding period last year; and ii) net proceeds of government revenue and reserves of approximately RMB30.2 million were recognised in the corresponding period last year, while no other income was generated during the Reporting Period.

BRAND MANAGEMENT

The Group sells its branded products under the Group's "Bonny" brand and "U+ Bonny" brand through the Group's retail network in the PRC.

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

SALES NETWORK

The Group sells its branded products principally through an extensive and structured nationwide retail network in the PRC. In order to optimise cost-effectiveness of the Group's outlets, the Group has continued to streamline its retail network in the PRC during the Reporting Period by closing retail outlets with less satisfactory financial or operational performance.

As at 30 June 2022, the Group had 116 self-operating retail outlets (comprising 108 self-operating concession counters and 8 self-operating standalone stores) and 26 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 179 as at 30 June 2021 to 142 as at 30 June 2022. Such decrease was mainly due to the close-down of loss-making retail outlets under the cost reduction plan carried out at the beginning of 2022 and franchisees chose to downsize their business due to the resurgence of COVID-19 outbreaks.

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

PRODUCT DESIGN, RESEARCH AND DEVELOPMENT

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

During the Reporting Period, the Group introduced 110 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 RMB13.1 million (2021: approximately RMB12.1 million).

As at 30 June 2022, the Group had a total of 80 registered trademarks, 3 registered domain names, 14 registered software copyrights in the PRC, and 19 registered patents in the PRC, including 3 invention patents and 16 utility model patents, and 1 registered trademark in Hong Kong.

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

PRODUCTION CAPACITY

The Group currently only operates its production site in Beiyuan Street, Zhejiang Province, the PRC (the “**Beiyuan Production Site**”). Except for the office building which is still undergoing a comprehensive renovation, Phase III of the Beiyuan Production Site has been completed in the first half of 2022 and put into operation. In the first half of 2022, the Group had 272 seamless circular knitting machines on average, while the utilization rate of its seamless production was only about 60% due to insufficient orders. Having considered that the international and domestic economic environment is full of uncertainties and there is no signs of significant improvement in the fight against COVID-19 pandemic in the foreseeable future, the Directors believe our clients would be less inclined to place orders for the time being. As the current seamless production capacity can satisfy our productivity requirement, it is unnecessary to expand the production capacity.

HUMAN RESOURCES

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

The number of full-time employees of the Group decreased to approximately 650 as at 30 June 2022 (31 December 2021: 692). The employee benefit expense (excluding directors’ and chief executive’s remunerations) for the Reporting Period was approximately RMB31.8 million (2021: approximately RMB25.8 million).

In addition, the Group also engages production subcontractors to provide on-site sub-contracting staff. The Group’s human resources policy does not apply to workers of the relevant production subcontractor and the Group neither determines nor directly pays wages to the subcontracting staff. Subcontracting fees, calculated based on the quantity of goods or services delivered to the Group, for the Reporting Period were approximately RMB1.9 million (2021: approximately RMB12.8 million).

FINANCIAL REVIEW

Revenue

Revenue for the Reporting Period was approximately RMB86.0 million, representing a decrease of approximately RMB39.3 million, or approximately 31.3%, from approximately RMB125.3 million for the corresponding period last year.

Revenue of the ODM products segment for the Reporting Period was approximately RMB62.4 million, representing a decrease of approximately RMB33.0 million, or approximately 34.6%, from segment revenue of approximately RMB95.4 million for the corresponding period last year. Such decrease was primarily due to the following factors: i) under the ongoing worldwide COVID-19 pandemic and increasingly challenging international political and economic environment, consumer demand has softened, the costs of raw materials, shipment and export have increased and the supply of raw materials was tight, which forced our cooperative brands to cut back on replenishment orders to consume their existing inventories and minimise operating risks; ii) major breakthroughs in market penetration have not been achieved as the cooperation with new customers was still in the early stage; and iii) as our major customers adjusted their product portfolios based on market conditions and estimated sales, the production lines of the Group were expanded to respond to such adjustment. Yet, the expanded production lines did not reach their target capacity.

