



**LUXXU**

GROUP LIMITED

**Luxxu Group Limited**

**勵時集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

(Stock code: 1327)

**INTERIM REPORT**

**2022**



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# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

In first half of 2022, the Group continued to focus on its business operations which (i) cooperate with different industry experts to design and sales of prestige and high-end watches and accessories, including but not limited to diamond tourbillon watches and luxury jewellery watches; (ii) design, production and assembly of watches for our OEM customers; and (iii) manufacture and sales of our own brands watches.

Due to the economic recovery after the coronavirus, the sales for the six months ended 30 June 2022 has been increased due to the overall improvement in retail sales in Hong Kong. According to the statistics from The Census and Statistics Department, the value of retail sales of the jewellery, watches and clocks, and valuable gifts category in Hong Kong has increased approximately 24.1% for six months ended 30 June 2022 respectively, when comparing with 2021.

The Group's net loss for the six months ended 30 June 2022 amounted to approximately RMB16.7 million, increased from loss of approximately RMB8.6 million for the six months ended 30 June 2021. Such increase was mainly due to the net effect of increase in gross profit and the turnaround of other gain and loss.

## FINANCIAL REVIEW

### Revenue

Our revenue increased by approximately RMB4.4 million or 9.0% from approximately RMB49.0 million for the six months ended 30 June 2021 to approximately RMB53.4 million for the six months ended 30 June 2022. The increase in revenue was mainly attributable to the increase in sales resulted from the economy recovery after the coronavirus.

### Cost of sales

Our cost of sales increased by approximately RMB2.7 million or 6.0% from approximately RMB45.2 million for the six months ended 30 June 2021 to approximately RMB47.9 million for the six months ended 30 June 2022. The increase primarily consistent with the increase in revenue by 9.0% for the period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Gross profit and gross profit margin**

Our gross profit increased by approximately RMB1.8 million or 48.6% from approximately RMB3.7 million for the six months ended 30 June 2021 to approximately RMB5.5 million for the six months ended 30 June 2022. The increase was mainly due to the increase in average selling price of the Group's products. Our overall gross profit margin remained stable from approximately 7.6% for the six months ended 30 June 2021 to approximately 10.2% for the six months ended 30 June 2022.

## **Other gain and loss**

Our other gain and loss recognised a loss of approximately RMB7.3 million for the six months ended 30 June 2022, representing a turnaround from gain of approximately RMB4.6 million for the six months ended 30 June 2021. The turnaround was primarily attributable to the unrealised fair value loss on financial assets at fair value through profit or loss of approximately RMB5.3 million. For details of the realised and unrealised gain/loss, please refer to significant investments section.

## **Selling and distribution expenses**

Our selling and distribution expenses decreased by approximately RMB0.4 million from approximately RMB5.0 million for the six months ended 30 June 2021 to approximately RMB4.6 million for the six months ended 30 June 2022. The decrease was primarily attributable to the decrease in advertising expense.

## **Administrative expenses**

Our administrative expenses decreased by approximately RMB1.9 million from approximately RMB11.3 million for the six months ended 30 June 2021 to approximately RMB9.4 million for the six months ended 30 June 2022. The decrease was mainly attributable to the decrease in share-based payment expense during the period.

## **Finance costs**

There was finance costs of approximately RMB0.9 million for the six months ended 30 June 2022 while approximately RMB0.6 million for the six months ended 30 June 2021.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Loss before taxation

As a result of the foregoing, our loss before taxation amounted to approximately RMB16.7 million for the six months ended 30 June 2022 (2021: loss before taxation of approximately RMB8.6 million).

## Loss for the period

As a result of the foregoing, loss for the period increased from approximately RMB8.6 million for the six months ended 30 June 2021 to approximately RMB16.7 million for the six months ended 30 June 2022. Such increase was primarily due to net effect of increase in gross profit and the turnaround of other gain and loss.

