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## HENGDELI HOLDINGS LIMITED

亨得利控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3389)

### 2021 INTERIM RESULTS

FINANCIAL HIGHLIGHTS	For the six months ended 30 June		
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	YoY change (%)
Revenue	450,749	651,831	-30.8
Gross profit margin	8.5%	12.5%	-400bps
Loss for the period	(21,885)	(71,317)	-69.3
Loss attributable to equity shareholders	(16,975)	(70,961)	-76.1

### INTERIM RESULTS

The board of directors (“the Board”) of Hengdeli Holdings Limited (“the Company”) is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (“the Group”) for the six months ended 30 June 2021 (the “period under review”), along with the comparative figures and selected explanatory notes, which are prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and have been reviewed by the Audit Committee of the Company.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
	Note	2021 RMB'000	2020 RMB'000
<b>Revenue</b>	2	<b>450,749</b>	651,831
Cost of sales		<u>(412,283)</u>	<u>(570,054)</u>
<b>Gross profit</b>		<b>38,466</b>	81,777
Other revenue	3(a)	<b>25,749</b>	23,884
Other net gain/(loss)	3(b)	<b>4,761</b>	(13,657)
Distribution costs		<b>(23,891)</b>	(78,995)
Administrative expenses		<u><b>(65,741)</b></u>	<u>(81,193)</u>
<b>Loss from operations</b>		<b>(20,656)</b>	(68,184)
Finance costs	4(a)	<u><b>(1,700)</b></u>	<u>(4,944)</u>
<b>Loss before taxation</b>	4	<b>(22,356)</b>	(73,128)
Income tax credit	5	<u><b>471</b></u>	<u>1,811</u>
<b>Loss for the period</b>		<u><b>(21,885)</b></u>	<u>(71,317)</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(16,975)</b>	(70,961)
Non-controlling interests		<u><b>(4,910)</b></u>	<u>(356)</u>
<b>Loss for the period</b>		<u><b>(21,885)</b></u>	<u>(71,317)</u>
<b>Losses per share</b>	6		
Basic		<u><b>RMB(0.004)</b></u>	<u>RMB(0.015)</u>
Diluted		<u><b>RMB(0.004)</b></u>	<u>RMB(0.015)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
*For the six months ended 30 June 2021 – unaudited*  
(Expressed in Renminbi)

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2021</b>	2020
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Loss for the period</b>		<b>(21,885)</b>	(71,317)
<b>Other comprehensive income for the period</b>			
<b>(after tax and reclassification adjustments)</b>			
Item that may be reclassified subsequently to profit or loss:			
Release of exchange differences on disposal of subsidiaries		<b>30</b>	–
Exchange differences on translation of overseas subsidiaries' financial statements		<b>(9,981)</b>	41,177
		<b>(9,951)</b>	41,177
Items that will not be reclassified subsequently to profit or loss:			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	<i>8</i>	<b>(19,906)</b>	62,391
Exchange differences on translation of equity investments at fair value through other comprehensive income	<i>8</i>	<b>(3,971)</b>	4,847
Exchange differences on translation of the Company's financial statements		<b>(11,501)</b>	16,007
		<b>(35,378)</b>	83,245
<b>Total comprehensive income for the period</b>		<b>(67,214)</b>	53,105
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(62,132)</b>	52,719
Non-controlling interests		<b>(5,082)</b>	386
<b>Total comprehensive income for the period</b>		<b>(67,214)</b>	53,105

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 – unaudited

(Expressed in Renminbi)

		At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
<b>Non-current assets</b>			
Investment properties		132,216	134,057
Property, plant and equipment	7	466,768	479,302
		<b>598,984</b>	613,359
Intangible assets		2,494	2,772
Goodwill		63,156	63,547
Other investments	8	543,343	487,251
Prepayment and deposits	10	58,764	1,642
Deferred tax assets		52	52
		<b>1,266,793</b>	1,168,623
<b>Current assets</b>			
Inventories	9	623,316	653,106
Trade and other receivables	10	492,097	535,487
Other investments	8	16,864	29,147
Current tax recoverable		87	235
Deposits with banks	11	24,983	226,880
Cash and cash equivalents	12	1,109,632	1,014,983
		<b>2,266,979</b>	2,459,838
<b>Current liabilities</b>			
Trade and other payables and contract liabilities	13	104,009	117,563
Bank loans	14	47,323	2,322
Lease liabilities		10,725	12,248
Current taxation		2,984	5,179
		<b>165,041</b>	137,312
<b>Net current assets</b>		<b>2,101,938</b>	2,322,526
<b>Total assets less current liabilities</b>		<b>3,368,731</b>	3,491,149

