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Luxxu

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 RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the “Board”) of directors (the “Directors”) of Luxxu Group Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2020 together with the comparative figures. This announcement, containing the full text of the 2020 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in relation to information to accompany preliminary announcements of interim results. This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hklistco.com/1327). The printed version of the Company’s Interim Report will be despatched to the shareholders of the Company and available on above websites in due course.

By order of the Board
Luxxu Group Limited
Yang Xi
Executive Director

Hong Kong, 31 August 2020

As at the date of this announcement, the Board comprises three executive Directors being Mr. See Ching Chuen, Mr. Yang Xi and Mr. Zou Weikang; and three independent non-executive Directors, being Mr. Yu Chon Man, Ms. Duan Baili and Mr. Zhong Weili.

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MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the year ended 31 December 2019, the Group changed the company name to Luxxu Group Limited as the Board considers that the new name and new dual foreign name in Chinese of the Company can better reflect the strategic direction and business focus of the Group on luxury market, including but not limited to luxury consumer goods, high-ended watches, jewellery, and luxury lifestyle consumption products in the future. The Board also believes that the new name can provide the Company with a more defined corporate image and identity which will benefit the business development of the Group and is in the interests of the Company and the Shareholders as a whole.

In first half of 2020, 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 prolonged Sino-US trade dispute and the outbreak of coronavirus, the sales for the six months ended 30 June 2020 has been affected due to the uncertainties which may bring from the Sino-US trade dispute and also the moderation in retail sales in Hong Kong because of the social demonstration and the outbreak of coronavirus. According to the statistics from The Census and Statistics Department, retail sales of the jewellery, watches and clocks, and valuable gifts category in Hong Kong has decreased approximately 66% and 68% for 6 months and 3 months ended 30 June 2020 respectively, when comparing with 2019.

The Group's net loss for the six months ended 30 June 2020 amounted to approximately RMB16.3 million, decreased from loss of approximately RMB17.1 million for the six months ended 30 June 2019. Such decrease was mainly due to the net effect of decrease in gross profit, selling and distribution expense and administration expenses.

FINANCIAL REVIEW

Revenue

Our revenue decreased by approximately RMB20.4 million or 33.1% from approximately RMB61.7 million for the six months ended 30 June 2019 to approximately RMB41.3 million for the six months ended 30 June 2020. The decreased in revenue was mainly attributable to the decrease in sales resulted from the outbreak of coronavirus.

Cost of sales

Our cost of sales decreased by approximately RMB16.3 million or 30.1% from approximately RMB54.4 million for the six months ended 30 June 2019 to approximately RMB38.1 million for the six months ended 30 June 2020. The decrease primarily consistent with the decrease in revenue by 33.1% for the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

Our gross profit decreased by approximately RMB4.1 million or 55.7% from approximately RMB7.3 million for the six months ended 30 June 2019 to approximately RMB3.2 million for the six months ended 30 June 2020. The decrease was mainly due to the decrease in average selling price of the Group's products and the sales of the obsolete inventories at a lower price. Our overall gross profit margin decreased from approximately 11.8% for the six months ended 30 June 2019 to approximately 7.8% for the six months ended 30 June 2020.

Other gain and loss

Our other gain and loss recognised a loss of approximately RMB3.6 million for the six months ended 30 June 2020, representing an increase from loss of approximately RMB3.3 million for the six months ended 30 June 2019. The loss was primarily attributable to the unrealised loss on financial assets at fair value through profit or loss of approximately RMB3.6 million. For details of the realised and unrealised loss, please refer to significant investments section.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately RMB1.6 million from approximately RMB7.1 million for the six months ended 30 June 2019 to approximately RMB5.5 million for the six months ended 30 June 2020. The decrease was primarily attributable to the decrease in advertising expense.

Administrative expenses

Our administrative expenses decreased by approximately RMB3.5 million from approximately RMB13.9 million for the six months ended 30 June 2019 to approximately RMB10.4 million for the six months ended 30 June 2020. The decrease was mainly attributable to the share option expenses of approximately RMB2.7 million compared to the share option expenses of approximately RMB6.3 million for the period ended 30 June 2019.

Finance costs

There was no finance costs for the six months ended 30 June 2020 while approximately RMBNil million for the six months ended 30 June 2019.

Loss before taxation

As a result of the foregoing, our loss before taxation amounted to approximately RMB16.3 million for the six months ended 30 June 2020 (2019: loss before taxation of approximately RMB17.1 million).

