

2024

INTERIM REPORT



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

Mr. Zhao Hui
Mr. Yip Ngai Hang

AUTHORISED REPRESENTATIVES

Mr. Zhao Hui
Mr. Yip Ngai Hang

AUDIT COMMITTEE

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

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

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Beiyuan Street, Yiwu City
Zhejiang Province
PRC

WEBSITE OF THE COMPANY

www.bonnychina.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 02-03, 31st Floor,
118 Connaught Road West,
Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
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)
Zhejiang Yiwu Rural Commercial Bank Co., Ltd.
(Business Department)

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 interim condensed consolidated financial statements of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2024 (the “**Reporting Period**”) together with the comparative figures of the corresponding period in 2023.

BUSINESS AND FINANCIAL REVIEW

During the Reporting Period, design, research and development, production and sales of seamless and traditional intimate wear products remained to be the principal activities of the Group. It focuses on providing manufacturing solutions of one-stop intimate wear for the original design manufacturers (the “**ODM**”) in the PRC and overseas, and selling traditional intimate wear products under the “Bonny” and “U+Bonny” brands through the retail network in the PRC. The Group offers a wide variety of products, such as bras and shorts, underwear sets, casual apparels, sportswear and loungewear products. The Group’s products are also available for sale through its current e-commerce network and different well-recognised e-commerce platforms.

In the first half of 2024, China’s textile and garment industries demonstrated resilience in overcoming challenges posed by the impact of global foreign exchange market fluctuations, increasing trade barriers and international shipping disruptions. Despite these hurdles, the industries achieved a better-than-expected export performance, with cumulative export of textile and garment approximately reaching USD143.24 billion, reflecting a year-on-year growth of approximately 1.6%. Notably, exports to the United States increased by 5.1% and those to ASEAN increased by 9.5%. During the Reporting Period, the Group’s total revenue amounted to approximately Renminbi (“**RMB**”) 143.9 million, representing an increase of approximately 49.1% as compared to approximately RMB96.5 million for the corresponding period of last year. The Group recognised foreign sales revenue of approximately RMB94.8 million, among which the top three destination countries for export sales were the United States, Germany and Canada, accounting for 40.0%, 25.9% and 15.6% of the total foreign sales revenue respectively.

Benefiting from the significant increase in sales revenue, the Group achieved a profit attributable to the owners of the parent of approximately RMB 5.3 million during the Reporting Period, a marked improvement from the loss of approximately RMB 14.6 million reported for the same period in 2023.

Revenue

Revenue for the Reporting Period amounted to approximately RMB143.9 million, representing an increase of approximately RMB47.4 million, or approximately 49.1%, as compared to approximately RMB96.5 million for the corresponding period of last year.

Revenue of the ODM products segment for the Reporting Period amounted to approximately RMB125.3 million, representing an increase of approximately RMB50.9 million, or approximately 68.4%, as compared to approximately RMB74.4 million for the corresponding period of last year.

The table below sets out the sales data by countries or regions during the Reporting Period:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Chinese Mainland	49,146	65,812
United States of America	37,903	12,405
Germany	24,563	816
Canada	14,823	—
Netherlands	7,000	9,450
Mexico	5,611	5,945
Korea	2,566	—
Britain	796	1,394
Other countries or regions	1,535	640
Total	143,943	96,462

During the Reporting Period, the Group's ODM export revenue increased by approximately RMB64.1 million as compared to the corresponding period of last year, mainly attributable to:

- i) The Group's strong and long-standing cooperative relationships, coupled with its solid market reputation, led some customers to entrust the Group with production orders from other business lines. This shift resulted in significant changes to the Group's product mix and geographical sales distribution, as well as a substantial increase in overall orders.
- ii) The Group has successfully executed cooperative agreements with newly acquired overseas customers and cross-border e-commerce clients, positioning these collaborations as a new catalyst for sales growth.

Conversely, the Group's ODM domestic sales revenue declined, mainly due to underperformance on domestic e-commerce platforms during the first half of the year. This shortfall led to an inventory buildup and subsequent reduction in orders as efforts were made to alleviate the excess inventory pressure.

Revenue of the brand products segment for the Reporting Period amounted to approximately RMB18.6 million, representing a decrease of approximately RMB3.5 million, or approximately 15.8% as compared to approximately RMB22.1 million for the corresponding period of last year.