## OUTLOOK AND FUTURE PROSPECTS

Going forward, the Group aimed to offer premium quality products to customers and will continue to strengthen our core competitiveness by improving our watch and jewellery design and development capabilities by upholding the design and artistic knowledge of the design team and recruitment of additional talents. In view of the Sino-US trade dispute mentioned above, the cooling economy in the PRC and also the outbreak of the coronavirus in Hong Kong and the PRC, the Group expects 2022 will be a challenging year. The Group will closely monitor the market response and remix the business and product portfolio to suit the market needs, including but not limited to design, manufacture and sales of prestige and high-end watches and jewellery and stay competitive.

Although there is a cooling economy in the PRC, in view of (i) the growing middle-class, (ii) increase of disposal income, in particular among Chinese women; and (iii) the rising women's job participation rate, the Group still believe that there is a strong force behind the consumption of prestige and high-end watches and luxury jewellery and accessories in long run. The Group should allocate more resources and effort to strengthen our design team and consider crossover design with some famous designer so that the Group can offer fashionable and affordable watches and jewellery suitable for wearing in workplace.

Looking beyond the near-term uncertainties, the Group remains committed to seeking and seizing new opportunities, and is well-prepared to shine in the future.

## FINANCIAL POSITION

The Group funded its liquidity and capital requirements primarily through cash inflows from operating activities, bank borrowings and capital market.

As at 30 June 2022, the Group's total cash and bank balances were approximately RMB5.2 million (31 December 2021: approximately RMB10.1 million), most of which are held in HK\$. The current ratio (defined as current assets divided by current liabilities) of the Group increased from 11.8 times as at 31 December 2021 to 13.9 times as at 30 June 2022. The gearing ratio (defined as total interest-bearing borrowings divided by shareholders' equity) of the Group increased from approximately 15.6% as at 31 December 2021 to approximately 16.8% as at 30 June 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS

## DEBTS AND CHARGE ON ASSETS

As at 30 June 2022, none of the assets of the Group has been pledged to secure any loan granted to the Group.

## CAPITAL COMMITMENT

As at 30 June 2022, the Group did not have any material capital commitment (31 December 2021: RMB Nil).

## EXCHANGE RISK EXPOSURE

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB and United States dollars. During the six months ended 30 June 2022, the Group has not entered into any hedging arrangements. However the management will continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

## CAPITAL STRUCTURE

Details of the movement in share capital of the Company during the six months ended 30 June 2022 are set out in Note 13 to the condensed consolidated interim financial statements.

## CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2022 and 31 December 2021.

## DIVIDEND PAYMENT

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (2021: Nil).

## SIGNIFICANT ACQUISITIONS OR DISPOSALS

During the six months ended 30 June 2022, there were no material acquisitions or disposals of subsidiaries and associated companies.



# MANAGEMENT DISCUSSION AND ANALYSIS

## SIGNIFICANT INVESTMENTS

At 30 June 2022, detail of the significant investments are as follows:

Name of investee	Fair value loss RMB'000	As at 30 June 2022 RMB'000	Percentage to the Group's audited total assets as at 30 June 2022 %	Number of shares held by the Group as at 1 January 2022	Percentage of shareholding held by the Group as at 1 January 2022 %	Number of shares held by the Group as at 30 June 2022	Percentage of shareholding held by the Group as at 30 June 2022 %
<b>Significant investments</b>							
China Automotive Interior Decoration Holdings Limited ("China Automotive") (stock code: 48.HK) (note (a))	(908)	1,416	0.8%	3,271,040	1.96%	3,271,040	1.87%
Sub-total	(908)	1,416	0.8%				
Other listed securities	(4,435)	8,816	5.1%				
Total	(5,343)	10,232	5.9%				

Note:

- (a) China Automotive is principally engaged in the manufacture and sale of nonwoven fabric products used in automotive interior decoration parts and other parts, trading of rubber and food products. Based on China Automotive's annual result for the year ended 31 December 2021, revenue and loss of China Automotive was approximately RMB181,701,000 and RMB410,000 respectively.

