



FORWARD FASHION
HOLDINGS

Forward Fashion (International) Holdings Company Limited
尚晉(國際)控股有限公司

(incorporated in the Cayman Islands with limited liability)

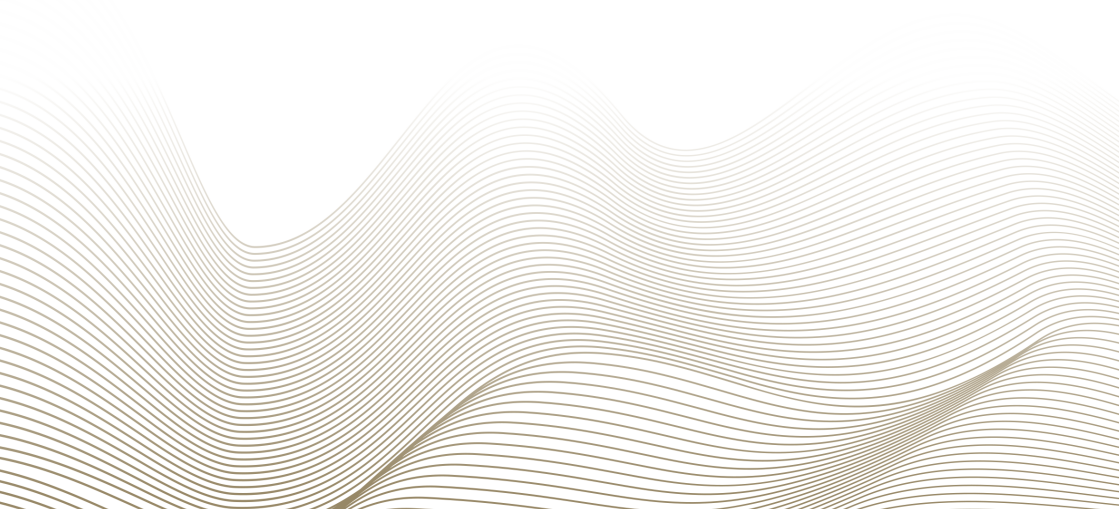
Stock Code : 2528



INTERIM REPORT 2021

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Fan Wing Ting (*Chairman*)
Ms. Chen Xingyi (*Chief Executive Officer*)
Mr. Kevin Trantallis
Mr. Fong Yat Ming
Ms. Fan Tammy

Independent Non-executive Directors

Mr. Chau Kwok Keung
Mr. Yu Chun Kau
Mr. Cheung Chun Yue, Anthony

BOARD COMMITTEES

Audit Committee

Mr. Chau Kwok Keung (*Chairman*)
Mr. Yu Chun Kau
Mr. Cheung Chun Yue, Anthony

Remuneration Committee

Mr. Yu Chun Kau (*Chairman*)
Ms. Chen Xingyi
Mr. Cheung Chun Yue, Anthony

Nomination Committee

Mr. Fan Wing Ting (*Chairman*)
Mr. Yu Chun Kau
Mr. Cheung Chun Yue, Anthony

AUTHORISED REPRESENTATIVES

Mr. Kevin Trantallis
Ms. Fan Tammy

COMPANY SECRETARY

Mr. Kevin Trantallis

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN HONG KONG

Suite 1204, 12/F., Tower 6
The Gateway, Harbour City
Tsim Sha Tsui, Kowloon
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Bank of China (Hong Kong) Limited
China Merchants Bank Co., Ltd.

COMPLIANCE ADVISOR

China Industrial Securities International
Capital Limited
7/F, Three Exchange Square
8 Connaught Place
Central, Hong Kong

COMPANY WEBSITE

www.forward-fashion.com

STOCK CODE

02528

FINANCIAL HIGHLIGHTS

		For the six months ended 30 June 2021	For the six months ended 30 June 2020
Revenue	<i>HKD million</i>	625.8	367.5
Gross Profit	<i>HKD million</i>	322.3	147.7
Profit/(loss) for the period	<i>HKD million</i>	15.8	(99.8)
Earnings/(loss) per share	<i>HKD</i>	0.04	(0.25)
		As of 30 June 2021	As of 31 December 2020
Current Ratio		1.2	1.1
Gearing Ratio		58%	63%

The Group recorded a profit of HKD15.8 million for the six months ended 30 June 2021 compared to a loss of HKD99.8 million for the six months ended 30 June 2020. The profit was attributable to the significant increase in sales revenue in the first half of 2021 as a result of the progressive recovery from COVID-19 pandemic related impact.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Unaudited	
		Six months ended 30 June	
		2021	2020
	<i>Note</i>	HKD'000	HKD'000
Revenue	5	625,800	367,463
Cost of sales	8	(303,473)	(219,756)
		<hr/>	<hr/>
Gross profit		322,327	147,707
Selling and marketing expenses	8	(245,952)	(190,444)
General and administrative expenses	8	(53,373)	(50,548)
Other income	6	4,762	4,028
Other gains/(losses), net	7	8,304	(4,620)
		<hr/>	<hr/>
Operating profit/(loss)		36,068	(93,877)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Finance income		556	669
Finance costs		(10,737)	(11,323)
		<hr/>	<hr/>
Finance costs, net		(10,181)	(10,654)
		<hr/>	<hr/>
Profit/(loss) before income tax		25,887	(104,531)
Income tax (expenses)/credit	9	(10,091)	4,711
		<hr/>	<hr/>
Profit/(loss) for the period		15,796	(99,820)
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Profit/(loss) is attributable to:			
Equity holders of the Company		15,556	(96,680)
Non-controlling interests		240	(3,140)
		<hr/>	<hr/>
		15,796	(99,820)
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Earnings/(loss) per share for profit attributable to equity holders of the Company			
Basic and diluted earnings/(loss) per share (HKD)	10	0.04	(0.25)
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CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HKD'000	HKD'000
Profit/(loss) for the period	15,796	(99,820)
Other comprehensive income/(loss) for the period		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	1,072	(2,073)
Other comprehensive income/(loss) for the period, net of tax	1,072	(2,073)
Total comprehensive income/(loss) for the period	16,868	(101,893)
Total comprehensive income/(loss) for the period is attributable to:		
Equity holders of the Company	17,299	(98,807)
Non-controlling interests	(431)	(3,086)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		Unaudited As at 30 June 2021 HKD'000	Audited As at 31 December 2020 HKD'000
	<i>Note</i>		
Assets			
Non-current assets			
Property, plant and equipment	11	123,748	141,369
Right-of-use assets	12	223,100	285,421
Intangible assets		16,659	18,730
Investment in an insurance contract		32,929	32,486
Deferred tax assets		23,147	27,551
Prepayments		308	309
Other receivables and deposits	15	25,306	26,082
Total non-current assets		445,197	531,948
Current assets			
Inventories	13	279,289	297,674
Trade receivables	14	39,558	56,118
Prepayments		46,728	25,404
Other receivables and deposits	15	45,562	44,561
Restricted cash	16	24,527	24,892
Time deposits with initial term of over three months		105,000	90,027
Cash and cash equivalents		139,736	209,639
Total current assets		680,400	748,315
Total assets		1,125,597	1,280,263
Equity			
Share capital	17	4,000	4,000
Share premium	17	859,232	859,232
Reserves		(582,309)	(584,052)
Retained earnings/(accumulated losses)		4,368	(11,188)
Capital and reserves attributable to equity holders of the Company		285,291	267,992
Non-controlling interest in equity		(4,513)	(4,082)
Total equity		280,778	263,910