Brand competition in Chinese underwear market has become increasingly competitive and diversified. Traditional brands maintain a significant market share by virtue of brand recognition, channel advantages and product quality, while emerging brands have risen rapidly and grown strongly by virtue of internet genes, innovation ability and younger positioning. However, the Group's "Bonny" self-operated brand is not dominant in the above two categories of brands and is extremely vulnerable to fluctuations in the retail environment. During the Reporting Period, the Group's brand sales focused on controlling costs, stabilizing the existing market and continuously adjusting stores with unsatisfactory performance and long-term losses. As at 30 June 2024, the Group operated 99 self-managed retail outlets (including 92 concession counters and 7 standalone stores) and 13 direct-franchised retail outlets, municipalities and autonomous regions in the PRC, without the involvements of distributors or multiple layers of franchisees. The total number of the Group's retail outlets decreased from 123 as at 30 June 2023 to 112 as at 30 June 2024.

Gross profit margin

Gross profit margin for the Reporting Period amounted to approximately 29.2%, representing an increase as compared to approximately 26.0% for the corresponding period of last year. The improvement of Gross Profit margin was primarily due to the fact that i) the Group paid more attention to the gross profit margin of products under the assumption of sufficient orders and screened individual products based on their gross profit margin during the Reporting Period; and ii) the market price of the main raw material nylon has declined.

Other Income and Gains

Other income and gains for the Reporting Period was approximately RMB10.8 million, representing an increase of approximately RMB6.1 million, or approximately 129.8%, from approximately RMB4.7 million for the corresponding period last year. Such increase was primarily due to an increase in rental income of approximately RMB5.2 million as compared to the corresponding period of last year as a result of the addition of leased areas during the Reporting Period.

Selling and Distribution Expenses

Selling and distribution expenses for the Reporting Period were approximately RMB20.2 million, consistent with approximately RMB20.0 million for the corresponding period of last year and consisted mainly of approximately RMB9.9 million of personnel expenses.

Administrative and Other Expenses

Administrative and other expenses for the Reporting Period were approximately RMB23.5 million, which was not significantly increased compared to approximately RMB23.2 million for the corresponding period of last year. During the Reporting Period, the personnel expenses of administrative expenses increased by approximately RMB1.4 million as compared to the corresponding period of last year, mainly due to an increase in the social security base. Other expenses decreased by approximately RMB0.2 million as compared to the corresponding period of last year, mainly due to the loss from fixed assets of approximately RMB0.6 million caused by the disposal of old jacquard machines and mask machines during the Reporting Period.

Finance Costs

Finance costs for the Reporting Period were approximately RMB3.5 million, representing an increase of approximately RMB1.3 million, or approximately 59.1%, from approximately RMB2.2 million for the corresponding period last year. The increase was primarily due to the interest on special project loans is no longer capitalized for the Reporting Period since the Group had completed the construction of phase III of the Beiyuan Production Site.

Income tax expense/credit

Income tax expense for the Reporting Period amounted to approximately RMB0.2 million as compared to the income tax credit of approximately RMB1.0 million for the corresponding period of last year, mainly due to the profit during the Reporting Period.

Production Capacity

During the Reporting Period, the production site of the Company at Beiyuan Street, Yiwu City, Zhejiang Province and the production site at Yushan County, Shangrao City, Jiangxi Province were under normal operations. The production of the products of the Company was organized autonomously using its own equipment, workers and techniques and applying the production strategy of “basing production on sales prospects” to ensure that production is scheduled at the right time to meet customer demands. In the first half of 2024, the Group’s sales orders increased significantly, which put forward higher requirements for the factory’s production efficiency improvement, capacity utilization and manufacturing quality assurance. The management of the Company actively responded by: i) upgrading unsuitable machinery and equipment; ii) adjusting the salary scheme to attract and stabilize employees; and iii) employing production subcontractors to provide subcontracting operations for certain processes and other measures to improve production capacity to meet the increased order demand.

Human Resources

The number of full-time employees of the Group increased to 831 as at 30 June 2024 (31 December 2023: 607). The employee benefit expense (excluding directors’ and chief executive’s remunerations) for the Reporting Period was approximately RMB36.8 million (2023: approximately RMB28.8 million). The Group participates in retirement insurance, medicare, unemployment insurance and housing funds according to the applicable laws and regulations of the PRC for its employees in the PRC and makes contributions to the Mandatory Provident Fund Scheme of Hong Kong for its employees in Hong Kong. The Group remunerates its employees in accordance with their work performance and experience. The remuneration packages are subject to review on a regular basis.