Revenue of the brand products segment revenue for the Reporting Period was approximately RMB23.6 million, representing a decrease of approximately RMB6.2 million, or approximately 20.8% from approximately RMB29.8 million for the corresponding period last year. Such decrease was primarily due to the following factors: i) to comply with the COVID-19 pandemic control measures, brand stores were closed, and marketing and promotional events were cancelled during the pandemic; and ii) 27 loss-making self-operated stores were closed down.

Gross Profit

Gross profit for the Reporting Period was approximately RMB20.2 million, representing a decrease of approximately RMB13.2 million, or approximately 39.5%, from approximately RMB33.4 million for the corresponding period last year due to i) a decrease in utilisation rate of production lines due to insufficient order; and ii) an increase in the costs of raw materials and shipment.

Other Income and Gains

Other income and gains for the Reporting Period was approximately RMB3.3 million, representing a decrease of approximately RMB27.7 million, or approximately 89.4%, from approximately RMB31.0 million for the corresponding period last year. The decrease was primarily because net proceeds of government revenue and reserves of approximately RMB30.2 million were recognised during the corresponding period last year, while no other income was generated during the Reporting Period.

Selling and Distribution Expenses

Selling and distribution expenses for the Reporting Period were approximately RMB22.1 million, representing a decrease of approximately RMB3.6 million, or approximately 14.0%, from approximately RMB25.7 million for the corresponding period last year. The decrease was primarily due to i) shortened effective operation time of the stores and fewer promotional events; and ii) fewer sales staff due to the close-down of 27 stores.

Administrative and Other Expenses

Administrative and other expenses for the Reporting Period were approximately RMB29.1 million, representing an increase of approximately RMB2.2 million, or approximately 8.2%, from approximately RMB26.9 million for the corresponding period last year. The increase was primarily due to the provision for interest on litigation claim over the procurement contract between A Barcs & Co Nominees Pty Ltd (“**BARCS**”) and Zhejiang Bonny Fashion Holding Group Co., Ltd.* (浙江博尼時尚控股集團有限公司) (“**Zhejiang Bonny**”), amounting to approximately RMB1.8 million.

Finance Costs

Finance costs for the Reporting Period were approximately RMB1.6 million, representing a decrease of approximately RMB1.1 million, or approximately 40.7%, from approximately RMB2.7 million for the corresponding period last year since the interest of long-term borrowings was incurred for the construction in production sites during the Reporting Period.

* 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.

Income Tax Credit

Income tax credit for the Reporting Period were approximately RMB5.8 million as compared to the income tax credit of approximately RMB0.3 million for the corresponding period last year. The income tax credit incurred during the Reporting Period was due to recognition of deferred income tax assets for the deductible loss of Zhejiang Bonny of approximately RMB36.6 million.

Total Comprehensive Loss Attributable to Owners of the Parent

As a result of foregoing, total comprehensive loss attributable to owners of the parent company for the Reporting Period was approximately RMB23.1 million, representing a decrease of approximately RMB40.6 million, from a total comprehensive profit attributable to owners of the parent company of approximately RMB17.5 million for the corresponding period last year.

FUTURE PLAN AND PROSPECTS

In the first half of 2022, the international political and economic situations were complex and critical, and the world experienced a marked slowdown in economic growth. The COVID-19 pandemic continues to spread worldwide and there is an outbreak in multiple places in China, which had a great impact on economic activities. Under the pandemic, people's mobility was restricted and their willingness to travel decreased which adversely affects the consumption and demands of market entities, exchange rates and prices of raw materials have fluctuated sharply, and express delivery and cargo transportation have been interrupted. Against such backdrop, the Group suffered a substantial loss during the Reporting Period.

Looking forward, the Company is prepared for a prolonged period of austerity. We will strive to "survive" before pursuing "development", and making profit for the shareholders of the Company (the "**Shareholders**") would be our top priority. Main initiatives taken are as follows:

1. Adjust the business model by: i) cutting down unprofitable business lines; ii) developing new production lines; iii) cooperating with e-commerce and anchors agencies to conduct online live broadcasting; and iv) cultivating potential e-commerce ODM customers into long-term partners;
2. Focus on effective customer orders and concentrate our limited resources on satisfying the needs of high-quality customers and profitable orders by optimising sample development, product quality and delivery time;
3. Strengthen management on payment collection and clear brand inventories, increase accounts receivable and inventory turnover, and improve cash flow; and
4. Strictly control costs and expenditures, and streamline the organisational structure according to the estimated orders.