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(continued)

		Unaudited As at 30 June 2021 HKD'000	Audited As at 31 December 2020 HKD'000
	<i>Note</i>		
Liabilities			
Non-current liabilities			
Borrowings	18	106,216	111,741
Lease liabilities	19	106,694	149,474
Provisions	20	2,289	1,934
Financial liabilities at fair value through profit or loss	4.2	6,137	5,026
Other non-current liabilities	21	21,914	34,083
Deferred tax liabilities		2,845	3,556
Other payables	22	14,274	15,422
Total non-current liabilities		260,369	321,236
Current liabilities			
Trade and other payables	22	168,752	192,149
Amount due to related parties	24	47,436	60,818
Other current liabilities	21	34,771	36,981
Contract liabilities		8,249	4,685
Lease liabilities	19	136,610	166,344
Provisions	20	3,493	8,771
Financial liabilities at fair value through profit or loss		–	2,970
Income tax liabilities		13,701	19,010
Borrowings	18	171,438	203,389
Total current liabilities		584,450	695,117
Total liabilities		844,819	1,016,353
Net assets		280,778	263,910

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital HKD'000	Share premium HKD'000	Reserve HKD'000	Retained earnings/ (accumulated losses) HKD'000	Sub-total HKD'000	Non-controlling interests HKD'000	Total equity HKD'000
Balance at 1 January 2021	4,000	859,232	(584,052)	(11,188)	267,992	(4,082)	263,910
Total comprehensive income for the period							
Profit for the period	-	-	-	15,556	15,556	240	15,796
Other comprehensive (loss)/income for the period	-	-	1,743	-	1,743	(671)	1,072
	-	-	1,743	15,556	17,299	(431)	16,868
Balance at 30 June 2021	4,000	859,232	(582,309)	4,368	285,291	(4,513)	280,778
Balance at 1 January 2020	-	691,000	(592,532)	140,226	238,694	(634)	238,060
Total comprehensive income for the period							
Loss for the period	-	-	-	(96,680)	(96,680)	(3,140)	(99,820)
Other comprehensive (loss)/income for the period	-	-	(2,127)	-	(2,127)	54	(2,073)
	-	-	(2,127)	(96,680)	(98,807)	(3,086)	(101,893)
Transactions with equity holders of the Company:							
Capitalisation of share premium	3,000	(3,000)	-	-	-	-	-
Issuance of ordinary shares	1,000	171,233	-	-	172,233	-	172,233
Dividends and distribution	-	-	-	(20,000)	(20,000)	-	(20,000)
	4,000	168,233	-	(20,000)	152,233	-	152,233
Balance at 30 June 2020	4,000	859,233	(594,659)	23,546	292,120	(3,720)	288,400

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HKD'000	HKD'000
Cash flows from operating activities		
Cash generated from operations	187,923	96,433
Income tax paid	(11,710)	(1,106)
	<hr/>	<hr/>
Net cash generated from operating activities	176,213	95,327
	<hr/>	<hr/>
Cash flows from investing activities		
Interest income received	556	669
Purchase of intangible assets	(1,767)	(376)
Purchase of property, plant and equipment	(4,637)	(11,435)
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Net cash used in investing activities	(5,848)	(11,142)
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from borrowings	77,014	162,441
Interest paid	(4,818)	(3,358)
Repayment of loans from related parties	(90,178)	(90,366)
Repayment of borrowings	(114,491)	(114,050)
Proceeds from issue of ordinary shares	–	181,712
Payment for listing fee	–	(1,850)
Payment of lease liabilities	(108,867)	(47,889)
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(241,340)	86,640
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(70,975)	170,825
	<hr/>	<hr/>
Cash and cash equivalents at beginning of the period	209,639	72,605
Effect on exchange rate difference	1,072	972
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	139,736	244,402
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Forward Fashion (International) Holdings Company Limited (the "**Company**") was incorporated in the Cayman Islands on 16 May 2019. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together the "**Group**") are principally engaged in the retail of fashion apparel of international brands ranging from established designer label brands, popular global brands to up-and-coming brands through our multi-brand and multi-store business model (the "**Business**") in Mainland China, Macau, Hong Kong and Taiwan.

The ultimate holding company of the Company is Gold Star Fashion Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Fan Wing Ting ("**Mr. Fan**"), the ultimate controlling shareholder (the "**Controlling Shareholder**") of the Group.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 13 January 2020.

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollars ("**HKD**") and all values are rounded to the nearest thousand (HKD'000), unless otherwise stated.

This interim condensed consolidated interim financial information has been approved for issue by the Board of directors of the Company (the "**Board**") on 20 August 2021.