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***At 30 June 2021 – unaudited*

(Expressed in Renminbi)

		<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
	<i>Note</i>		
<b>Non-current liabilities</b>			
Bank loans	14	<b>27,608</b>	27,596
Lease liabilities		<b>16,306</b>	21,418
Deferred tax liabilities		<b>2,325</b>	2,325
		<u><b>46,239</b></u>	<u>51,339</u>
<b>NET ASSETS</b>		<u><b>3,322,492</b></u>	<u>3,439,810</u>
<b>CAPITAL AND RESERVES</b>	15		
Share capital		<b>21,503</b>	22,337
Reserves		<b>3,232,955</b>	3,344,357
<b>Total equity attributable to equity shareholders of the Company</b>		<b>3,254,458</b>	3,366,694
<b>Non-controlling interests</b>		<b>68,034</b>	73,116
<b>TOTAL EQUITY</b>		<u><b>3,322,492</b></u>	<u>3,439,810</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2021 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
		2021	2020
	Note	RMB'000	RMB'000
<b>Operating activities</b>			
Cash (used in)/generated from operations		(12,701)	30,744
Income tax paid		(1,962)	(15,398)
		<u>(14,663)</u>	<u>(15,398)</u>
Net cash (used in)/generated from operating activities		<u>(14,663)</u>	<u>15,346</u>
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment		(10,091)	(29,399)
Decrease in deposits with banks		200,256	363,899
Payment for advances to third parties		(48,565)	(163,509)
Proceeds from repayment of advances to third parties		98,629	–
Payment for purchase of other investments		(151,216)	(46,900)
Proceeds from sale of other investments		88,076	–
Other cash flows arising from investing activities		(46,224)	24,239
		<u>130,865</u>	<u>148,330</u>
Net cash generated from investing activities		<u>130,865</u>	<u>148,330</u>
<b>Financing activities</b>			
Capital element of lease rentals paid		(4,378)	(72,051)
Interest element of lease rentals paid		(457)	(2,355)
Other cash flows arising from financing activities		(6,168)	(82,439)
		<u>(11,003)</u>	<u>(156,845)</u>
Net cash used in financing activities		<u>(11,003)</u>	<u>(156,845)</u>
<b>Net increase in cash and cash equivalents</b>		<b>105,199</b>	<b>6,831</b>
<b>Cash and cash equivalents at 1 January</b>	12	<b>1,014,983</b>	<b>1,165,169</b>
<b>Effect of foreign exchange rates changes</b>		<b>(10,550)</b>	<b>14,946</b>
		<u>(10,550)</u>	<u>14,946</u>
<b>Cash and cash equivalents at 30 June</b>	12	<b>1,109,632</b>	<b>1,186,946</b>
		<u>1,109,632</u>	<u>1,186,946</u>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

## 1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 26 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the financial year ended 31 December 2020 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory annual consolidated financial statements for the year ended 31 December 2020 are available from the Company’s registered office. The auditor had expressed an unqualified opinion on those financial statements in their report dated 23 March 2021.

## 2 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography (mainly in Mainland China, Hong Kong and Taiwan/Malaysia). In a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purpose of resource allocation and performance assessment, and given the importance of retail division to the Group, the Group’s retail and trading business is separated into the following two reportable segments on a geographical and products and services basis, as the divisional managers for each of these regions report directly to the senior executive team. All segments primarily derive their retail revenue through their own retail network. No operating segments have been aggregated to form the following reportable segments.

The Group has identified the following reportable segments:

- High-end consuming accessories
- Manufacturing of watch accessories and shop design and decoration services business;
- Watches retail and trading
- Retail and trading of watches and jewellery business;
- Commodity trading
- Trading of iron ore.

