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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2020 amounted to approximately RMB62.9 million (2019: approximately RMB91.5 million), representing a decrease of approximately 31.3% as compared with the preceding year.
- Gross profit for the year ended 31 December 2020 was approximately RMB2.2 million (2019: approximately RMB14.3 million), representing an decrease of approximately 84.6% as compared with the preceding year.
- Net loss for the year ended 31 December 2020 was approximately RMB146.2 million (2019: approximately RMB127.1 million).
- No dividend was proposed by the Board for the year ended 31 December 2020.

The board (the “Board”) of directors (the “Directors”) of Luxxu Group Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2020 together with the comparative figures for the corresponding period in 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	5	62,868	91,491
Cost of sales		<u>(60,717)</u>	<u>(77,192)</u>
Gross profit		2,151	14,299
Other income and gain	6	244	1
Change in fair value of financial assets at fair value through profit or loss		(3,259)	(3,400)
Provision for inventories		(36,301)	(56,395)
Selling and distribution expenses		(26,677)	(25,826)
Administrative expenses		(19,858)	(19,742)
Allowance for expected credit losses, net			
– trade receivables		(22,005)	(24,717)
– other receivables		(36,909)	(3,243)
Share-based payment expenses		(2,520)	(6,336)
Finance costs	7	<u>(1,108)</u>	<u>(1,658)</u>
Loss before tax		(146,242)	(127,017)
Income tax expense	8	<u>–</u>	<u>(35)</u>
Loss for the year	9	<u>(146,242)</u>	<u>(127,052)</u>
Other comprehensive (expense)/income:			
<i>Item that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translating foreign operations		<u>(28,847)</u>	<u>9,356</u>
Other comprehensive (expense)/income for the year, net of tax		<u>(28,847)</u>	<u>9,356</u>
Total comprehensive expense for the year attributable to owners of the Company		<u>(175,089)</u>	<u>(117,696)</u>
			<i>(Restated)</i>
Loss per share attributable to owners of the Company			
Basic and diluted (<i>RMB cents</i>)	11	<u>(39.23)</u>	<u>(36.76)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	As at 31 December 2020 <i>RMB'000</i>	As at 31 December 2019 <i>RMB'000</i>
Assets			
Non-current assets			
Property, plant and equipment		21,734	28,088
Goodwill		3,100	3,327
		<u>24,834</u>	<u>31,415</u>
Current assets			
Inventories		52,228	82,078
Trade receivables	12	46,324	95,841
Financial asset at fair value through profit or loss		6,072	7,574
Deposits, prepayments and other receivables		71,644	147,299
Cash and cash equivalents		5,339	1,851
		<u>181,607</u>	<u>334,643</u>
Liabilities			
Current liabilities			
Trade payables	13	–	3,922
Accruals and other payables		1,584	5,909
Income tax payable		248	243
		<u>1,832</u>	<u>10,074</u>
Net current assets		<u>179,775</u>	<u>324,569</u>
Total assets less current liabilities		<u>204,609</u>	<u>355,984</u>
Non-current liabilities			
Bond payable		15,398	–
		<u>15,398</u>	<u>–</u>
NET ASSETS		<u>189,211</u>	<u>355,984</u>
Equity			
Share capital		35,126	29,181
Reserves		154,085	326,803
TOTAL EQUITY		<u>189,211</u>	<u>355,984</u>

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a public limited company incorporated in the Cayman Islands on 3 December 2012 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its shares are listed on The Stock Exchange of Hong Kong Limited. The Company has been registered as a non-Hong Kong company under Part 16 of the Hong Kong Companies Ordinance (Cap. 622) since 10 June 2013. Its shares were initially listed on Main Board of The Stock Exchange Hong Kong Limited.

The Company's registered office is located at Cricket Square, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 2302, 23/F., New World Tower I, 18 Queen's Road Central, Central, Hong Kong.

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Hong Kong dollars. For the purpose of presenting the consolidated financial statements, the Group adopted Renminbi ("RMB") as its presentation currency. All financial information presented in RMB has been rounded to the nearest thousand.

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, tourbillion watches and luxury jewellery accessories, OEM watches and third-party watches.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for current and prior accounting periods reflected in these consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

3.1 New and Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and 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 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied Amendment to HKFRS 16, COVID-19-Related Rent Concessions, which is effective for annual periods beginning on or after 1 June 2020.

3.2 New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following relevant new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 3	Reference to Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle ²

^{1.} Effective for annual periods beginning on or after 1 January 2023.