Loss for the period from continuing operations

As a result of the foregoing, loss for the period decreased from approximately RMB17.1 million for the six months ended 30 June 2019 to approximately RMB16.3 million for the six months ended 30 June 2020. Such decrease was primarily due to net effect of decrease in gross profit, selling and distribution expense and administration expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2020 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 2020, the Group's total cash and bank balances were approximately RMB6 million (31 December 2019: approximately RMB1.9 million), most of which are held in RMB. The current ratio (defined as current assets divided by current liabilities) of the Group decreased from 33.2 times as at 31 December 2019 to 26.6 times as at 30 June 2020. The gearing ratio (defined as total interest-bearing borrowings divided by shareholders' equity) of the Group remain unchanged of approximately 0% as at 31 December 2019 and 30 June 2020.

DEBTS AND CHARGE ON ASSETS

As at 30 June 2020, none of the assets of the Group has been pledged to secure any loan granted to the Group.

CAPITAL COMMITMENT

As at 30 June 2020, the Group did not have any material capital commitment (31 December 2019: RMB Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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 2020, 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 2020 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 2020 and 31 December 2019.

DIVIDEND PAYMENT

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (2019: Nil).

SIGNIFICANT ACQUISITIONS OR DISPOSALS

During the six months ended 30 June 2020, there were no material acquisitions or disposals of subsidiaries and associated companies.

SIGNIFICANT INVESTMENTS

At 30 June 2020, detail of the significant investments are as follows:

Name of investee	As at 1 January 2020 RMB'000	Loss on disposal RMB'000	Fair value loss RMB'000	As at 30 June 2020 RMB'000	Percentage to the Group's audited total assets as at 30 June 2020 %	Number of shares held by the Group as at 1 January 2020	Percentage of shareholding held by the Group as at 1 January 2020 %	Number of shares held by the Group as at 30 June 2020	Percentage of shareholding held by the Group as at 30 June 2020 %
Significant investments									
China Automotive Interior Decoration Holdings Limited ("China Automotive") (stock code: 48.HK) (note (a))	2,492	-	(1,698)	820	0.2%	16,335,200	4.11%	16,335,200	4.11%
Sub-total	2,492	-	(1,698)	820	0.2%				
Other listed securities	5,082	-	(1,900)	3,266	0.9%				
Total	7,574	-	(3,598)	4,086	1.1%				

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 interim result for the six months ended 30 June 2020, revenue and loss of China Automotive was approximately RMB50,939,000 and RMB14,668,000 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2020, 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 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had a total of 95 (31 December 2019: 113) employees. The total remuneration costs incurred by the Group for the six months ended 30 June 2020 were approximately RMB6.5 million (for the six months ended 30 June 2019: approximately RMB9.2 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.

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

During the six months ended 30 June 2020, 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 2020, 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	3,456,000	–	3,456,000	1.00%
Yang Xi	Beneficial owner	3,456,000	–	3,456,000	1.00%
Zou Weikang	Beneficial owner	3,456,000	–	3,456,000	1.00%
Zhong Weili	Beneficial owner	3,456,000	–	3,456,000	1.00%
Duan Baili	Beneficial owner	3,456,000	–	3,456,000	1.00%

MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, at 30 June 2020, 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.

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

As at 30 June 2020, 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 2020 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 2020.

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 2020.

CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2020, 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, except the following deviation:

Code provision A.6.7 stipulates that independent non-executive directors should attend general meeting of the Company. Owing to other business engagements, two independent non-executive directors, Mr. Zhong Weili and Ms. Duan Baili, was unable to attend the annual general meeting of the Company held on 24 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2020.

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 2020.

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 2020.

THE IMPACT OF NOVEL CORONAVIRUS

Since January 2020, the outbreak on Novel Coronavirus (“COVID-19”) has impacted the global business environment. Up to the date of these interim financial statements, COVID-19 cause significant decrease in the Group’s revenue. Pending the development and spread of COVID-19 subsequent to the date of the interim financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these interim financial statements. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

BOARD OF DIRECTORS

As at 30 June 2020, the Board comprises three Executive Directors and three Independent Non-executive Director as follows:

Executive Directors

Mr. See Ching Chuen

Mr. Yang Xi

Mr. Zou Weikang

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

31 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

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 2020, together with the comparative unaudited figures for the corresponding period in 2019 as follows:

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	3	41,300	61,717
Cost of sales		(38,077)	(54,445)
Gross profit		3,223	7,272
Other gain and loss	4	(3,598)	(3,280)
Selling and distribution expenses		(5,452)	(7,147)
Administrative expenses		(10,432)	(13,934)
Finance costs	5	–	–
Loss before taxation		(16,259)	(17,089)
Taxation	6	–	–
Loss for the period	7	(16,259)	(17,089)
Other comprehensive income for the period, net of tax			
Exchange differences on translation of foreign operations		3,435	2,173
Other comprehensive income for the period, net of tax		3,435	2,173
Total comprehensive loss for the period		(12,824)	(14,916)
Loss for the period attributable to:			
– Owners of the Company		(16,259)	(17,089)
– Non-controlling interests		–	–
		(16,259)	(17,089)
Total comprehensive loss for the period attributable to:			
– Owners of the Company		(12,824)	(14,916)
– Non-controlling interests		–	–
		(12,824)	(14,916)
Loss per share attributable to owners of the Company			
– Basic and diluted (RMB) (cents)		(4.7)	(4.9) (restated)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	10	25,851	28,088
Goodwill		3,327	3,327
		29,178	31,415
CURRENT ASSETS			
Inventories		102,339	82,078
Trade receivables	11	121,199	95,841
Deposits, prepayments and other receivables		95,393	147,299
Financial assets at fair value through profit or loss		4,086	7,574
Cash and bank balances		5,986	1,851
		329,003	334,643
CURRENT LIABILITIES			
Trade payables	12	7,716	3,922
Accruals and other payables		4,386	5,909
Income tax payables		247	243
		12,349	10,074
NET CURRENT ASSETS		316,654	324,569
TOTAL ASSETS LESS CURRENT LIABILITIES		345,832	355,984
NET ASSETS		345,832	355,984
CAPITAL AND RESERVES			
Share capital	13	29,181	29,181
Reserves		316,651	326,803
TOTAL EQUITY		345,832	355,984

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company					
	Share capital	Share premium	Foreign currency translation reserve	Share option reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020 (Audited)	29,181	471,765	24,332	16,111	(185,405)	355,984
Loss for the period	-	-	-	-	(16,259)	(16,259)
Other comprehensive income for the period	-	-	3,435	-	-	3,435
Total comprehensive loss for the period	-	-	3,435	-	(16,259)	(12,824)
Share options granted	-	-	-	2,669	-	2,669
At 30 June 2020 (Unaudited)	29,181	471,765	27,767	18,780	201,664	345,832

	Attributable to owners of the Company					
	Share capital	Share premium	Foreign currency translation reserve	Share option reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019 (Audited)	29,181	471,765	14,976	9,775	(58,353)	467,344
Loss for the period	-	-	-	-	(17,089)	(17,089)
Other comprehensive income for the period	-	-	2,173	-	-	2,173
Total comprehensive loss for the period	-	-	2,173	-	(17,089)	(14,916)
Share options granted	-	-	-	6,336	-	6,336
At 30 June 2019 (Unaudited)	29,181	471,765	17,149	16,111	(75,442)	458,764

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	1,640	11,256
Net cash used in investing activities	–	(379)
Net cash used in financing activities	–	(4,538)
Net increase in cash and cash equivalents	1,640	6,339
Effect of foreign exchange rates changes	2,495	2,173
Cash and cash equivalents at the beginning of the period	1,851	6,495
Cash and cash equivalents at the end of the period	5,986	15,007

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020 (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 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19-Related Rent Concessions

The amendment is effective for annual periods beginning on or after 1 January 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Application of new and amendments to HKFRSs (Continued)

The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes were not a lease modification. Forgiveness or waiver of lease payment are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Branded watches:		
Prestige and high-ended watch	18,440	33,521
Extreme watch	230	323
Others	15,412	19,860
OEM watches	2,034	2,123
Third-party watches	5,184	5,890
	41,300	61,717

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

3. OPERATING SEGMENT *(Continued)*

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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
The PRC	17,446	18,983
Asia (excluding the PRC)	23,854	42,734
	41,300	61,717

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 2020 and 2019.

4. OTHER GAIN AND LOSS

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Unrealised loss on financial assets at fair value through profit or loss	(3,985)	(3,280)

5. FINANCE COSTS

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interest arising from finance leases	–	–

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

6. TAXATION

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 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 2020 and 2019.

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.

7. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Loss for the period has been arrived at after charging:		
Total employee expenses (including directors' remuneration)	6,490	9,227
Advertising expenses	2,721	6,256
Cost of inventories recognised as an expense	38,077	54,445
Depreciation of property, plant and equipment	2,237	2,175
Operating lease rental expenses in respect of rented premises	–	–
Allowance for expected credit losses, net	837	–
Share-based payment expense	2,669	6,336

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Loss		
Loss for the purposes of basic and diluted loss per share, loss for the period attributable to the owners of the Company	(16,259)	(17,089)

	Six months ended 30 June	
	2020 '000 (Unaudited)	2019 '000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	345,600	345,600 (restated)

- (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 RMB16,259,000 (2019: RMB17,089,000) and the weighted average of 345,600,000 ordinary shares (2019: (Restated) 345,600,000) 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.
- (b) Diluted loss per share for the six months ended 30 June 2020 and 2019 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 2020 (2019: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group did not acquire any property, plant and equipment (2019: nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

11. TRADE RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade receivables	157,920	130,879
Less: Allowance for expected credit losses	(36,721)	(35,038)
	121,199	95,841

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:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
0 to 30 days	4,314	3,128
31 to 60 days	5,225	4,764
61 to 90 days	9,310	4,425
91 to 180 days	14,191	3,507
Over 180 days	88,159	80,017
	121,199	95,841

The movement in loss allowance for lifetime expected losses that have been recognised for trade receivables during the current period as follows:

	RMB'000
Balance as at 1 January 2020	35,038
Allowance for expected credit loss	837
Exchange alignment	846
Balance as at 30 June 2020	36,721

12. TRADE PAYABLES

The Group

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Trade payables	7,716	3,922

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

12. TRADE PAYABLES (Continued)

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
0 to 180 days	6,579	3,922
Over 180 days	1,137	–
	7,716	3,922

13. SHARE CAPITAL

	Number of shares '000	Nominal value HK'000	
Authorised:			
Ordinary shares of HK\$0.01 each			
As at 1 January 2020 (Audited)	13,000,000	130,000	
Share consolidation (note (i))	(11,700,000)	–	
Ordinary shares of HK\$0.1 each			
At 30 June 2020 (Unaudited)	1,300,000	130,000	
	Number of shares '000	Nominal value of ordinary shares	
		HK\$'000	RMB'000
Issued and fully paid:			
Ordinary shares of HK\$0.01 each			
As at 1 January 2020 (Audited)	3,456,000	34,560	29,181
Share consolidation (note (i))	(3,110,400)	–	–
Ordinary shares of HK\$0.1 each			
At 30 June 2020 (Unaudited)	345,600	34,560	29,181

Note:

- (i) The share consolidation became effective on 31 March 2020 on the basis of every ten issued and unissued ordinary shares of par value HK\$0.01 each in the share capital of the Company being consolidated into one consolidated share of par value HK\$0.1 each.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 2020, 34,560,000 share options has been granted under the Share Option Scheme (2019: 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 2020	Granted during the period	Exercised during the period	Lapsed/ forfeited during the period	Outstanding at 30 June 2020
					'000	'000	'000	'000	'000
Directors									
See Ching Chuen	4 May 2020	HK\$0.1626	4 May 2020 to 3 May 2023	No	-	3,456	-	-	3,456
Yang Xi	4 May 2020	HK\$0.1626	4 May 2020 to 3 May 2023	No	-	3,456	-	-	3,456
Zou Weikang	4 May 2020	HK\$0.1626	4 May 2020 to 3 May 2023	No	-	3,456	-	-	3,456
Zhong Weili	4 May 2020	HK\$0.1626	4 May 2020 to 3 May 2023	No	-	3,456	-	-	3,456
Duang Baili	4 May 2020	HK\$0.1626	4 May 2020 to 3 May 2023	No	-	3,456	-	-	3,456
Employees									
	16 June 2015	HK\$7.26	16 December 2015 to 15 June 2025	16 June 2015 to 16 December 2015	410	-	-	-	410
	16 June 2015	HK\$7.26	16 June 2015 to 15 June 2025	No	3,197	-	-	-	3,197
	11 April 2019	HK\$0.41	11 April 2019 to 10 April 2029	No	34,560	-	-	-	34,560
	4 May 2020	HK\$0.1626	4 May 2020 to 3 May 2023	No	-	17,280	-	-	17,280
Total					38,167	34,560	-	-	72,727

The closing price of the shares immediately before the date of share options granted on 4 May 2020 is HK\$0.151.

* The above number of share options has reflected the effect of share consolidation which completed on 31 March 2020.