2 BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**").

The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this condensed consolidated interim financial information should be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcements made by the Company during the six months ended 30 June 2021.

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated interim financial information for the year ended 31 December 2020 except for the adoption of new and amended standards as set out below.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the 2020 Financial Statements, as described in those annual consolidated financial statements, except for the adoption of new and amended standards as set out below.

3.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the current accounting period:

- (a) Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS16.

The amendments listed above did not have any impact on the amounts recognised in prior periods and is not expected to significantly affect the current or future period.

3.2 Impact of standards issued but not yet applied by the entity

Certain new accounting standards and interpretations have been published that are not mandatory for the six months ended 30 June 2021 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial information, and should be read in conjunction with the Group's annual financial information as at 31 December 2020.

There have been no changes in the risk management policies since year end.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(continued)

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Fair value estimation

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial information. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements At 31 December 2020 (Audited)	Level 3 HKD'000
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Financial liabilities

Financial liabilities at fair value through profit or loss	5,026
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Recurring fair value measurements At 30 June 2021 (Unaudited)	Level 3 HKD'000
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Financial liabilities

Financial liabilities at fair value through profit or loss	6,137
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The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(continued)

4 FINANCIAL RISK MANAGEMENT (continued)4.2 *Fair value estimation (continued)*

- (ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices
- the Monte Carlo simulation
- discounted cash flow analysis

- (iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the six months ended 30 June 2020 and 2021:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HKD'000	HKD'000
At the beginning of the period	7,996	5,883
Change in fair value	(1,859)	(1,279)
At the end of the period	6,137	4,604
Total		
Net unrealised gains for the period	(1,859)	(1,279)

- (iv) Valuation processes

The finance department of the Group includes a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO and the valuation team at least once every year. External valuation experts will be involved when necessary.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Fair value estimation (continued)

(iv) Valuation processes (continued)

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Discount rates for financial assets and financial liabilities are determined using a capital asset pricing model to calculate a post-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset or liability.
- Drift rates of EBITDA multiples are estimated based on the entity's knowledge of the business and how the current economic environment is likely to impact it.
- EBITDA multiples and EBITDA volatilities are based on the respective historical measures of comparable companies.

(v) Fair values of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the consolidated statement of financial position. For these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

5 SEGMENT INFORMATION

The Group is principally engaged in the retailing and wholesale of luxury and fashion clothes and products in the Mainland China, Macau, Hong Kong and other places. The performance of the Group's retail stores is subject to seasonal fluctuations and certain holiday seasons.

The Group's business activities, for which discrete financial information are available, are regularly reviewed and evaluated by the chief operating decision maker ("CODM"). The CODM considers the business from geographic perspective and assesses the performance of the geographical segments mainly based on segment revenues and segment result. Assets and liabilities are regularly reviewed on a consolidated basis.

The revenues from external customers reported to CODM are measured as segment revenues, which are the revenues derived from customers of each segment.

Segment result is equal to revenue from external customers deducted by cost of sales and selling and marketing expenses from each segment.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(continued)

5 SEGMENT INFORMATION (continued)

The segment information for the six months ended 30 June 2020 and 2021 are as follows:

	Six months ended 30 June 2021 (Unaudited)			
	Mainland China HKD'000	Macau HKD'000	Hong Kong and others HKD'000	Total HKD'000
Segment revenue	293,911	295,919	56,975	646,805
Inter-segment revenue	(6,100)	(2,388)	(12,517)	(21,005)
Revenue from external customers	287,811	293,531	44,458	625,800
Cost of sales	(130,720)	(140,923)	(31,830)	(303,473)
Selling and marketing expenses	(100,841)	(112,661)	(32,450)	(245,952)
Segment result	56,250	39,947	(19,822)	76,375
General and administrative expenses				(53,373)
Other income				4,762
Other gains				8,304
Finance income				556
Finance costs				(10,737)
Profit before income tax expenses				25,887
Income tax expenses				(10,091)
Profit for the period				15,796
	As at 30 June 2021 (Unaudited)			
	Mainland China HKD'000	Macau HKD'000	Hong Kong and others HKD'000	Total HKD'000
Segment non-current assets	107,931	299,809	37,457	445,197
Segment current assets	241,920	356,592	81,888	680,400

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(continued)

5 SEGMENT INFORMATION (continued)

	Six months ended 30 June 2020 (Unaudited)			
	Mainland China	Macau	Hong Kong and others	Total
	HKD'000	HKD'000	HKD'000	HKD'000
Segment revenue	197,682	155,289	41,465	394,436
Inter-segment revenue	(3,871)	(3,457)	(19,645)	(26,973)
Revenue from external customers	193,811	151,832	21,820	367,463
Cost of sales	(111,583)	(95,035)	(13,138)	(219,756)
Selling and marketing expenses	(84,418)	(90,436)	(15,590)	(190,444)
Segment result	(2,190)	(33,639)	(6,908)	(42,737)
General and administrative expenses				(50,548)
Other income				4,028
Other losses				(4,620)
Finance income				669
Finance costs				(11,323)
Loss before income tax expenses				(104,531)
Income tax credit				4,711
Loss for the period				(99,820)

	As at 31 December 2020 (Audited)			
	Mainland China	Macau	Hong Kong and others	Total
	HKD'000	HKD'000	HKD'000	HKD'000
Segment non-current assets	119,134	350,021	62,793	531,948
Segment current assets	214,476	332,234	201,605	748,315

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(continued)

5 SEGMENT INFORMATION (continued)*(a) Revenue by business line and nature*

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HKD'000	HKD'000
Retail	613,663	360,519
Store management and consignment service	11,064	5,965
Wholesale	1,073	979
	<hr/>	<hr/>
Total	625,800	367,463
	<hr/> <hr/>	<hr/> <hr/>