^{2.} Effective for annual periods beginning on or after 1 January 2022.

^{3.} Effective for annual periods beginning on or after a date to be determined.

^{4.} Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that, the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

4. OPERATING SEGMENT

Information reported internally to the chief operating decision makers for the purpose of resources 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 separate reportable segments.

Revenue from major products

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Branded watches	53,372	72,431
OEM watches	–	4,547
Third-party watches	9,496	14,513
	<u>62,868</u>	<u>91,491</u>

Geographical information

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Asia (excluding PRC)	49,998	52,681
The PRC	5,601	34,214
Europe	7,269	4,596
	<u>62,868</u>	<u>91,491</u>

The Group's non-current assets (excluding goodwill) are mainly located in the PRC.

Information about major customers

No individual customer contributed over 10% of total revenue of the Group during the years ended 31 December 2020 and 2019.

5. REVENUE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Contract with customers within the scope of HKFRS 15		
Recognised at a point in time:		
Branded watches	53,372	72,431
OEM watches	–	4,547
Third-party watches	9,496	14,513
	<u>62,868</u>	<u>91,491</u>

6. OTHER INCOME AND GAIN

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Government grants (<i>Note</i>)	232	–
Bank interest income	–	1
Others	12	–
	<u>244</u>	<u>1</u>

Note:

During the current year, the Group recognised government grants of RMB232,000 in respect of Covid-19-related subsidies, all of which relates to Employment Support Scheme provided by the Hong Kong government. Government grants in respect of the Covid-19-related subsidies were recognised at the time the Group fulfilled the relevant granting criteria.

7. FINANCE COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Finance charges on bond	1,108	–
Finance charges on obligations under finance lease	–	1,658
	<u>1,108</u>	<u>1,658</u>

8. TAXATION

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Hong Kong profits tax	–	35
	<u>–</u>	<u>35</u>

9. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Other staff costs:		
Salaries and other benefits	8,088	7,201
Retirement benefit schemes contribution	73	827
Share-based payment expenses	<u>1,260</u>	<u>6,336</u>
Total employee expenses	<u>9,421</u>	<u>14,364</u>
Advertising expenses	17,205	18,484
Auditors' remuneration	533	1,000
Cost of inventories recognised as cost of sales	60,717	77,192
Depreciation of property, plant and equipment	4,804	4,418
Share-based payment expenses	2,520	6,336
Provision for inventories	36,301	56,395
Allowance for expected credit losses, net:		
– trade receivables	22,005	24,717
– other receivables	<u>36,909</u>	<u>3,243</u>

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Loss		
Loss for the year attributable to owners of the Company and loss for the purpose of basic and diluted loss per share	<u>(146,242)</u>	<u>(127,052)</u>
	2020	2019 (Restated)
Weighted average number of shares		
Weight average number of ordinary shares for the purpose of basic and diluted loss per share	<u>372,794,754</u>	<u>345,600,000</u>

The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for consolidation of shares on 31 March 2020.

Further details, including the above adjustment, of the Share Consolidation were set out in the announcements of the Company dated 20 February 2020, the circular issued by the Company dated 11 March 2020, and the poll results of the extraordinary general meeting were set out in the announcement of the Company dated 27 March 2020.

The computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares for both 2020 and 2019. Accordingly, the weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted loss per share are the same as there were no potential dilutive ordinary shares during the years ended 31 December 2020 and 2019.

12. TRADE RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	102,900	130,879
Less: Allowance for expected credit losses	(56,576)	(35,038)
	<u>46,324</u>	<u>95,841</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally ranged from 0 to 180 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. The following is an aged analysis of trade receivables, net of allowance, presented based on the invoice date at the end of the reporting period:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0 to 30 days	1,819	3,128
31 to 60 days	858	4,764
61 to 90 days	1,785	4,425
91 to 180 days	5,442	3,507
Over 180 days	36,420	80,017
	<u>46,324</u>	<u>95,841</u>

13. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date is as follows:

	2020 RMB'000	2019 <i>RMB'000</i>
Trade payables	—	3,922

The average credit period on purchase of goods is 0 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2020 RMB'000	2019 <i>RMB'000</i>
0 to 30 days	—	3,922
	—	3,922

The trade payables are non-interest-bearing and the average credit period of the trade payables on purchase of goods is 0 to 60 days.