PROSPECTS

Since the listing of the Group, it has experienced lasting turmoil and hostility from internal and external sides, with the former one represented by the China-US trade war, the increasingly complicated international trading circumstances and the unexpected outbreak of Covid-19 pandemic, and the latter one caused by the urge for upgrading of aspects including research and development technology, production and manufacturing as well as the long-term loss in the principal activities of the Group. It is hardship that the Group has went through to achieve net profit during the Reporting Period. Looking ahead for the forthcoming future, the Group will remain confronted with uncertainties including a unsteady growth of overseas demand, escalating geopolitical risks and increasing trade barriers. Faced with complex and severe external conditions, the Group will undergo numerous challenges of uncertainties and risks.

In case of that situation, the Group will adhere to improving its innovative competence, continue to enhance the added-value and competitiveness of its products and actively promote the transformation and upgrading of its equipment and technology so as to strengthen its resilience against risks, which will enable the Group to maintain a advantageous position in the presence of intense competition.

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 2024, the Group had cash and cash equivalents, which are mostly denominated in Renminbi, U.S. dollars and Hong Kong dollars currency unit, of approximately RMB5.6 million (31 December 2023: approximately RMB3.6 million). The interest-bearing liabilities as at 30 June 2024 were approximately RMB156.2 million (31 December 2023: approximately RMB133.6 million) with interest rates ranging from approximately 4.25% to 4.85% per annum. The Group's gearing ratio as at 30 June 2023, calculated based on net debts to the total capital and net debts, was approximately 47.1% (as at 31 December 2023: approximately 44.8%). The Group recorded net current liabilities of approximately RMB72.2 million as of 30 June 2024. During the Reporting Period, no financial instruments had been used for hedging purpose.

FOREIGN EXCHANGE RISK

The monetary assets and liabilities and business transaction of the Group are mainly carried out and conducted in Renminbi, U.S. dollars and Hong Kong dollars. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. During the Reporting Period, no forward foreign exchange or hedging contracts had been entered into by the Group. The Group will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

MATERIAL ACQUISITIONS AND DISPOSALS

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

CAPITAL COMMITMENTS

As at 30 June 2024, the Group had total capital commitments of RMB24.0 million (as at 31 December 2023: RMB22.6 million), primarily related to the construction of phase III of the Beiyuan Production Site.

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

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any significant contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2024, save for i) the Group's buildings and machinery and equipment situated in Chinese Mainland, which had a net carrying value of RMB176.2 million as at 30 June 2024 (31 December 2023: RMB176.9 million); ii) the Group's investment properties situated in Chinese Mainland, which had a carrying amount of RMB228.1 million (31 December 2023: RMB228.1 million); and iii) the Group's leasehold land situated in Chinese Mainland, which had a net carrying value of RMB21.1 million (31 December 2023: RMB21.4 million) which were pledged to secure general banking facilities, the Group did not pledge any other assets.

SUBSEQUENT EVENT

As at 30 June 2024 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. The employees of the Company's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government (the "**Central Pension Scheme**"), which is also considered as a defined contribution plan and these subsidiaries are required to contribute certain percentage of employees' salaries to the Central Pension Scheme. The Group has no further payment obligations once the contributions have been paid. All contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees and when they fall due under the relevant regulations. No forfeited contributions could be used by employer to reduce the existing level of contributions.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2024, the Group did not hold any significant investment in equity interest in any other company.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2024, 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 C1 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. The Company had complied with all the applicable code provisions under the CG Code during the Reporting Period, save and except for deviation from code provision C.2.1 of the CG Code.

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

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group’s unaudited interim condensed consolidated financial information for the six months ended 30 June 2024 and the accounting principles and practices adopted and discussed auditing, internal control and financial reporting matters. The Audit Committee is of the view that the applicable accounting standards and requirements have been complied with by the Company and that appropriate disclosure have been made.