(b) Timing of revenue recognition

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HKD'000	HKD'000
Revenue at a point in time	614,736	361,498
Revenue over time	11,064	5,965
	<hr/>	<hr/>
Total	625,800	367,463
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6 OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HKD'000	HKD'000
Government grants	499	1,194
Compensation for termination of lease contracts	–	2,483
Other subsidiaries	3,828	–
Others	435	351
	<hr/>	<hr/>
	4,762	4,028
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(continued)

7 OTHER GAINS/(LOSSES) – NET

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HKD'000	HKD'000
Net changes in cash surrender value of investment in insurance contracts	443	440
Gains/(losses) on the derecognition of right-of-use assets and lease liabilities	6,155	(274)
Exchange gains/(losses)	800	(4,063)
Fair value gains on financial liabilities at fair value through profit or losses	1,859	1,279
Net losses on disposal of property, plant and equipment	(411)	(2,002)
Others	(542)	–
	8,304	(4,620)

8 EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HKD'000	HKD'000
Change in inventories	281,785	208,025
Reversal of inventories impairment	(2,397)	(2,348)
Depreciation of right-of-use assets (Note 12)	96,015	108,580
Employee benefit expenses	114,114	91,974
Depreciation of property, plant and equipment (Note 11)	20,792	31,653
Operating lease expenses (Note 12)	22,813	26,818
Property management fee	18,036	12,342
Advertising and promotion expenses	8,023	7,719
Travelling, entertainment and communication expenses	2,723	2,787
Impairment loss on property, plant and equipment (Note 11)	1,318	1,772
Amortisation of intangible assets	2,167	1,106
Impairment loss on right-of-use assets (Note 12)	3,532	9,987
Professional service fees	2,779	2,234
Auditor's remuneration	495	664
Listing expenses	–	480
Rent concession related to COVID-19	–	(73,308)
Other expenses	30,603	30,263
	602,798	460,748

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(continued)

9 INCOME TAX EXPENSES/(CREDIT)*(a) Income tax expenses/(credit)*

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HKD'000	HKD'000
Current income tax	7,204	262
Deferred income tax related to the temporary differences	2,887	(4,973)
	<hr/>	<hr/>
Total	10,091	(4,711)
	<hr/> <hr/>	<hr/> <hr/>

10 EARNINGS/(LOSS) PER SHARE*(a) Basic earnings/(loss) per share*

Basic earnings/(loss) per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in outstanding during the period.

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HKD'000	HKD'000
Profit/(loss) attributable to equity holders of the Company (HKD'000)	16,313	(96,680)
Weighted average number of ordinary shares in issue (<i>Note</i>)	400,000,000	391,666,667
	<hr/>	<hr/>
Basic earnings/(loss) per share (HKD)	0.04	(0.25)
	<hr/> <hr/>	<hr/> <hr/>

Note:

Basic earnings/(loss) per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. The weighted average number of shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation and the effect of the capitalisation of reserves in January 2020.

- (b)* No diluted earnings per share is presented as the Group has no dilutive potential ordinary shares during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(continued)

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings HKD'000	Leasehold improvements HKD'000	Vehicle HKD'000	Office furniture and equipment HKD'000	Computer and electronic equipment HKD'000	Total HKD'000
At 31 December 2020						
Cost	83,577	292,646	3,172	20,889	13,849	414,133
Accumulated depreciation and impairment provision	(5,285)	(235,966)	(2,896)	(19,068)	(9,549)	(272,764)
Net book amount	78,292	56,680	276	1,821	4,300	141,369
Six months ended 30 June 2021						
Opening net book amount	78,292	56,680	276	1,821	4,300	141,369
Additions	-	3,646	-	-	991	4,637
Depreciation	(816)	(18,184)	(36)	(636)	(1,120)	(20,792)
Impairment provision	-	(1,318)	-	-	-	(1,318)
Exchange differences	-	377	-	51	31	459
Disposals	-	(414)	-	(193)	-	(607)
Closing net book amount (unaudited)	77,476	40,787	240	1,043	4,202	123,748
At 30 June 2021						
Cost	83,577	291,993	3,172	19,489	14,805	413,036
Accumulated depreciation and impairment provision	(6,101)	(251,206)	(2,932)	(18,446)	(10,603)	(289,288)
Net book amount (unaudited)	77,476	40,787	240	1,043	4,202	123,748

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(continued)

11 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings	Leasehold		Office	Computer	
	HKD'000	improvements	Vehicle	furniture and	and	Total
	HKD'000	HKD'000	HKD'000	equipment	electronic	HKD'000
	HKD'000	HKD'000	HKD'000	HKD'000	equipment	HKD'000
At 31 December 2019						
Cost	83,577	275,064	4,128	22,070	12,525	397,364
Accumulated depreciation and impairment provision	(3,645)	(197,909)	(3,128)	(17,129)	(7,362)	(229,173)
Net book amount	79,932	77,155	1,000	4,941	5,163	168,191
Six months ended 30 June 2020						
Opening net book amount	79,932	77,155	1,000	4,941	5,163	168,191
Additions	-	17,003	-	131	722	17,856
Depreciation	(818)	(27,920)	(156)	(1,545)	(1,214)	(31,653)
Impairment provision	-	(1,772)	-	-	-	(1,772)
Exchange differences	-	(527)	-	(65)	(54)	(646)
Disposals	-	(2,880)	(484)	(44)	(148)	(3,556)
Closing net book amount (unaudited)	79,114	61,059	360	3,418	4,469	148,420
At 30 June 2020						
Cost	83,577	280,586	3,158	21,159	12,895	401,375
Accumulated depreciation and impairment provision	(4,463)	(219,527)	(2,798)	(17,741)	(8,426)	(252,955)
Net book amount (unaudited)	79,114	61,059	360	3,418	4,469	148,420

Depreciation of the Group's property, plant and equipment has been recognised in the consolidated statement of profit or loss as follows:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HKD'000	HKD'000
Selling and marketing expenses	16,901	29,065
Administrative expenses	3,891	2,588
	20,792	31,653

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(continued)

12 RIGHT-OF-USE ASSETS

	Unaudited As at 30 June 2021 HKD'000	Audited As at 31 December 2020 HKD'000
Retail stores	198,836	262,799
Vehicle	866	1,481
Office	23,398	21,141
	223,100	285,421