In the face of a challenging and complex operating environment, the Company shall continue to reduce operating costs, maintain cash flows, and use the adversity as a driving force, so as to earn time and space to deal with crisis.

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 2022, the Group had cash and cash equivalents, which are mostly denominated in Renminbi, U.S. dollars and Hong Kong dollars currency unit, of approximately RMB7.2 million (31 December 2021: approximately RMB8.7 million). The interest-bearing liabilities as at 30 June 2022 were approximately RMB151.3 million (31 December 2021: approximately RMB144.8 million) with interest rates ranging from approximately 4.35% to 6.0% per annum. The Group's gearing ratio as at 30 June 2022, calculated based on net debts to the total capital and net debts, was approximately 42.8% (as at 31 December 2021: approximately 40.8%). The Group recorded net current asset of approximately RMB19.7 million as of 30 June 2022. 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. As Renminbi fluctuated against U.S. dollars and Hong Kong dollars in a limited extent during the Reporting Period, the Directors do not consider that the Group was significantly exposed to foreign exchange risk for the Reporting Period. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. During the Reporting Period, no forward foreign exchange or hedging contracts had been entered into by the Group. The Group will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

MATERIAL ACQUISITIONS AND DISPOSALS

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

CAPITAL COMMITMENTS

As at 30 June 2022, the Group had total capital commitments of RMB37.4 million (as at 31 December 2021: RMB58.5 million), primarily related to the construction of phase III of the Beiyuan Production Site.

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

CONTINGENT LIABILITIES

In December 2020, the Company received a “Civil Complaint” (民事起訴狀) served by Jinhua City Intermediate People’s Court of Zhejiang Province, and became aware that the case in relation to the procurement contract dispute between BARCS and Zhejiang Bonny had been accepted by such court. For details, please refer to the announcement of the Company dated 13 January 2021. On 30 May 2022, the Company received a civil judgment (the “**First Instance Judgement**”) served by Jinhua City Intermediate People’s Court of Zhejiang Province, details of which are as follows:

- i) The procurement contract entered into between Zhejiang Bonny and BARCS on 2 April 2020 shall be terminated, with effect from 6 May 2020;
- ii) Zhejiang Bonny shall return the prepayment of US\$2.756 million paid by BARCS and compensate for the interest losses from 6 May 2020 to the actual return date; and
- iii) Other litigation claims by BARCS and the litigation claim by Zhejiang Bonny were rejected.

According to the First Instance Judgment, the prepayment of US\$2.756 million paid by BARCS has been accounted for as other payables from advances from customers and will no longer be recognised as contingent liabilities.

Zhejiang Bonny immediately filed its appeal to the Zhejiang Higher People’s Court after receiving the First Instance Judgment, and received a notice of case filing from such court in July 2022. As of the date of this report, the ruling of the First Instance Judgment shall not be enforced for the time being, and has no material impact on the business and operation of the Company.

Based on the foregoing, the Group has no material contingent liabilities as of 30 June 2022.

PLEDGE OF ASSETS

As at 30 June 2022, save for (i) bank deposits of RMB8,049,000 (as at 31 December 2021: nil) which were pledged for bills payables; (ii) the Group’s leasehold lands with a net carrying amounts of RMB21,483,000 (as at 31 December 2021: RMB21,741,000) and certain of the Group’s buildings and machinery and equipment with a net carrying amounts of approximately RMB99,011,000 (as at 31 December 2021: RMB100,610,000) which were pledged to secure general banking facilities, (iii) certain of the Group’s machinery and equipment with a net carrying amount of RMB15,067,000 (as at 31 December 2021: RMB15,907,000) were pledged to secure the property preservation applied by BARCS who has a legal arbitration of contract dispute with the Group, the Group did not pledge any other assets.

USE OF PROCEEDS

The shares of the Company (the “**Shares**”) were listed (“**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 26 April 2019 by way of global offering. The net proceeds of the Group raised from the initial public offering (the “**Net Proceeds**”) were approximately HK\$131.3 million, after deducting the underwriting fees, commissions and other listing expenses. The unutilised amounts of Net Proceeds raised from the initial public offering (the “**Unutilised Net Proceeds**”) at the date of this report are placed in licensed banks in Hong Kong and the PRC.