REMUNERATION COMMITTEE

As at the date of this report, the remuneration committee of the Company (“**Remuneration Committee**”) currently consists of two independent non-executive Directors, namely Mr. Chan Yin Tsung and Dr. Wei Zhongzhe and one executive Director, namely Mr. Jin Guojun. Dr. Wei Zhongzhe is the chairman of the Remuneration Committee. The primary responsibilities of the Remuneration Committee include, among others, evaluating the performance and making recommendation on the remuneration package of the Directors and senior management, and evaluating and making recommendation on the share award plan of the Company.

NOMINATION COMMITTEE

As at the date of this report, the nomination committee of the Company (the “**Nomination Committee**”) currently consists of one executive Director, namely Mr. Jin Guojun, and two independent non-executive Directors, namely Mr. Chan Yin Tsung and Dr. Wei Zhongzhe. Mr. Jin Guojun is the chairman of the Nomination Committee. The primary responsibilities of the Nomination Committee include, among others, considering and recommending to the Board suitably qualified persons to become the member of the Board and reviewing the structure, size and composition of the Board on a regular basis and as required.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules.

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 2023: nil).

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

As at 30 June 2024, 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 2024, 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:

- 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 2024, 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 2023, 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%
Yiwu Financing Guarantee Co., Ltd.* (義烏市融資擔保有限公司)	Person having a security interest in the shares	243,025,715	20.25%

Note:

- As at 30 June 2024, 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 2024, 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed percentage of public float under the Listing Rules.

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2024

	Notes	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
REVENUE	4	143,943	96,462
Cost of sales		(101,926)	(71,394)
Gross profit		42,017	25,068
Other income and gains		10,776	4,685
Selling and distribution expenses		(20,197)	(19,969)
Administrative expenses		(14,127)	(12,981)
Impairment losses on financial assets, net		(307)	(869)
Other expenses		(9,091)	(9,331)
Finance costs		(3,547)	(2,155)
PROFIT/(LOSS) BEFORE TAX	5	5,524	(15,552)
Income tax (expense)/credit	6	(185)	996
PROFIT/(LOSS) FOR THE PERIOD		5,339	(14,556)
Attributable to:			
Owners of the parent		5,341	(14,622)
Non-controlling interests		(2)	66
		5,339	(14,556)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic and diluted		RMB 0.4 cent	RMB (1.2) cent

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2024

	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
PROFIT/(LOSS) FOR THE PERIOD	5,339	(14,556)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(2,143)	(9,591)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	2,213	9,867
Gains on property revaluation	—	106,571
Income tax effect	—	(15,986)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	2,213	100,452
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	70	90,861
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5,409	76,305
Attributable to:		
Owners of the parent	5,411	76,239
Non-controlling interests	(2)	66
	5,409	76,305

Interim Condensed Consolidated Statement of Financial Position

At 30 June 2024

		30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	9	200,854	205,871
Advance payments for property, plant and equipment		98	176
Investment properties		228,070	228,070
Financial assets at fair value through other comprehensive income		150	150
Right-of-use assets		23,153	24,851
Intangible assets		220	299
Total non-current assets		452,545	459,417
CURRENT ASSETS			
Inventories		83,403	83,367
Trade receivables	10	69,783	33,783
Prepayments, other receivables and other assets		13,760	7,817
Due from a related party	14	49	49
Restricted cash		10,088	—
Cash and cash equivalents		5,588	3,649
Total current assets		182,671	128,665
CURRENT LIABILITIES			
Trade and bills payables	11	40,818	30,740
Other payables and accruals		73,332	60,168
Interest-bearing bank and other borrowings		112,500	91,032
Tax payable		451	270
Due to related parties	14	27,751	5,181
Total current liabilities		254,852	187,391

Interim Condensed Consolidated Statement of Financial Position

At 30 June 2024

		30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
	Notes		
NET CURRENT LIABILITIES		(72,181)	(58,726)
TOTAL ASSETS LESS CURRENT LIABILITIES		380,364	400,691
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		43,689	42,555
Due to related parties	14	—	26,870
Deferred tax liabilities		18,589	18,589
Total non-current liabilities		62,278	88,014
Net assets		318,086	312,677
EQUITY			
Equity attributable to owners of the parent			
Share capital	12	80,827	80,827
Share premium		205,242	205,242
Other reserves		30,894	25,483
		316,963	311,552
Non-controlling interests		1,123	1,125
Total equity		318,086	312,677