The future performance of the listed securities may be influenced by the Hong Kong stock market. In this regard, the Group will continue to maintain a diversified investment portfolio and closely monitor the performance of its investments and the market trends to adjust its investment strategies.

Except the significant investments disclosed above, at 30 June 2022, there was no investment held by the Group the value of which was more than 1% of the total assets of the Group and no investment held by the Group contributed more than 10% of the realised or unrealised loss for the six months ended 30 June 2022.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had a total of 88 (31 December 2021: 108) employees. The total remuneration costs incurred by the Group for the six months ended 30 June 2022 were approximately RMB5.7 million (for the six months ended 30 June 2021: approximately RMB6.8 million). We review the performance of our employees annually and use the results of such review in our annual salary review and promotion appraisal, in order to attract and retain valuable employees.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

So far as known to the Directors, at 30 June 2022, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of SFO) or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Main Board Listing Rules ("Model Code"), were as follows:

### Long positions in shares and underlying shares of the Company

Name	Capacity and nature of interest	Number of unlisted shares option	Number of ordinary shares held	Total	Approximate percentage of shareholding in the Company
Director					
See Ching Chuen	Beneficial owner	7,946,000	–	7,946,000	1.47%
Yang Xi	Beneficial owner	7,946,000	–	7,946,000	1.47%
Zhong Weili	Beneficial owner	7,946,000	–	7,946,000	1.47%
Duan Baili	Beneficial owner	7,946,000	–	7,946,000	1.47%

Save as disclosed above, at 30 June 2022, none of the Directors or chief executives of the Company had any interests or short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the reporting period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in the Company or any body corporate.



# **MANAGEMENT DISCUSSION AND ANALYSIS**

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY**

As at 30 June 2022, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Other than disclosed in "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" above, at no time during the six months ended 30 June 2022 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or the chief executive or their respective associates, of the Company to acquire benefits by means of the acquisition of shares in, or debt securities of, the Company or any associated corporation and none of the Directors and chief executive, or their spouse and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the six months ended 30 June 2022.

## **DIRECTOR'S INTEREST IN COMPETING INTERESTS**

The Directors are not aware of any business or interest of the directors of the Company and their respective associates (as defined under Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the six months ended 30 June 2022.

## **CORPORATE GOVERNANCE CODE**

Throughout the six months ended 30 June 2022, the Group had adopted and complied with the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its Directors. Having made specific enquiry, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code during the six months ended 30 June 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS

## AUDIT COMMITTEE

The Audit Committee of the Company, comprising three Independent Non-executive Directors, has reviewed the accounting principles and practices adopted by the Company and has discussed auditing, internal control and financial reporting matters. The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2022.

## COMPLIANCE WITH THE MODEL CODE

The Company has adopted a model code of practice for securities dealings by Directors on terms no less exacting than the required standard of dealings as set out in the Model Code set out in Appendix 10 to the Listing Rules. The Company has confirmed, after making specific enquiries with the Directors in accordance with the code of practice, that all the Directors have complied with the Model Code for the six months ended 30 June 2022.

## BOARD OF DIRECTORS

As at 30 June 2022, the Board comprises two Executive Directors and three Independent Non-executive Director as follows:

### Executive Directors

Mr. See Ching Chuen

Mr. Yang Xi

### Independent Non-Executive Director

Mr. Yu Chon Man

Ms. Duan Baili

Mr. Zhong Weili

By Order of the Board  
**Luxxu Group Limited**  
**Yang Xi**  
*Executive Director*

29 August 2022

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

The Board of directors (the “Board”) of Luxxu Group Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2022, together with the comparative unaudited figures for the corresponding period in 2021 as follows:

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	3	53,413	48,954
Cost of sales		(47,945)	(45,222)
Gross profit		5,468	3,732
Other gain and loss	4	(7,339)	4,627
Selling and distribution expenses		(4,558)	(5,006)
Administrative expenses		(9,413)	(11,348)
Finance costs	5	(887)	(637)
Loss before taxation		(16,729)	(8,632)
Taxation	6	–	–
Loss for the period	7	(16,729)	(8,632)
<b>Other comprehensive income/(loss) for the period, net of tax</b>			
Exchange differences on translation of foreign operations		3,344	(2,617)
Other comprehensive income/(loss) for the period, net of tax		3,344	(2,617)
Total comprehensive loss for the period		(13,385)	(11,249)
Loss for the period attributable to:			
– Owners of the Company		(16,729)	(8,632)
Total comprehensive loss for the period attributable to:			
– Owners of the Company		(13,385)	(11,249)
<b>Loss per share attributable to owners of the Company</b>			
– Basic and diluted (RMB) (cents)	8	(3.1)	(2.0)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	19,866	21,233
Right-of-use assets		5,931	7,478
Rental deposits	12	1,541	1,541
		<b>27,338</b>	30,252
<b>CURRENT ASSETS</b>			
Inventories		32,552	37,895
Trade receivables	11	47,655	45,445
Deposits, prepayments and other receivables	12	49,140	56,082
Financial assets at fair value through profit or loss		10,232	11,541
Cash and bank balances		5,228	10,134
		<b>144,807</b>	161,097
<b>CURRENT LIABILITIES</b>			
Lease liabilities		1,542	3,009
Accruals and other payables		2,722	5,232
Bond payable		5,921	5,132
Income tax payables		245	245
		<b>10,430</b>	13,618
<b>NET CURRENT ASSETS</b>		<b>134,377</b>	147,479
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>161,715</b>	177,731
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		2,970	4,437
Bond payable		17,756	18,920
		<b>20,726</b>	23,357
<b>NET ASSETS</b>		<b>140,989</b>	154,374
<b>CAPITAL AND RESERVES</b>			
Share capital	13	45,286	45,286
Reserves		95,703	109,088
<b>TOTAL EQUITY</b>		<b>140,989</b>	154,374

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company					
	Share capital RMB'000	Share premium RMB'000	Foreign currency translation reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022 (Audited)	45,286	473,246	(10,352)	11,925	(365,731)	154,374
Loss for the period	-	-	-	-	(16,729)	(16,729)
Other comprehensive income for the period	-	-	3,344	-	-	3,344
<b>Total comprehensive loss for the period</b>	-	-	3,344	-	(16,729)	(13,385)
Transfer of share option reserve upon the lapse of share options	-	-	-	(559)	559	-
<b>At 30 June 2022 (Unaudited)</b>	<b>45,286</b>	<b>473,246</b>	<b>(7,008)</b>	<b>11,366</b>	<b>(381,901)</b>	<b>140,989</b>

	Attributable to owners of the Company					
	Share capital RMB'000	Share premium RMB'000	Foreign currency translation reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021 (Audited)	35,126	471,616	(4,515)	8,856	(321,872)	189,211
Loss for the period	-	-	-	-	(8,632)	(8,632)
Other comprehensive income for the period	-	-	(2,617)	-	-	(2,617)
<b>Total comprehensive loss for the period</b>	-	-	(2,617)	-	(8,632)	(11,249)
Share options granted	-	-	-	1,716	-	1,716
Exercise of share option	2,876	1,958	-	(1,716)	-	3,118
<b>At 30 June 2021 (Unaudited)</b>	<b>38,002</b>	<b>473,574</b>	<b>(7,132)</b>	<b>8,856</b>	<b>(330,504)</b>	<b>182,796</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net cash used in operating activities	(201)	(1,774)
Net cash used in investing activities	(4,900)	(2,205)
Net cash generated from financing activities	–	4,196
Net (decrease)/increase in cash and cash equivalents	(5,101)	217
Effect of foreign exchange rates changes	195	(767)
Cash and cash equivalents at the beginning of the period	10,134	5,339
Cash and cash equivalents at the end of the period	5,228	4,789



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 (the “Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard (HKAS) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Company is an investment company. The Group is principally engaged in the manufacture and sales of own-branded watches and jewellery, including but not limited to diamond watches, tourbillon watches and luxury jewellery watches, OEM watches and third-party watches.