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

The table below sets out the use of Net Proceeds and the Unutilised Net Proceeds as at 30 June 2022:

	Planned allocation of Net Proceeds as stated in the prospectus <i>HK\$ million</i>	Amount unutilised as at 31 December 2020 (before revised allocation on 30 November 2021) <i>HK\$ million</i>	Remaining net proceeds to be utilised (after revised allocation on 30 November 2021) <i>HK\$ million</i>	Amount utilised as at 30 June 2022 <i>HK\$ million</i>	Unutilised Net Proceeds as at 30 June 2022 <i>HK\$ million</i>	Expected timeline for full utilisation
Beiyuan Production Site for expansion of our seamless production capacity						
– construction of phase II of the Beiyuan Production Site	26.3	–	–	26.3	0.0	N/A
– acquisition and implementation of additional production equipment at the Beiyuan Production Site	78.8	24.5	–	4.3 <i>(Note 1)</i>	0.0	N/A
Enhancing product design, research and development capability	13.1	–	–	13.1	0.0	N/A
Working capital and general corporate purposes	13.1	–	–	13.1	0.0	N/A
Acquisition mask production line and ancillary equipment and constructing medical mask production workshop	–	–	0.0	50.0 <i>(Note 1)</i>	–	N/A
Preparation for the construction of the Jiangxi Shangrao Production Site	–	–	5.5 <i>(Note 2)</i>	1.7	3.8	Before 31 December 2024
General working capital	–	–	19.0 <i>(Note 3)</i>	19.0	0.0	N/A
Total	<u>131.3</u>	<u>24.5</u>	<u>24.5</u>	<u>127.5</u>	<u>3.8</u>	

Notes:

- As disclosed in the announcement on 12 April 2019, the Board reallocated approximately HK\$50 million from the unutilised Net Proceeds of approximately HK\$74.5 million originally allocated for the acquisition and implementation of additional production equipment at the Beiyuan Production Site to the acquisition of mask production line and ancillary equipment and constructing medical mask production workshop.
- The proposed preparation for the construction of the Jiangxi Shangrao Production Site will be made by way of operating lease of a plant located at Yushan County, Shangrao, Jiangxi Province, China. The unutilised amount (after revised allocation) will be mainly used for plant leasing, renovation and trial production.
- Net Proceeds of approximately HK\$19 million from the planned reallocation have been used for capital replenishment, representing approximately 14.5% of the Net Proceeds. Employee remuneration and procurement of raw materials will represent approximately 35% and 65% of the above reallocation, respectively.

SUBSEQUENT EVENT

As at 30 June 2022 and up to the date of this report, the Group had no significant event occurred which would materially affect the Group's operating and financial performance.

EMPLOYEES AND REMUNERATION POLICY

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

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 announcements of the Company dated 24 May 2019 and 30 November 2021, the Group did not have other future plans for material investments and capital assets.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE MEASURES

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

Mr. Jin Guojun (“**Mr. Jin**”) is the chairman of the Board (the “**Chairman**”) and chief executive officer of the Company. Although this deviates from the practice under code provision C.2.1, Part 2 of the CG Code, where it provides that the two positions should be held by two different individuals, as Mr. Jin has considerable experience in the enterprise operation and management of the Company, the Board believes that it is in the best interests of the Company and its Shareholders as a whole to continue to have Mr. Jin as Chairman so that it can benefit from his experience and capability in leading the Board in the long-term development of the Company. From a corporate governance point of view, the decisions of the Board are made collectively by way of voting and therefore the Chairman should not be able to monopolise the decision-making of the Board. The Board considers that the balance of power between the Board and management can still be maintained under the current structure. The Board shall review the structure from time to time to ensure appropriate action be taken should the need arise.

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed with management the Group’s unaudited interim condensed consolidated financial statements for the six months ended 30 June 2022 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 2021: nil).