Interim Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2024

	Attributable to owners of the parent								Non-controlling interests	Total equity
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Asset revaluation reserve# RMB'000	Accumulated losses RMB'000	Total RMB'000		
At 31 December 2023 (audited)	80,827	205,242	(42,112)	19,658	9,434	105,341	(66,838)	311,552	1,125	312,677
Profit for the period	—	—	—	—	—	—	5,341	5,341	(2)	5,339
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	—	—	—	—	70	—	—	70	—	70
Total comprehensive income for the period	—	—	—	—	70	—	—	5,411	(2)	5,409
At 30 June 2024 (unaudited)	80,827	205,242	(42,112)	19,658	9,504	105,341	(61,497)	316,963	1,123	318,086

	Attributable to owners of the parent								Non-controlling interests	Total equity
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Asset revaluation reserve# RMB'000	Accumulated losses RMB'000	Total RMB'000		
At 31 December 2022 (audited)	80,827	205,242	(42,112)	19,658	9,308	37,521	(21,567)	288,877	1,064	289,941
Loss for the period	—	—	—	—	—	—	(14,622)	(14,622)	66	(14,556)
Other comprehensive income for the period:										
Gains on property revaluation, net of tax	—	—	—	—	—	90,585	—	90,585	—	90,585
Exchange differences on translation of foreign operations	—	—	—	—	276	—	—	276	—	276
Total comprehensive income for the period	—	—	—	—	276	90,585	(14,622)	76,239	66	76,305
At 30 June 2023 (unaudited)	80,827	205,242	(42,112)	19,658	9,584	128,106	(36,189)	365,116	1,130	366,246

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 2024

		2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:		5,524	(15,552)
Adjustments for:			
Loss on disposal of items of property, plant and equipment	5	501	27
Loss/(gain) on early termination of leases		10	—
Finance costs		3,547	2,155
Depreciation of property, plant and equipment		5,597	5,667
Depreciation of right-of-use assets		2,231	2,116
Amortisation of intangible assets		79	106
Write-down of inventories to net realisable value	5	1,792	3,185
Impairment of financial assets, net:			
Impairment of trade receivables		307	869
Foreign exchange differences, net		57	214
		19,645	(1,213)
(Increase)/decrease in inventories		(1,828)	19,161
Increase in trade receivables		(36,307)	(18,283)
Increase in prepayments, other receivables and other assets		(5,943)	(1,081)
Increase in restricted cash		(10,088)	(11,891)
Decrease in amounts due from related parties		—	958
Increase in trade and bills payables		10,078	5,640
Increase in other payables and accruals		13,021	15,760
Decrease in due to related parties		(2,000)	(56)
Cash (used in)/generated from operations		(13,422)	8,995
Income tax paid		(4)	(2)
Net cash flows (used in)/from operating activities		(13,426)	8,993

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(447)	(11,096)
Purchase of unlisted investments	—	(150)
Proceeds from disposal of property, plant and equipment	4,153	—
Net cash flows from/(used in) investing activities	3,706	(11,246)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	69,000	—
Proceeds from other borrowings	20,800	20,500
Repayment of bank loans	(49,000)	—
Repayment of other borrowings	(23,100)	(20,400)
Principal portion of lease payments	(2,509)	(1,119)
Interest paid	(3,545)	(2,253)
Net cash flows from/(used in) financing activities	11,646	(3,272)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,926	(5,525)
Cash and cash equivalents at beginning of period	3,649	6,454
Effect of foreign exchange rate changes, net	13	51
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5,588	980
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	5,588	980

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

Going concern assumption

As at 30 June 2024, the Group's net current liabilities amounted to approximately RMB72,181,000, which comprised current assets of approximately RMB182,671,000 and current liabilities of approximately RMB254,852,000. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. In preparing the financial statements, the directors of the Company have considered the Group's sources of liquidity and believe that adequate funding is available to fulfil the Group's debt obligations and capital expenditure requirements.

As at 30 June 2024, the Group's total interest-bearing bank and other borrowings amounted to RMB156,189,000, of which RMB112,500,000 will be due within twelve months from 30 June 2024 and will be renewed under the existing banking facilities. The Group had unutilised banking facilities of RMB8,000,000 with a final maturity date of 30 November 2028 to meet the debt obligations and capital expenditure requirements. In addition, the Group is in the process of implementing the issue of Rights Shares and is continuously taking great effort to develop new customers and secure new orders, improve its working capital and reduce capital expenditure since the Group had completed the construction of its plant.