The consolidated financial statements are presented in Renminbi (“RMB”), which is the Company’s presentation currency and the functional currency of the principal operating subsidiary of the Group.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2021.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

The directors of the Company anticipate that the above new and amended HKFRSs will be adopted in the Group’s accounting policy for the first period beginning on or after the effective date of such standards. The Group is in the process of making an assessment of the impact of these new and amended HKFRSs upon initial application. Currently it has been considered that the adoption of them is unlikely to have a material impact on the Group’s results of operations and financial position.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 3. OPERATING SEGMENT

Information reported internally to the chief operating decision makers for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group currently operates in one business segment in manufacturing, trading and retailing business of watches. A single management team reports to the chief operating decision makers who comprehensively manages the entire business. Accordingly, the Group does not have separately reportable segments.

### Turnover from major products

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Branded watches	51,290	45,871
Third-party watches	2,123	3,083
	<b>53,413</b>	48,954

### Geographical information

The Group's operations and non-current assets are mainly located in the PRC and Hong Kong. The Group's revenue from external customers based on the location of the customers is detailed as below:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
The PRC	26,041	23,218
Asia (excluding the PRC)	27,372	25,736
	<b>53,413</b>	48,954

### Information about major customer

No information about major customers is presented as no single customer contributed over 10% of the total revenue of the Group during the six months ended 30 June 2022 and 2021.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 4. OTHER GAIN AND LOSS

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Unrealised fair value gain(loss) on financial assets at fair value through profit or loss	(5,343)	359
(Recognition of)/Reversal of impairment loss recognised under expected credit loss model	(1,996)	4,263
Sundry income	–	5
	<b>(7,339)</b>	4,627

## 5. FINANCE COSTS

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest arising from bond payables	887	637

## 6. TAXATION

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Hong Kong profits tax	–	–
Deferred taxation reversed in Hong Kong	–	–
	–	–

### Hong Kong

No Hong Kong profits tax has been provided as no estimated assessable profit arising in or derived from Hong Kong for the six months ended 30 June 2022 and 2021.

### The PRC

The PRC Enterprise Income Tax (the "PRC EIT") is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC.

Under the PRC Enterprise Income Tax Law (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of a PRC subsidiary is 25% from 1 January 2008 onwards.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 7. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Loss for the period has been arrived at after charging/(crediting):		
Total employee expenses (including directors' remuneration)	5,672	6,773
Advertising expenses	1,670	2,137
Cost of inventories recognised as an expense	47,945	45,222
Depreciation	2,314	2,584
Allowance for expected credit losses, net	1,996	(4,263)
Share-based payment expense	–	1,715

## 8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic and diluted loss per share for the period is based on the following data:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Loss</b>		
Loss for the purposes of basic and diluted loss per share, loss for the period attributable to the owners of the Company	(16,729)	(8,632)

	Six months ended 30 June	
	2022 '000 (Unaudited)	2021 '000 (Unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	539,136	423,168

- (a) The calculation of the basic loss per share amount is based on the loss for the period attributable to owners of the Company of RMB16,729,000 (2021: RMB8,632,000) and the weighted average of 539,136,000 ordinary shares (2021: 423,168,000) in issue during the year as adjusted to reflect the effect of the effect of the share consolidation. Comparative figure have also been adjusted on the assumption that the share consolidation had been effective in the prior period.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (Continued)

- (b) Diluted loss per share for the six months ended 30 June 2022 and 2021 were the same as basic loss per share as it is assumed that there is no potential dilutive ordinary shares in existence since the exercise of share options was anti-dilutive.

## 9. INTERIM DIVIDENDS

The board of directors do not recommend the payment of interim dividend for the six months ended 30 June 2022 (2021: Nil).

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment of approximately RMB913,000 (2021: RMB1,680,000).