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

As at 30 June 2022, 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 Divisions 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

Name of Director	Capacity/Nature of interest	Number of Shares or underlying shares	Approximate percentage of shareholding ^(Note 1)
Mr. Jin	Interested in controlled corporation ^(Note 2)	634,500,000	52.87%
Ms. Gong Lijin	Interest of spouse ^(Note 3)	634,500,000	52.87%
Ms. Huang Jingyi	Beneficial owner	10,033,461	0.83%

Notes:

- As at 30 June 2022, the total number of issued Shares is 1,200,000,000, which has been used for the calculation of the approximate percentages which are not rounded up.
- These Shares are held by Maximax Holding Corporation (“**Maximax**”), which is wholly owned by Mr. Jin. By virtue of the SFO, Mr. Jin is deemed to be interested in the Shares held by Maximax.
- Mr. Jin is the spouse of Ms. Gong Lijin. By virtue of the SFO, Ms. Gong Lijin is deemed to be interested in the Shares interested by Mr. Jin.

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 underlying shares	Approximate percentage of shareholding
Mr. Jin	Maximax Holding Corporation ^(Note 1)	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 Mr. Jin.

Save as disclosed above, as at 30 June 2022, 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 Divisions 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 2022, 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

Name of Shareholder	Capacity/Nature of Interest	Number of Shares or underlying shares	Approximate percentage of shareholding ^(Note 1)
Maximax Holding Corporation	Beneficial Owner	634,500,000	52.87%
Jin Xiaohong	Beneficial Owner	63,000,000	5.25%
Zhejiang Yiwu Gaoxin District Development and Construction Co., Ltd.* (浙江義烏高新區開發建設有限公司)	Person having a security interest in the shares	243,025,715	20.25%

Note:

1. As at 30 June 2022, the total number of issued Shares is 1,200,000,000, which has been used for the calculation of the approximate percentages which are not rounded up.

Save as disclosed above, as at 30 June 2022, 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 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.

CHANGE IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

There has been no change in the information of the Directors and chief executive required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the Reporting Period.

SHARE OPTION SCHEME

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

OTHER MATTER

Change of Hong Kong Branch Share Registrar and Transfer Office

The Company's branch share registrar and transfer office in Hong Kong will be changed to Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong with effect from 3 October 2022. Details of the change were set out in the announcement of the Company dated 29 August 2022.

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2022

	<i>Notes</i>	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
REVENUE	4	86,027	125,279
Cost of sales		(65,854)	(91,852)
Gross profit		20,173	33,427
Other income and gains		3,281	30,988
Selling and distribution expenses		(22,094)	(25,693)
Administrative expenses		(11,789)	(13,631)
Impairment losses/ (reversal of impairment losses) on financial and contract assets, net		1,090	(75)
Other expenses		(18,368)	(13,174)
Finance costs		(1,569)	(2,656)
(LOSS)/PROFIT BEFORE TAX	5	(29,276)	9,186
Income tax credit	6	5,817	278
(LOSS)/PROFIT FOR THE PERIOD		(23,459)	9,464
Attributable to:			
Owners of the parent		(23,455)	9,468
Non-controlling interests		(4)	(4)
		(23,459)	9,464
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic and diluted		RMB (2.0) cent	RMB 0.8 cent

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
(LOSS)/PROFIT FOR THE PERIOD	(23,459)	9,464
OTHER COMPREHENSIVE INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(3,984)	2,775
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	4,295	(2,915)
Gains on property revaluation	—	9,601
Income tax effect	—	(1,440)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	4,295	5,246
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	311	8,021
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(23,148)	17,485
Attributable to:		
Owners of the parent	(23,144)	17,489
Non-controlling interests	(4)	(4)
	(23,148)	17,485

Interim Condensed Consolidated Statement of Financial Position

30 June 2022

	<i>Notes</i>	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		333,839	290,326
Advance payments for property, plant and equipment		6,089	13,570
Investment properties		14,070	14,070
Right-of-use assets		29,556	31,828
Intangible assets		609	550
Deferred tax assets		6,118	301
Other non-current assets		5,170	5,170
Total non-current assets		395,451	355,815
CURRENT ASSETS			
Inventories		124,494	150,367
Trade receivables	10	31,038	65,058
Prepayments, other receivables and other assets		11,536	11,130
Due from related parties	15	2,523	2,660
Pledged deposits		8,049	—
Cash and cash equivalents		7,232	8,701
Total current assets		184,872	237,916
CURRENT LIABILITIES			
Trade and bills payables	11	28,949	38,189
Advances from customers, other payables and accruals		73,624	64,120
Interest-bearing bank and other borrowings		58,702	59,566
Due to a related party	15	3,000	—
Tax payable		878	895
Total current liabilities		165,153	162,770