14. EVENTS AFTER THE REPORTING PERIOD

- (a) On 25 February 2021, Touch Moment Group Limited, a wholly-owned subsidiary of the Group, as lessee and the Landlord as lessor, an independent third party to the Group, entered into a Tenancy Agreement in respect of the lease of the Premises for the period from 1 June 2021 to 31 May 2024 (both days inclusive). Upon implementation of HKFRS 16 effective from 1 January 2019, if the Group enters into lease transaction as a lessee, it should recognise the right-of-use asset and respective lease liabilities by approximately RMB9,430,000 (equivalent to approximately HK\$11,200,000) in the consolidated financial statements of the Company.
- (b) Since January 2020, the outbreak on Novel Coronavirus (“COVID-19”) has impacted the global business environment. Up to the date of these financial statements, the result of COVID-19 has significantly decreased the Group’s revenue. Pending the development and spread of COVID-19 subsequent to the date of the 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 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.

BUSINESS REVIEW, OUTLOOK AND FUTURE PROSPECTS

In 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 year ended 31 December 2020 has been affected due to the uncertainties which may bring from the Sino-US trade dispute and also 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 35.7% and 30% for 6 months and 3 months ended 31 December 2020 respectively, when comparing with 2019.

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 2021 will still 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 REVIEW

Revenue

Our revenue decreased by approximately RMB28.6 million or approximately 31.3% from approximately RMB91.5 million for the year ended 31 December 2019 to approximately RMB62.9 million for the year ended 31 December 2020. The decrease in revenue was mainly attributable to (i) decrease of sales demand watches due to the uncertainties which may bring from Sino-US trade dispute and also the outbreak of coronavirus; and (ii) the decrease in average selling price for the year ended 31 December 2020.

Cost of sales

Our cost of sales decreased by approximately RMB16.5 million or approximately 21.4% from approximately RMB77.2 million for the year ended 31 December 2019 to approximately RMB60.7 million for the year ended 31 December 2020. The decrease was in line with the decrease in revenue.

Gross profit and gross profit margin

Our gross profit decreased by approximately RMB12.1 million or approximately 84.6% from approximately RMB14.3 million for the year ended 31 December 2019 to approximately RMB2.2 million for the year ended 31 December 2020 which was in line with the decrease in the average selling price for the year ended 31 December 2020. Our overall gross profit margin decreased from approximately 15.6% for the year ended 31 December 2019 to approximately 3.5% for the year ended 31 December 2020. The decrease was mainly attributable to the decrease in average selling price during the year ended 31 December 2020.

Selling and distribution expenses

Our selling and distribution expenses slightly increased by approximately RMB0.9 million or approximately 3.5% from approximately RMB25.8 million for the year ended 31 December 2019 to approximately RMB26.7 million for the year ended 31 December 2020. The increase was mainly attributable to increase in marketing expenses in order to maintain the market awareness.

Administrative expenses

Our administrative expenses slightly increased by approximately RMB0.2 million or approximately 1.0% from approximately RMB19.7 million for the year ended 31 December 2019 to approximately RMB19.9 million for the year ended 31 December 2020.

Loss before taxation

As a result of the foregoing, our loss before taxation increased by approximately RMB19.2 million to approximately RMB146.2 million for the year ended 31 December 2020 as against a loss before taxation of approximately RMB127.0 million for the year ended 31 December 2019.

Taxation

Our income tax expense was RMB35,000 for the year ended 31 December 2019 and no income tax expense for the year ended 31 December 2020.

Loss for the year

As a result of the foregoing, we recorded a loss for the year of approximately RMB146.2 million for the year ended 31 December 2020 as against a loss for the year of approximately RMB127.1 million for the year ended 31 December 2019.

FINANCIAL POSITION

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

As at 31 December 2020, the Group's total cash and bank balances were approximately RMB5.3 million (31 December 2019: approximately RMB1.9 million), most of which are held in HKD. The current ratio (defined as current assets divided by current liabilities) of the Group increased from 33.2 times as at 31 December 2019 to 99.1 times as at 31 December 2020. The gearing ratio (defined as total interest-bearing borrowings divided by shareholders' equity) of the Group increased from zero to approximately 8.1% as at 31 December 2020 as there was an issuance of bond note by the Group during the year ended 31 December 2020.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not carry out any material acquisition nor disposal of any subsidiaries for the year ended 31 December 2020.