## 11. TRADE RECEIVABLES

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Trade receivables	<b>78,851</b>	74,645
Less: Allowance for expected credit losses	<b>(31,196)</b>	(29,200)
	<b>47,655</b>	45,445

The Group generally allows credit period of 0 to 180 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
0 to 30 days	<b>5,229</b>	3,233
31 to 60 days	<b>4,157</b>	4,287
61 to 90 days	<b>7,302</b>	2,801
91 to 180 days	<b>7,070</b>	9,128
Over 180 days	<b>23,897</b>	25,996
	<b>47,655</b>	45,445

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Deposits and prepayments (Note)	50,681	57,623
Less: rental deposits shown under non-current assets	(1,541)	(1,541)
	<b>49,140</b>	56,082

Note:

Included in deposits and prepayments, (a) approximately RMB49,968,000 (31 December 2021: RMB55,967,000) are the deposit and prepayments for purchase of inventories to independent third parties; (b) approximately RMB713,000 (31 December 2021: Nil) is the prepayment for advertising.

## 13. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.10 each		
<b>As at 1 January 2022 (Audited) and 30 June 2022 (unaudited)</b>	<b>1,300,000</b>	<b>130,000</b>
	Number of shares '000	Nominal value of ordinary shares HK\$'000 RMB'000
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.10 each		
<b>At 1 January 2022 (Audited) and 30 June 2022 (Unaudited)</b>	<b>539,136</b>	<b>53,914 45,286</b>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 14. SHARE OPTION SCHEMES

The Company operates a share option scheme (the “Share Option Scheme”) adopted on 19 December 2014. The Share Option Scheme will remain in force for a period of 10 years since the date of adoption. During the six months ended 30 June 2022, no share options has been granted under the Share Option Scheme (2021: 34,560,000).

Details of the movements in the number of share options under the Share Options Scheme during the period were as follows:

	Date of grant	Exercise price	Exercise period	Vesting period	Outstanding at 1 January 2022 '000	Granted during the period '000	Exercised during the period '000	Lapsed/ forfeited during the period '000	Outstanding at 30 June 2022 '000
<b>Directors</b>									
See Ching Chuen	4 May 2020	HK\$0.163	4 May 2020 to 3 May 2023	No	3,456	-	-	-	3,456
	23 August 2021	HK\$0.152	23 August 2021 to 22 August 2024	No	4,490	-	-	-	4,490
Yang Xi	4 May 2020	HK\$0.163	4 May 2020 to 3 May 2023	No	3,456	-	-	-	3,456
	23 August 2021	HK\$0.152	23 August 2021 to 22 August 2024	No	4,490	-	-	-	4,490
Zou Weikang (resigned on 4 February 2022)	4 May 2020	HK\$0.163	4 May 2020 to 3 May 2023	No	3,456	-	-	(3,456)	-
	23 August 2021	HK\$0.152	23 August 2021 to 22 August 2024	No	4,490	-	-	(4,490)	-
Zhong Weili	4 May 2020	HK\$0.163	4 May 2020 to 3 May 2023	No	3,456	-	-	-	3,456
	23 August 2021	HK\$0.152	23 August 2021 to 22 August 2024	No	4,490	-	-	-	4,490
Duan Baili	4 May 2020	HK\$0.163	4 May 2020 to 3 May 2023	No	3,456	-	-	-	3,456
	23 August 2021	HK\$0.152	23 August 2021 to 22 August 2024	No	4,490	-	-	-	4,490
<b>Employees</b>									
	11 April 2019	HK\$0.41	11 April 2019 to 10 April 2029	No	29,376	-	-	-	29,376
	4 May 2020	HK\$0.163	4 May 2020 to 3 May 2023	No	17,280	-	-	-	17,280
	23 August 2021	HK\$0.152	23 August 2021 to 22 August 2024	No	22,450	-	-	-	22,450
<b>Total</b>					108,836	-	-	(7,946)	100,890

## 15. EVENT AFTER THE REPORTING PERIOD

There is no material event affecting the Group which has occurred since the end of the reporting period.