	Retail stores HKD'000	Vehicle HKD'000	Office HKD'000	Total HKD'000
At 31 December 2020				
Cost	545,165	4,415	35,129	584,709
Accumulated depreciation and impairment	(282,366)	(2,934)	(13,988)	(299,288)
Net book amount	262,799	1,481	21,141	285,421
Six months ended 30 June 2021				
Opening net book amount	262,799	1,481	21,141	285,421
Additions	31,322	–	7,494	38,816
Depreciation	(90,032)	(615)	(5,368)	(96,015)
Impairment provision	(3,532)	–	–	(3,532)
Early termination of lease contracts	(2,200)	–	–	(2,200)
Exchange differences	479	–	131	610
Closing net book amount (unaudited)	198,836	866	23,398	223,100
At 30 June 2021				
Cost	472,641	4,415	39,809	516,865
Accumulated depreciation and impairment	(273,805)	(3,549)	(16,411)	(293,765)
Net book amount (unaudited)	198,836	866	23,398	223,100

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(continued)

12 RIGHT-OF-USE ASSETS (continued)

The statement of profit or loss shows the following amounts relating to leases:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HKD'000	HKD'000
Expense relating to variable lease payments not included in lease liabilities (<i>Note 8</i>)	22,813	26,818
Depreciation charge of right-of-use assets (<i>Note 8</i>)	96,015	108,580
Interest expenses (included in finance cost)	5,891	9,423

For the six months ended 30 June 2020, the rent concessions related to COVID-19 was HKD73,308,000 (Note 8).

13 INVENTORIES

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2021	2020
	HKD'000	HKD'000
Fashion wears and accessories	300,845	321,728
Electronic devices	2,594	3,598
Skincare and cosmetic products	4,165	3,060
Less: provision for impairment	(28,315)	(30,712)
	279,289	297,674
Inventory measured at cost	232,533	229,577
Inventory measured at net realisable value	46,756	68,097
	279,289	297,674

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(continued)

14 TRADE RECEIVABLES

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2021	2020
	HKD'000	HKD'000
Trade receivables	40,138	56,676
Less: provision for impairment of trade receivables	(580)	(558)
	39,558	56,118
	Unaudited	Audited
	As at	As at
	30 June	31 December
	2021	2020
	HKD'000	HKD'000
Within 3 months	35,229	55,545
Over 3 months and within 6 months	1,898	326
Over 6 months and within 1 year	2,721	501
Over 1 year	290	304
	40,138	56,676

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

15 OTHER RECEIVABLES AND DEPOSITS

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2021	2020
	HKD'000	HKD'000
Included in current assets		
– Rental deposits	24,406	24,364
– Value-added tax recoverable	6,332	9,285
– Staff advance	1,151	860
– Others	13,673	10,052
	45,562	44,561
Included in non-current assets		
– Rental deposits	25,306	26,082
	70,868	70,643

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(continued)

16 RESTRICTED CASH

	Unaudited As at 30 June 2021 HKD'000	Audited As at 31 December 2020 HKD'000
Restricted cash	24,527	24,892

Restricted cash mainly includes the security deposits for issuance of letters of credit by banks denominated in HKD and the security deposits for bank loans denominated in HKD.

17 SHARE CAPITAL

	Number of shares	Nominal value of shares HKD'000	Share premium HKD'000
Issued and fully paid:			
As at 31 December 2020 (Audited) and 30 June 2021 (Unaudited)	400,000,000	4,000	859,232

The Group did not issued any new ordinary share during the period.

18 BORROWINGS

	Unaudited As at 30 June 2021 HKD'000	Audited As at 31 December 2020 HKD'000
Non-current		
Bank loan (<i>Note a</i>)	106,216	111,741
Current		
Bank loan (<i>Note a</i>)	152,259	107,144
Letter of credit loans (<i>Note b</i>)	19,179	96,245
	171,438	203,389
	277,654	315,130

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(continued)

18 BORROWINGS (continued)

Notes:

- (a) All borrowings are pledged as shown below:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2021	2020
	HKD'000	HKD'000
Pledged by Mr. Fan's properties	103,050	139,894
Pledged by Mr. Fan's properties and time deposits	57,385	52,450
Pledged by Mr. Fan's properties, time deposits and insurance contract	76,486	79,511
Pledged by buildings	40,733	43,275
	277,654	315,130

- (b) Letter of credit loans represent loans granted by banks in connection with inward cargoes.

- (c) The borrowings were repayable by repayment day as follows:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2021	2020
	HKD'000	HKD'000
Within 1 year	171,438	203,389
Between 1 and 2 years	32,562	37,504
Between 2 and 5 years	24,605	27,693
Over 5 years	49,049	46,544
	277,654	315,130

- (d) Compliance with loan covenants

The Group complied with the financial covenants of its borrowing facilities throughout the six months ended 30 June 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(continued)

19 LEASE LIABILITIES

	Unaudited As at 30 June 2021 HKD'000	Audited As at 31 December 2020 HKD'000
Current	136,610	166,344
Non-current	106,694	149,474
	243,304	315,818

20 PROVISIONS

	Unaudited As at 30 June 2021 HKD'000	Audited As at 31 December 2020 HKD'000
Non-current		
Make good provision	2,289	1,934
Current		
Make good provision	3,493	6,443
Legal claim (<i>Note</i>)	–	2,328
	3,493	8,771

Note:

In April 2021, the final judgement was handed down against subsidiary of the Group. The judgement has been executed and payment has been made to the claimant in April 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(continued)

21 OTHER CURRENT AND NON-CURRENT LIABILITIES

	Unaudited Six months ended 30 June 2021 HKD'000	Unaudited Six months ended 30 June 2020 HKD'000
At 1 January	71,064	23,022
Receipt	2,341	27,346
Recognised in consolidated statements of profit or loss	(15,721)	(6,603)
Exchange difference	(999)	(481)
	<hr/>	
At 30 June	56,685	43,284
	<hr/> <hr/>	
Current	34,771	22,726
Non current	21,914	20,558