(a) **Disaggregation of revenue**

Disaggregation of revenue from contracts with customers by major products or service lines and geographical location of customers is as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products or service lines		
– Revenue from sales of watches and jewellery	<b>64,518</b>	399,959
– Revenue from manufacturing of watch accessories	<b>131,499</b>	122,796
– Revenue from provision of shop design and decoration service	<b>79,288</b>	85,706
– Revenue from commodity trading	<b>175,444</b>	43,370
	<b>450,749</b>	651,831
<b>Revenue from other sources</b>		
– Gross rentals from investment properties	<b>1,779</b>	550
	<b>452,528</b>	652,381
Disaggregated by geographical location of customers		
– Hong Kong Region (place of domicile)	<b>64,968</b>	312,572
– Mainland China	<b>387,560</b>	252,112
– Taiwan Region/Malaysia	–	87,697
	<b>452,528</b>	652,381

Revenue from sales of watches, jewellery, related accessories and commodities is recognised to be the point in time.

Revenue from provision of shop design and decoration service is recognised progressively over time.

The geographical analysis above includes property rental income from external customers in Hong Kong Region and Mainland China for the six months ended 30 June 2021 of RMB1,779,000 (six months ended 30 June 2020: RMB550,000).



**(b) Information about profit or loss and assets**

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the profit or loss and assets attributable to each reportable segment on the following basis:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. However, other than reporting inter-segment sales, assistance provided by one segment to another, including sharing of assets, is not measured.

The measure used for reporting segment profit is "gross profit".

Segment assets represent inventories only, without eliminating the unrealised inter-segment profits.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	High-end consuming accessories		Watches retail and trading				Commodity trading		Total	
	PRC		Hong Kong		Taiwan/Malaysia		PRC			
	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020
For the six months ended 30 June	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	210,787	208,502	64,518	312,262	-	87,697	175,444	43,370	450,749	651,831
Inter-segment revenue	35,408	31,774	-	-	-	-	-	-	35,408	31,774
Reportable segment revenue	<b>246,195</b>	<b>240,276</b>	<b>64,518</b>	<b>312,262</b>	<b>-</b>	<b>87,697</b>	<b>175,444</b>	<b>43,370</b>	<b>486,157</b>	<b>683,605</b>
Reportable segment gross profit/(loss)	<b>28,894</b>	<b>47,833</b>	<b>(47,106)</b>	<b>18,116</b>	<b>-</b>	<b>12,304</b>	<b>56,678</b>	<b>3,524</b>	<b>38,466</b>	<b>81,777</b>
	High-end consuming accessories		Watches retail and trading				Commodity trading		Total	
	PRC		Hong Kong		Taiwan/Malaysia		PRC			
	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment assets	<b>130,747</b>	<b>101,821</b>	<b>335,763</b>	<b>450,751</b>	<b>-</b>	<b>174</b>	<b>156,806</b>	<b>100,360</b>	<b>623,316</b>	<b>653,106</b>

(c) **Reconciliations of reportable segment profit or loss**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue</b>		
Total revenues for reportable segments	<b>486,157</b>	683,605
Elimination of inter-segment revenue	<b>(35,408)</b>	(31,774)
	<hr/>	<hr/>
Consolidated revenue	<b>450,749</b>	651,831
	<hr/> <hr/>	<hr/> <hr/>
<b>Profit</b>		
Total gross profit for reportable segments	<b>38,466</b>	81,777
	<hr/>	<hr/>
Other revenue	<b>25,749</b>	23,884
Other net gain/(loss)	<b>4,761</b>	(13,657)
Distribution costs	<b>(23,891)</b>	(78,995)
Administrative expenses	<b>(65,741)</b>	(81,193)
Finance costs	<b>(1,700)</b>	(4,944)
	<hr/>	<hr/>
Consolidated loss before taxation	<b>(22,356)</b>	(73,128)
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**3 OTHER REVENUE AND OTHER NET GAIN/(LOSS)**