Interim Condensed Consolidated Statement of Financial Position

30 June 2022

	<i>Notes</i>	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NET CURRENT ASSETS		19,719	75,146
TOTAL ASSETS LESS CURRENT LIABILITIES		415,170	430,961
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		88,000	80,000
Lease liabilities		4,585	5,228
Total non-current liabilities		92,585	85,228
Net assets		322,585	345,733
EQUITY			
Equity attributable to owners of the parent			
Share capital	12	80,827	80,827
Share premium		205,242	205,242
Other reserves		35,449	58,593
		321,518	344,662
Non-controlling interests		1,067	1,071
Total equity		322,585	345,733

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the parent							Non-controlling interests	Total equity	
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Asset revaluation reserve [#]	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2022 (audited)	80,827	205,242	(42,112)	19,658	8,620	23,059	49,368	344,662	1,071	345,733
Loss for the period	–	–	–	–	–	–	(23,455)	(23,455)	(4)	(23,459)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	311	–	–	311	–	311
Total comprehensive loss for the period	–	–	–	–	311	–	(23,455)	(23,144)	(4)	(23,148)
At 30 June 2022 (unaudited)	80,827	205,242	(42,112)	19,658	8,931	23,059	25,913	321,518	1,067	322,585

For the six months ended 30 June 2021

	Attributable to owners of the parent							Non-controlling interests	Total equity	
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Asset revaluation reserve [#]	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2021 (audited)	80,827	205,242	(42,112)	19,658	8,982	16,134	55,916	344,647	1,080	345,727
Profit for the period	–	–	–	–	–	–	9,468	9,468	(4)	9,464
Other comprehensive income for the period:										
Gains on property revaluation, net of tax	–	–	–	–	–	8,161	–	8,161	–	8,161
Exchange differences on translation of foreign operations	–	–	–	–	(140)	–	–	(140)	–	(140)
Total comprehensive profit for the period	–	–	–	–	(140)	8,161	9,468	17,489	(4)	17,485
At 30 June 2021 (unaudited)	80,827	205,242	(42,112)	19,658	8,842	24,295	65,384	362,136	1,076	363,212

[#] 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 2022

	<i>Notes</i>	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax:		(29,276)	9,186
Adjustments for:			
Loss on disposal of items of property, plant and equipment	5	64	1,074
Gain on derecognition of right-of-use assets		—	(239)
Gain on government acquisition	5	—	(30,185)
Finance costs		1,569	2,656
Depreciation of property, plant and equipment		9,038	6,961
Depreciation of right-of-use assets		3,034	1,688
Amortisation of intangible assets		207	215
Write-down/(reversal of provision for write-down) of inventories to net realisable value	5	2,616	(514)
Impairment of financial and contract assets, net: (Reversal of impairment)/impairment of trade receivables	5	(1,090)	75
Exchange differences, net		(11)	(131)
		(13,849)	(9,214)
Decrease in inventories		23,257	17,187
Decrease in trade receivables		35,110	7,956
(Increase)/decrease in prepayments, other receivables and other assets		(406)	473
(Increase)/decrease in pledged deposits		(8,049)	489
Decrease in amounts due from related parties		137	5,101
Decrease in trade and bills payables		(9,240)	(10,561)
(Decrease)/increase in other payables and accruals		(3,109)	2,549
Cash generated from operations		23,851	13,980
Income tax paid		(17)	(398)
Net cash flows generated from operating activities		23,834	13,582

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(33,775)	(15,877)
Additions to other intangible assets	(266)	—
Proceeds from government acquisition, net	—	(4,836)
Proceeds from disposal of property, plant and equipment	1,036	122
Net cash flows used in investing activities	(33,005)	(20,591)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	64,000	135,200
Proceeds from other borrowings	3,000	—
Repayment of bank loans	(56,200)	(163,350)
Principal portion of lease payments	(1,783)	(1,454)
Interest paid	(1,351)	(3,104)
Net cash flows from/(used in) financing activities	7,666	(32,708)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	8,701	48,259
Effect of foreign exchange rate changes, net	36	(12)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7,232	8,530
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	7,232	8,530

Notes to Interim Condensed Consolidated Financial Information

30 June 2022

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 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 2021.