The other current and non-current liabilities are mainly the decoration subsidy received from the franchisors and shopping malls and is amortised on a straight-line basis over the rental periods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(continued)

22 TRADE AND OTHER PAYABLES

	Unaudited As at 30 June 2021 HKD'000	Audited As at 31 December 2020 HKD'000
Current		
Trade payables (Note)	70,093	70,389
Salaries payable	37,384	40,054
Variable lease payable	14,293	36,028
Other taxes payable	853	3,727
License fee payable	–	7,779
Operating support fund	–	2,237
Renovation service fee payables	15,926	17,805
Other payables	30,203	14,130
	168,752	192,149
Non-current		
Operating support fund	12,979	12,832
License fee payables	1,295	2,590
	14,274	15,422
	183,026	207,571

Note:

Trade payables primarily represent payables for inventories. The ageing analysis of the trade payables based on invoice date is as follows:

	Unaudited As at 30 June 2021 HKD'000	Audited As at 31 December 2020 HKD'000
Within 3 months	44,726	50,262
Over 3 months and within 1 year	24,440	20,127
Over 1 year	927	–
	70,093	70,389

23 DIVIDEND

The board of directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (2020: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
(continued)

24 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) *Significant transactions with related parties*

The following significant transactions occurred with related parties:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HKD'000	HKD'000
Purchase of decoration services		
Controlled by a close family member of Mr. Fan	–	2,052
Purchase of rental services (with variable lease payment)		
Fellow subsidiaries	970	–
Purchase of management, promotion and administration services		
Fellow subsidiary	7,404	4,685
Interest expense		
Controlling shareholder of the Company	446	–

In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(b) *Period/year end balances with related parties*

(1) Due to related parties

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2021	2020
	HKD'000	HKD'000
Loans from related parties – non-trade		
Mr. Fan	7,709	7,882
Ying Yu Investment Company Limited	447	2,640
Bo Jian Company Limited	–	7,997
Sao Hang Investment Company Limited	9,086	9,309
Amount due to related parties – trade		
SJ Synergy Engineering Company Limited	29,297	30,196
SJ Synergy Holdings Limited	897	–
Sao Hang Investment Company Limited	–	2,794
	47,436	60,818

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(continued)

24 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(c) *Leases as lessee with other related parties*

The following amounts of leases are related to related parties:

	Unaudited As at 30 June 2021 HKD'000	Audited As at 31 December 2020 HKD'000
Lease liabilities		
Controlling shareholder of the Company	8,218	8,880
	Unaudited Six months ended 30 June 2021 HKD'000	Audited Six months ended 30 June 2020 HKD'000
Addition in right-of-use assets		
Controlling shareholder of the Company	–	1,479
Interest of lease liabilities		
Controlling shareholder of the Company	253	479
	253	479
	253	479

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group principally engages in the retail of fashion apparel of international brands ranging from established designer label brands, popular global brands to up-and-coming brands in Mainland China, Macau, Hong Kong and Taiwan (collectively, "**Greater China**"). The Group adopts a multi-brand and multi-store business model.

As at 30 June 2021, the Group operated 198 self-operated retail stores in Greater China, of which 171 retail stores are mono-brand stores operated under the brand name of the merchandise to cater for the brand's target customers and 27 retail stores are multi-brand stores that offer a broad assortment of the Group's selected fashion apparel and lifestyle merchandise from different international brands and the Group's own brands. As at 30 June 2021, the Group's brand portfolio had 118 brands, of which 115 brands are international brands owned by third-party brand owners or their master/authorised licensors and three are its own brands, namely, *UM*, *UM•IXOX* and *IXOX*.

For the six months ended 30 June 2021, the Group recorded an increase of 70.3% yoy in revenue. Of the increase in revenue of HKD258.3 million, Macau and Mainland China recorded an increase of HKD141.7 million and HKD93.9 million, or 54.9% and 36.4% of total increase in revenue, respectively.

Despite the improvements in the Group's results, management expects the COVID-19 pandemic ("**Pandemic**") will continue to affect the Group's business as the borders are yet to be fully opened to travelers, therefore the Group will continue to closely monitor the market conditions and act prudently and make swift adjustments if required so to ensure that shareholder value is protected.

FINANCIAL REVIEW

Revenue

The Group's revenue increased to HKD625.8 million for the six months ended 30 June 2021 (2020: HKD367.5 million), representing a yoy 70.3% increase. The increase of revenue for the six months ended 30 June 2021 was due to the easing of the Pandemic infection rates and management's efforts in boosting sales via different channels on the one hand and controlling costs on the other. Both mono-brand stores and multi-brand stores recorded an increase of 62.2% and 99.6% yoy, respectively while the Group achieved a growth rate of 306.7% over the online sales through different media platforms. Both store management and consignment services and wholesale also recorded an increase of 85.5% and 9.6% yoy, respectively. Notwithstanding the adverse consumption contraction during the Pandemic, the Group managed to increase the average sales floor area from 35,010 m² for the six months ended 30 June 2020 to 35,383 m² for the six months ended 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Breakdown of revenue by sales channels:

	Six months ended 30 June 2021		Six months ended 30 June 2020		Change (%)
	HKD million	% of revenue	HKD million	% of revenue	
Retail					
Mono-brand stores	488.0	78.0	300.8	81.8	62.2
Multi-brand stores	112.8	18.0	56.5	15.4	99.6
Online sales	12.8	2.0	3.2	0.9	306.7
	613.6	98.0	360.5	98.1	70.2
Store Management & consignment services	11.1	1.8	6.0	1.6	85.5
Wholesale	1.1	0.2	1.0	0.3	9.6
Total	625.8	100.0	367.5	100.0	70.3

The revenue generated from the retail stores in Macau for the six months ended 30 June 2021 increased to HKD293.5 million, representing an increase of 93.3% compared to that for the six months ended 30 June 2020. The revenue generated from Mainland China recorded HKD287.8 million for the six months ended 30 June 2021, representing a yoy increase of 48.5%. The revenue generated from the sales in Hong Kong and Taiwan recorded an increase to HKD44.5 million for the six months ended 30 June 2021, representing a yoy increase of 103.7%.