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, 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 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the "2020 Amendments")
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

3. OPERATING SEGMENT INFORMATION

Six months ended 30 June 2024			
	ODM products RMB'000 (Unaudited)	Brand products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue			
Sales to external customers	125,297	18,646	143,943
Segment results	30,887	(9,067)	21,820
Other income and gains			10,776
Corporate and other unallocated expenses			(23,525)
Finance costs			(3,547)
Profit before tax			5,524
Six months ended 30 June 2023			
	ODM products RMB'000 (Unaudited)	Brand products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue			
Sales to external customers	74,383	22,079	96,462
Segment results	15,223	(10,124)	5,099
Other income and gains			4,685
Corporate and other unallocated expenses			(23,181)
Finance costs			(2,155)
Loss before tax			(15,552)

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

For the six months ended 30 June		
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Chinese Mainland	49,146	65,812
United States of America	37,903	12,405
Germany	24,563	816
Canada	14,823	—
Netherlands	7,000	9,450
Mexico	5,611	5,945
Korea	2,566	—
Britain	796	1,394
Other countries or regions	1,535	640
Total	143,943	96,462

The revenue information above is based on the shipment destinations.

(b) Non-current assets

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Chinese Mainland	452,395	459,267

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

4. REVENUE

An analysis of revenue is as follows:

For the six months ended 30 June		
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue from contracts with customers	143,943	96,462

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

4. REVENUE (continued)

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2024

Segments	ODM products RMB'000 (Unaudited)	Brand products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Type of goods or services			
Sale of goods	125,297	18,646	143,943
Geographical markets			
Chinese Mainland	30,500	18,646	49,146
United States of America	37,903	—	37,903
Germany	24,563	—	24,563
Canada	14,823	—	14,823
Netherlands	7,000	—	7,000
Mexico	5,611	—	5,611
Korea	2,566	—	2,566
Britain	796	—	796
Other countries or regions	1,535	—	1,535
Total	125,297	18,646	143,943
Timing of revenue recognition			
Goods transferred at a point in time	125,297	18,646	143,943

For the six months ended 30 June 2023

Segments	ODM products RMB'000 (Unaudited)	Brand products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Type of goods or services			
Sale of goods	74,383	22,079	96,462
Geographical markets			
Chinese Mainland	43,733	22,079	65,812
United States of America	12,405	—	12,405
Netherlands	9,450	—	9,450
Mexico	5,945	—	5,945
Britain	1,394	—	1,394
Germany	816	—	816
Other countries or regions	640	—	640
Total	74,383	22,079	96,462
Timing of revenue recognition			
Goods transferred at a point in time	74,383	22,079	96,462

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cost of inventories sold*	101,926	71,394
Depreciation of property, plant and equipment	5,597	5,667
Depreciation of right-of-use assets	2,231	2,116
Amortisation of intangible assets	79	106
Research and development costs**	8,563	8,233
Government grants	(1,452)	(1,788)
Outsourced manufacturers	12,874	2,345
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	35,180	27,007
Pension scheme contributions	1,497	1,651
Staff welfare expenses	157	132
Total	36,834	28,790
Concession fees	3,013	3,026
Write-down of inventories to net realisable value	1,792	3,185
Impairment of trade receivables, net	307	869
Loss on disposal of items of property, plant and equipment	501	27
Bank interest income	(9)	(15)
Exchange differences, net	(1,057)	(214)

* The cost of inventories sold includes RMB16,991,000 (30 June 2023: RMB15,368,000) relating to staff cost, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets and impairment of inventories for the period ended 30 June 2024, which are also included in the respective total amounts disclosed above for each type of expenses.

** The research and development costs include RMB5,617,000 (30 June 2023: RMB5,501,000) relating to staff cost, depreciation of property, plant and equipment and amortisation of intangible assets for the period ended 30 June 2024, which are also included in the respective total amounts disclosed above for each type of expenses.

6. INCOME TAX

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

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

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

6. INCOME TAX (continued)

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% (2023: 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 (2023: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023:8.25%) and the remaining assessable profits are taxed at 16.5% (2023:16.5%).

The provision for Chinese Mainland current income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Chinese Mainland 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% (2023:15%) during the period.

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

For the six months ended 30 June		
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current		
Charge for the period	185	2
Deferred	—	(998)
Total tax charge/(credit) for the period	185	(996)

7. DIVIDENDS

No dividend was declared and paid by the Company during the period.