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 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKAS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

Notes to Interim Condensed Consolidated Financial Information

30 June 2022

3. OPERATING SEGMENT INFORMATION

Six months ended 30 June 2022	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	62,438	23,589	86,027
Segment results	8,527	(10,448)	(1,921)
Other income and gains			3,281
Corporate and other unallocated expenses			(29,067)
Finance costs			(1,569)
Loss before tax			(29,276)
Six months ended 30 June 2021	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	95,435	29,844	125,279
Segment results	14,675	(6,941)	7,734
Other income and gains			30,988
Corporate and other unallocated expenses			(26,880)
Finance costs			(2,656)
Profit before tax			9,186

3. OPERATING SEGMENT INFORMATION (continued)**Geographic information****(a) Revenue from external customers**

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Mainland China	53,908	73,921
United States of America	15,167	28,970
Mexico	7,787	—
Netherlands	5,058	9,326
Canada	2,818	3,546
Germany	322	3,787
Japan	—	5,287
Other countries or regions	967	442
Total	86,027	125,279

The revenue information above is based on the shipment destinations.

(b) Non-current assets

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Mainland China	376,628	335,067
Hong Kong	1,446	1,707
	378,074	336,774

The non-current assets information above is based on the locations of the assets and excludes advance payments for property, plant and equipment, deferred tax assets and other non-current assets.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue from contracts with customers	86,027	125,279

Notes to Interim Condensed Consolidated Financial Information

30 June 2022

4. REVENUE (continued)

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2022

Segments	ODM products RMB'000 (Unaudited)	Brand products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Type of goods or services			
Sale of goods	62,438	23,589	86,027
Geographical markets			
Mainland China	30,319	23,589	53,908
United States of America	15,167	—	15,167
Mexico	7,787	—	7,787
Netherlands	5,058	—	5,058
Canada	2,818	—	2,818
Germany	322	—	322
Other countries or regions	967	—	967
Total	62,438	23,589	86,027
Timing of revenue recognition			
Goods transferred at a point in time	62,438	23,589	86,027

For the six months ended 30 June 2021

Segments	ODM products RMB'000 (Unaudited)	Brand products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Type of goods or services			
Sale of goods	95,435	29,844	125,279
Geographical markets			
Mainland China	44,077	29,844	73,921
United States of America	28,970	—	28,970
Netherlands	9,326	—	9,326
Japan	5,287	—	5,287
Germany	3,787	—	3,787
Canada	3,546	—	3,546
Other countries or regions	442	—	442
Total	95,435	29,844	125,279
Timing of revenue recognition			
Goods transferred at a point in time	95,435	29,844	125,279

5. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Cost of inventories sold	65,854	91,852
Depreciation of property, plant and equipment	9,038	6,961
Depreciation of right-of-use assets	3,034	1,688
Amortisation of intangible assets	207	215
Research and development costs	13,082	12,076
Government grants	(2,454)	(599)
Outsourced manufacturers	1,908	12,809
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	30,225	23,001
Pension scheme contributions	768	1,524
Welfare and other benefits	764	1,239
	31,757	25,764
Concession fees	3,628	4,346
Write-down/(reversal of provision for write-down) of inventories to net realisable value	2,616	(514)
(Reversal of impairment)/impairment of trade receivables, net	(1,090)	75
Loss on disposal of items of property, plant and equipment	64	1,074
Bank interest income	(13)	(26)
Gain on government acquisition	—	(30,185)
Exchange differences, net	11	24

30 June 2022

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 has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021:8.25%) and the remaining assessable profits are taxed at 16.5% (2021:16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

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

Zhejiang Bonny Fashion Holding Group Co., Ltd., a subsidiary of the Company is qualified as a High and New Technology Enterprise and was entitled to a preferential income tax rate of 15% (2021:15%) during the period.