Revenue by geographical areas:

	Six months ended 30 June 2021		Six months ended 30 June 2020		Change (%)
	HKD million	% of revenue	HKD million	% of revenue	
Mainland China	287.8	46.0	193.9	52.8	48.5
Macau	293.5	46.9	151.8	41.3	93.3
Hong Kong and Taiwan	44.5	7.1	21.8	5.9	103.7
	625.8	100.0	367.5	100.0	70.3

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Gross profit

The Group's cost of sales consisted of cost of inventory sold for the fashion apparel and lifestyle products and the cost of store management and consignment services rendered to the brand owners. The cost of sales increased to HKD303.5 million for the six months ended 30 June 2021, or a yoy increase of 38.1%, primarily attributable to the increase in sales.

As such, the gross profit for the six months ended 30 June 2021 increased by HKD174.6 million, or a yoy increase of 118.2%, to HKD322.3 million and the gross profit margin increased from 40.2% for the six months ended 30 June 2020 to 51.5% for the six months ended 30 June 2021. Among the Greater China areas, the gross profit margin of sales in the PRC in for the six months ended 30 June 2021 recorded an improvement of 1,220 basis points to 54.6% mainly due to rebound of sales in the first half of 2021 with less discount offer. The gross profit margins of sales in Macau, Hong Kong and Taiwan recorded an increase of 1,460 basis points and a decrease of 1,140 basis points respectively for the six months ended 30 June 2021. The increase in Macau's gross profit margins was mainly resulted from the increase in full-price sales. The decrease in Hong Kong and Taiwan's gross profit margin was mainly due to the pricing pressure suffered from the declining demands.

Other income and other gains and losses, net

The Group had other income of HKD4.8 million for the six months ended 30 June 2021 (mainly comprises government grants and subsidy from franchisor on operating loss and compensation for termination of lease contracts) representing a yoy increase of 17.7%. The Group recorded net other gains of HKD8.3 million, compared with net loss of HKD4.6 million for the six months ended 30 June 2020, mainly attributable to the increase in gains on the derecognition of right-of-use assets and lease liabilities, and exchange gains of HKD6.4 million and HKD4.9 million, respectively.

Operating expenses

Selling and marketing expenses increased to HKD246.0 million for the six months ended 30 June 2021, or a 29.1% yoy increase, primarily due to the net effect of (i) receipt of rental concessions related to COVID-19 of HKD73.3 million in year 2020; (ii) the increase of employee benefit expenses of HKD18.6 million; and (iii) the reduction in depreciation of right-of-use assets and depreciation of property, plant and equipment of HKD20.4 million and HKD12.2 million, respectively.

General and administrative expenses increased to HKD53.4 million for the six months ended 30 June 2021, or a yoy increase of 5.6%, primarily due to the increase in employee benefit expenses of HKD2.8 million.

Finance costs

Net finance costs decreased to HKD10.2 million for the six months ended 30 June 2021, or a yoy decrease of 4.4%. The decrease was mainly due to the decrease in interest on bank borrowings of HKD1.2 million mainly resulting from lower average balance of bank borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Profit for the period

The Group recorded a net profit of HKD15.8 million for the six months ended 30 June 2021 comparing with a loss of HKD99.8 million for the six months ended 30 June 2020 mainly attributable to the increase in revenue of HKD258.3 million which exceeded the cost increase.

SEASONALITY

The Group's sales performance is subject to seasonal fluctuations and it normally generates higher revenue during winter season than summer season as winter apparel generally has a higher unit price than summer apparel. The Group records higher revenue in festive seasons such as Christmas and the month before Chinese New Year and the traditional peak season in Mainland China long holidays. Normally revenue recorded in the first half and the second half of the year are of equal weighting as they have similar festivals and holidays.

FINANCIAL

Working capital structure

The Group's net current assets amounted to HKD96.0 million as at 30 June 2021 (31 December 2020: HKD53.2 million), representing an increase of HKD42.8 million from 31 December 2020. Such increase was primarily the result of the decrease in current assets of HKD67.9 million mainly resulting from the decrease in cash and cash equivalents of HKD69.9 million and offset by the decrease in current liabilities of HKD110.6 million which comprised of decrease in bank borrowings of HKD32.0 million and the decrease of other current liabilities of HKD78.6 million.

Liquidity and financial management

As at 30 June 2021, the Group had borrowings totaled HKD171.4 million (31 December 2020: HKD203.4 million). The details of the maturity profile of the borrowings are set out in Note 18 to the Condensed Consolidated Interim Financial Information. The gearing ratio of the Group, which is calculated as net debt divided by total capital was 58% as at 30 June 2021 compared to that of 63% as at 31 December 2020.

The Group's current ratio was 1.2 times as at 30 June 2021, compared to that of 1.1 times as at 31 December 2020. The increase in current ratio was mainly attributable to the decrease in the bank borrowings and other current liabilities. As at 30 June 2021, the cash and cash equivalents were HKD139.7 million, representing a decrease of HKD69.9 million comparing with that for 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Pledge of assets

As at 30 June 2021, a building with net book value of HKD60.4 million, restricted cash of HKD24.5 million and the investments in life insurance contract of HKD32.9 million were pledged for a first mortgage, credit loans and credit facilities of bank borrowings, respectively.

CAPITAL COMMITMENT

The Group had no material capital commitment contracted, but not provided for as at 30 June 2021 (31 December 2020: Nil).

CONTINGENT LIABILITIES

As of 30 June 2021, the Group did not have any material contingent liabilities (31 December 2020: Nil).

FOREIGN EXCHANGE RISK MANAGEMENT

Merchandise purchased by the Group is mainly denominated in Euros, United States Dollars (USD) and Renminbi (RMB) whereas the retail operation is mainly exposed to RMB, Macanese pataca (MOP), New Taiwan Dollars (TWD) and Hong Kong Dollars (HKD). However, the Group did not expect foreign currency fluctuations to materially impact its operation. The Group did not hedge foreign exchange fluctuation by forward contracts. The Group managed the foreign exchange risk by reviewing its net foreign exchange exposures regularly and endeavored to shrink these exposures through reviewing the exchange rates with the suppliers, the brand owners periodically.