SIGNIFICANT INVESTMENTS IN LISTED SECURITIES

Name of investee	Percentage to the Group's audited total assets			Number of shares held by the Group		Percentage of shareholding held by the Group		Percentage of shareholding held by the Group	
	As at 1 January 2020	As at 31 December 2020	as at 31 December 2020	as at 1 January 2020	as at 1 January 2020	as at 31 December 2020	as at 31 December 2020	as at 31 December 2020	as at 31 December 2020
	RMB'000	RMB'000	%						%
Significant investments									
China Automotive Interior Decoration Holdings Limited ("China Automotive") (stock code: 48.HK) (note)	2,492	1,281	0.6%	16,355,200	4.11%	3,271,040	3.42%		
Other listed securities	5,082	4,791	2.3%						
Total	7,574	6,072	2.9%						

Note:

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 unaudited interim result announcement for the six months ended 30 June 2020, revenue and loss of China Automotive was approximately RMB50,939,000 and RMB14,668,000 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 31 December 2020, there was no investment held by the Group the value of which was more than 5% 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 year ended 31 December 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had a total of 109 (2019: 113) employees. The total remuneration costs incurred by the Group for the financial year 2020 were approximately RMB11.5 million (2019: approximately RMB15.2 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.

DEBTS AND CHARGE ON ASSETS

As at 31 December 2020, none of the assets of the Group has been pledged to secure any banking facilities granted to the Group (2019: Nil).

FOREIGN CURRENCY RISK

The Group mainly operates in the PRC and Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB and United States dollars (“USD”). During the years ended 31 December 2020 and 2019, 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 COMMITMENTS

The Group had no capital commitments as at 31 December 2020 and 2019.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2020 and 2019.

FINAL DIVIDENDS

The Board did not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: Nil).

AUDIT COMMITTEE

The audit committee (the “Audit Committee”) consists of three members, all being independent non-executive Directors, namely, Mr. Yu Chon Man (Chairman), Ms. Duan Baili and Mr. Zhong Weili. The duties of the Audit Committee include, without limitation, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of the Group’s financial statements, annual report and accounts and half-year report, and reviewing significant financial reporting judgments contained therein; (c) reviewing the Group’s financial control, internal control and risk management systems; and (d) reviewing reports made by the corporate guarantee committee, a committee closely monitoring the Group’s activities for the provision of corporate guarantee and to enforce the prohibition on provision of corporate guarantee to any party other than member of the Group. The Group’s annual results for the year ended 31 December 2020 have been reviewed by the Audit Committee.

EVENT AFTER THE END OF THE REPORTING PERIOD

- (a) On 25 February 2021, Touch Moment Group Limited, a wholly-owned subsidiary of the Group entered into a tenancy agreement in respect of the lease of the premises for the period from 1 June 2021 to 31 May 2024. The premises will be occupied by the Group as its office and showroom, the Directors consider that the premises with a larger floor area would be sufficient for the Group's operation needs and facilitate the future expansion and growth of the businesses. For details, please refer to the Company's announcement dated 25 February 2021.
- (b) Since January 2020, the outbreak on Novel Coronavirus ("COVID-19") has impacted the global business environment. Up to the date of these financial statements, COVID-19 has significant decrease in the Group's revenue. Pending the development and spread of COVID-19 subsequent to the date of the 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 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.

SCOPE OF WORK OF MCM (HK) CPA LIMITED

The figures in respect of the consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 of the Group as set out in the preliminary announcement have been agreed by the Company's auditor, McM (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by McM (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by McM (HK) CPA Limited on the preliminary announcement.

COMPLIANCE WITH CG CODE

The Board has reviewed the Company's corporate governance practices and is satisfied that it has been 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 throughout the year ended 31 December 2020 expect for the following deviation:

Code provision A.6.7 of the Corporate Governance Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Due to other business engagement, the independent non-executive Director, Mr. Zhong Weili and Ms. Duan Baili, were unable to attend the extraordinary general meeting and the annual general meeting of the Company which held on 27 March 2020 and 24 June 2020 respectively. For deviations from code provision A.6.7 of the Corporate Governance Code, the Company Secretary had reminded the relevant independent non-executive Director to attend general meetings of the Company in future.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2020.

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities during the year ended 31 December 2020.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT

This results announcement is published on the Company’s website (www.luxxu.hk) and the website of the Stock Exchange (www.hkexnews.hk). The Company’s 2020 Annual Report containing all information required under the Listing Rules will be despatched to the shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 25 March 2021

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.

In the case of inconsistency, the English text of this announcement shall prevail over the Chinese text.