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

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,200,000,000 (2023: 1,200,000,000) in issued during the period.

No adjustment has been made to the basic earnings/(loss) per share amount presented for the period ended 30 June 2024 and 2023 in respect of a dilution as there are no dilutive potential ordinary shares.

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

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

	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>5,341</u>	<u>(14,622)</u>
Number of shares		
	2024	2023
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>1,200,000,000</u>	<u>1,200,000,000</u>

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired assets at a cost of RMB4,824,000 (30 June 2023: RMB2,009,000).

Assets (other than those classified as held for sale) with a net book value of RMB4,654,000 were disposed of by the Group during the six months ended 30 June 2024 (30 June 2023: RMB27,000), resulting in a net loss on disposal of RMB501,000 (30 June 2023: RMB27,000).

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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	68,141	32,228
3 to 6 months	493	442
6 to 12 months	602	751
1 to 2 years	472	254
2 to 3 years	75	108
Total	<u>69,783</u>	<u>33,783</u>

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	19,255	14,023
3 to 6 months	16,347	4,789
6 to 12 months	909	6,744
Over 12 months	4,307	5,184
Total	40,818	30,740

12. SHARE CAPITAL

Shares

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Issued and fully paid: 1,200,000,000 (31 December 2023: 1,200,000,000) ordinary shares	80,827	80,827

13. COMMITMENTS

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Buildings	23,993	22,573

14. RELATED PARTY TRANSACTIONS

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

For the six months ended 30 June			
	Notes	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Purchase of materials from: Zhejiang Deshipu New Material Technology Co., Ltd. (" Deshipu New Material ")	(i)	—	981
Borrowings from: Zhejiang Baicheng Trading Co., Ltd. (" Baicheng Trading ")	(ii)	20,800	20,500
Loans granted to: Mr. Jin Guojun	(iii)	—	23

Note:

- (i) The purchases of materials from Deshipu New Material were made according to the published prices and conditions offered by the related party to its major customers.
- (ii) The borrowings from Baicheng Trading are unsecured, non-interest-bearing and repayable on 31 March 2025.
- (iii) The loans granted to Mr. Jin Guojun are unsecured, non-interest-bearing and repayable on demand.

- (b) Other transactions with related parties:

- (i) Mr. Jin Guojun and Ms. Gong Lijin have guaranteed certain of the Group's bank loans of up to RMB250,000,000 as at 30 June 2024 (31 December 2023: RMB 250,000,000).
- (ii) Ms. Huang Jingyi, the non-executive director, has guaranteed certain of the Group's bank loans of up to RMB200,000,000 as at 30 June 2024 (31 December 2023: RMB200,000,000).

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

14. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Due from a related party		
Mr. Jin Guojun (ii)	49	49
Due to related parties		
Deshipu New Material (i)	3,151	5,151
Bode Holding Co., Ltd. (ii)	30	30
Baicheng Trading (iii)	24,570	26,870
Total	27,751	32,051

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

- (i) The balances with related parties above are trade in nature, unsecured, non-interest-bearing and repayable on demand.
- (ii) The balances with related parties above are non-trade in nature, unsecured, non-interest-bearing and repayable on demand.
- (iii) The borrowings from Baicheng Trading are non-trade in nature, unsecured, non-interest-bearing and repayable on 31 March 2025.

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

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Short-term employee benefits	1,507	1,303
Total compensation paid to key management personnel	1,507	1,303

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in 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 2024 were assessed to be insignificant.

Notes to Interim Condensed Consolidated Financial Information

30 June 2024

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) <i>RMB'000</i> (Unaudited)	Significant observable inputs (Level 2) <i>RMB'000</i> (Unaudited)	Significant unobservable inputs (Level 3) <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Financial assets at fair value through other comprehensive income	—	—	150	150

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) <i>RMB'000</i> (Unaudited)	Significant observable inputs (Level 2) <i>RMB'000</i> (Unaudited)	Significant unobservable inputs (Level 3) <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Financial assets at fair value through other comprehensive income	—	—	150	150

The movements in fair value measurements within Level 3 during the period are as follows:

	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Financial assets at fair value through other comprehensive income:		
At 1 January	150	—
Purchases of unlisted investments	—	150
At 30 June	150	150