OUTLOOK

With the mass vaccination programmes in place, the Group expects the impact of the Pandemic in Greater China will further diminish and the economy will continue to recover. However, the recurring outbreaks worldwide will continue to pose a threat and create uncertainties in the operating performance of the Group. Until the borders in the region are fully opened to travelers, full recovery in the Group's performance will still be impeded.

The Group will continue to take actions and implement strategies to enhance shareholder value. The Group will explore new sales channels and opportunities while streamlining existing operations and improve efficiency. The Group will also continue to invest in new productive tools which include but not limited to retail systems, online platforms and digital marketing.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

USE OF PROCEEDS FROM THE LISTING

The shares of the Company (the “**Shares**”) were listed on the The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 13 January 2020 (the “**Listing Date**”) and the net proceeds from the global offering of its Shares (the “**Global Offering**”) amounted to HKD140.0 million.

As of 30 June 2021, the Company has used approximately 35.1% (31 December 2020: 23.0%) of the proceeds from the Global Offering and the net proceeds have been utilised in line with those set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 30 December 2019 (the “**Prospectus**”).

The following sets forth a summary of the utilisation of the net proceeds from the Global Offering as of 30 June 2021:

- approximately 21.8% was used for expanding our retail stores
- approximately 3.2% was used for upgrading our existing retail stores
- approximately 3.6% was used for exploring new brands
- approximately 3.2% was used for the set up and implementation of our Centralised Retail Management System
- approximately 3.3% was used for strengthening of our online sales

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 June 2021, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

EMPLOYEES AND REMUNERATION POLICIES

The Group adopts a competitive emolument policy to attract, retain and motivate high quality individuals. Remuneration packages are reviewed regularly to reflect the market practice and employees’ performance. As at 30 June 2021, the Group employed around 1,340 employees (30 June 2020: 1,450 employees). The total staff costs for the six months ended 30 June 2021 was HKD114.1 million (30 June 2020: HKD92.0 million), a yoy increase of 24.1%.

EVENTS AFTER THE REPORTING PERIOD

Up to the date of this interim report, the Directors are not aware of any significant events related to the business or financial performance of the Group after reporting period.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

DISCLOSURE OF INTERESTS

Interests and short positions of directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations

As at 30 June 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were 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 the Directors and chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange were as follows:

Name of Director	Nature of interest	Number of Shares held/ interested	Approximately percentage of shareholding in the Company
Mr. Fan Wing Ting ("Mr. Fan") (Note 1)	Interest in controlled corporation	300,000,000	75%

Note:

- Mr. Fan owns the entire issued share capital of Gold Star Fashion Limited and he is deemed to be interested in the 300,000,000 Shares held by Gold Star Fashion Limited by virtue of the SFO.

Interests and short positions of substantial shareholders in the shares and underlying shares of the Company

So far as the Directors and chief executive of the Company are aware, as at 30 June 2021, the following shareholders of the Company (other than the interests of the Directors and the chief executives of the Company) had interests in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Shareholders	Capacity/ Nature of interest	Number of Shares held/ interested	Approximately percentage of shareholding in the Company
Gold Star Fashion Limited (Note 1)	Beneficial owner	300,000,000	75%
Ms. Cheng King Ling (Note 2)	Interest of spouse	300,000,000	75%

Notes:

- Mr. Fan owns the entire issued share capital of Gold Star Fashion Limited.
- Ms. Cheng King Ling is the spouse of Mr. Fan. Therefore, she is deemed to be interested in all the Shares in which Mr. Fan has interest in under the SFO.

OTHER INFORMATION (continued)

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the “**Share Option Scheme**”) pursuant to the written resolutions of the Company’s shareholders and Directors passed on 17 December 2019 which took effect upon the Listing Date. The principal terms of the Share Option Scheme are summarised in Appendix IV to the Prospectus.

The purpose of the Share Option Scheme is to provide an incentive or reward to any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including Directors) of the Company or any of its subsidiaries, and any suppliers, customers, consultants, agents and advisors, for their contribution or potential contribution to the Group.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 17 December 2019, and there is no outstanding share option as at 30 June 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code. The Company, having made specific enquiry of all the Directors, is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the six months ended 30 June 2021.

CHANGES IN INFORMATION OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information which is required to be disclosed by Directors pursuant to paragraphs (c) and (g) of Rules 13.51(2) of the Listing Rules are as follows:

Experience including other directorships held in the past three years in listed companies and professional qualification

Mr. Chau Kwok Keung, an Independent Non-executive Director, who is the executive director of BetterLife Holding Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 6909) with effect from 15 July 2021.

Mr. Cheung Chun Yue, Anthony, an Independent Non-executive Director, was appointed as the managing director in ESG of PAG Polymer Capital Management (HK) Limited with effect from 28 April 2021.

Save as disclosed in this interim report, the Directors are not aware of any change in the information of Directors and chief executives of the Company that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as at the date of this interim report.

INTERIM DIVIDEND

The Board does not recommend the declaration of an interim dividend for the six months ended 30 June 2021 (30 June 2020: Nil).

OTHER INFORMATION (continued)

CORPORATE GOVERNANCE CODE

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Company so as to achieve effective accountability.

The Company has adopted the code provisions of the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules issued by the Stock Exchange.

The Company has complied with the code provisions in the CG Code for the six months ended 30 June 2021. The Company is committed to the objective that the Board should include a balanced composition of Executive Directors and Independent Non-executive Directors so that there is a strong independent element on the Board which can effectively exercise independent judgement.

AUDIT COMMITTEE

The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted, discussed risk management and internal controls and financial reporting matters including a general review of the unaudited interim financial results for the six months ended 30 June 2021.

On behalf of the Board

Fan Wing Ting

Chairman

Hong Kong, 20 August 2021