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current		
Charge for the period	—	14,467
Deferred	(5,817)	(14,745)
Total tax credit for the period	(5,817)	(278)

7. DIVIDENDS

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

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

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,200,000,000 (2021: 1,200,000,000) in issue during the period.

No adjustment has been made to the basic profit/(loss) per share amount presented for the period ended 30 June 2022 and 2021 in respect of a dilution as there are no dilutive potential ordinary shares.

The calculations of basic and diluted (loss)/earnings per share are based on:

	For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
(Loss)/earnings (Loss)/profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	(23,455)	9,468
	Number of shares	
	For the six months ended 30 June	
	2022	2021
Shares Weighted average number of ordinary shares in issue during the period	1,200,000,000	1,200,000,000

30 June 2022

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired assets at a cost of RMB49,780,000 (30 June 2021: RMB25,064,000).

Assets (other than those classified as held for sale) with a net book value of RMB1,100,000 were disposed of by the Group during the six months ended 30 June 2022 (30 June 2021: RMB1,196,000), resulting in a net loss on disposal of RMB64,000 (30 June 2021: net loss on disposal of RMB1,074,000).

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	27,872	62,795
3 to 6 months	1,613	649
6 to 12 months	1,363	560
1 to 2 years	170	988
2 to 3 years	20	66
	31,038	65,058

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	14,883	20,311
3 to 6 months	5,985	12,149
6 to 12 months	6,189	3,797
Over 12 months	1,892	1,932
	28,949	38,189

12. SHARE CAPITAL**Shares**

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Issued and fully paid: 1,200,000,000 (31 December 2021: 1,200,000,000) ordinary shares	80,827	80,827

13. CONTINGENT LIABILITIES

As at 30 June 2022, 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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contracted, but not provided for: Land and buildings	37,400	58,508

Notes to Interim Condensed Consolidated Financial Information

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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	
		2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
<i>Note</i>			
Purchase of materials from:			
Zhejiang Deshipu New			
Material Technology Co., Ltd.			
(“Deshipu New Material”)			
(i)		—	4,161
Loan from:			
Zhejiang Baicheng Trading Co., Ltd.			
(“Baicheng Trading”)			
(ii)		3,000	—

Note:

- (i) The purchases of materials from the related party were made according to the published prices and conditions offered by the related party to its major customers.
- (ii) The loans borrowed from Baicheng Trading are unsecured, non-interest-bearing and repayable on demand.
- (b) Other transactions with related parties:
- (i) Mr. Jin Guojun, the chairman of the Board (the **“Chairman”**), has guaranteed certain of the Group’s bank loans of up to RMB143,020,000 as at 30 June 2022 (31 December 2021: RMB 143,020,000).
- (ii) Ms. Gong Lijin, a shareholder and the wife of the Chairman, has guaranteed certain of the Group’s bank loans of up to RMB143,020,000 as at 30 June 2022 (31 December 2021: RMB 143,020,000).
- (iii) Mr. Jin Guojun and Ms. Gong Lijin have guaranteed certain of the Group’s bank loans of up to RMB208,700,000 as at 30 June 2022 (31 December 2021: RMB 208,700,000).

15. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Due from related parties		
Deshipu New Material	2,250	2,384
<i>Trade (i)</i>	—	125
<i>Non-trade (ii)</i>	2,250	2,259
Bode Holding Co., Ltd. (ii)	273	276
	2,523	2,660
Due to a related party		
Baicheng Trading (ii)	3,000	—

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

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

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

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Short-term employee benefits	1,063	1,267
Post-employment benefits	33	34
Total compensation paid to key management personnel	1,096	1,301

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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, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in advances from customers, other payables and accruals and amounts due from/to related parties, approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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. The following methods and assumptions were used to estimate the fair values.

The fair values of non-current interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2022 were assessed to be insignificant.

Fair value hierarchy

The Group did not have any financial assets and liabilities measured at fair value as at 30 June 2022 and 31 December 2021.

17. EVENTS AFTER THE REPORTING PERIOD

As at the date of approval of the financial statements, the Group has no events after the reporting period that needs to be disclosed.