(a) **Other revenue**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Interest income	<b>8,587</b>	14,429
Rental income	<b>1,779</b>	550
Government grants	<b>1,151</b>	2,178
Dividend income from other investments	<b>9,520</b>	5,689
Others	<b>4,712</b>	1,038
	<hr/>	<hr/>
	<b>25,749</b>	23,884
	<hr/> <hr/>	<hr/> <hr/>

(b) Other net gain/(loss)

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Net foreign exchange gain/(loss)	3,504	(3,310)
Net loss on disposal of property, plant and equipment	(25)	(2,551)
Net loss on disposal of subsidiaries	(3,983)	–
Net realised gain on financial assets held for trading	4,864	–
Fair value gain on financial assets held for trading	401	–
Rent concession	–	11,514
Impairment of property, plant and equipment	–	(11,789)
Impairment of right-of-use assets	–	(7,521)
	<u>4,761</u>	<u>(13,657)</u>

4 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Interest on bank loans	1,064	2,361
Interest on lease liabilities	457	2,355
Bank charges	179	228
	<u>1,700</u>	<u>4,944</u>

(b) Other items

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Amortisation	355	302
Depreciation		
– Investment properties and property, plant and equipment	15,664	19,680
– Right-of-use assets	5,340	26,784
Provision for impairment loss on trade and other receivables	4,769	1,160
Write-down of inventories	43,255	22,904
Expenses relating to short-term leases and leases of low-value assets	748	10,646
Variable lease payments not included in the measurement of lease liabilities	–	427
	<u>–</u>	<u>427</u>

## 5 INCOME TAX

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
<b>Current tax</b>		
Hong Kong Profits Tax	(177)	(1,630)
Mainland China Income Tax	(294)	4,991
Other overseas tax	–	39
	<hr/>	<hr/>
	(471)	3,400
<b>Deferred taxation</b>	–	(5,211)
	<hr/>	<hr/>
	(471)	(1,811)
	<hr/> <hr/>	<hr/> <hr/>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2020: 16.5%) to the six months ended 30 June 2021, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020.

Taxation for other overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries or jurisdictions.

## 6 LOSSES PER SHARE

### (a) Basic losses per share

The calculation of basic losses per share is based on the loss attributable to equity shareholders of the Company of RMB16,975,000 (six months ended 30 June 2020: loss attributable to equity shareholders of the Company of RMB70,961,000) and the weighted average of 4,512,422,717 ordinary shares (six months ended 30 June 2020: 4,662,666,959 ordinary shares) in issue during the interim period.

### (b) Diluted losses per share

There were no dilutive potential ordinary shares during the period ended 30 June 2021 and 2020, and therefore, diluted losses per share are the same as basic losses per share.

## 7 PROPERTY, PLANT AND EQUIPMENT

### (a) Right-of-use assets

During the six months ended 30 June 2021, the Group entered into a number of lease agreements for office use, and therefore recognised the additions to right-of-use assets of RMB983,000 (six months ended 30 June 2020: RMB1,581,000).

### (b) Acquisitions of owned assets

During the six months ended 30 June 2021, the Group mainly acquired items of plant and machinery with a cost of RMB10,091,000 (six months ended 30 June 2020: RMB29,399,000).

## 8 OTHER INVESTMENTS

### (a) Equity investments at fair value through other comprehensive income

		At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
<b>Equity securities designated at FVOCI (non-recycling)</b>			
– Listed securities		441,454	485,766
– Unlisted fund investments		100,404	–
– Unlisted securities	(i)	1,485	1,485
		<u>543,343</u>	<u>487,251</u>

Notes:

- (i) The directors are in the view that the cost of RMB1,485,000 represents the best estimate of fair value within that range.
- (ii) The value of the above equity securities and fund investments was individually insignificant (individually less than 5% of the Group's total assets).

### (b) Equity investments at fair value through profit or loss

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
<b>Equity securities, at fair value</b>		
– Listed securities	<u>16,864</u>	<u>29,147</u>

## 9 INVENTORIES

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Raw materials	16,993	12,503
Work in progress	49,089	36,865
Finished goods	557,234	603,738
	<u>623,316</u>	<u>653,106</u>

## 10 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
<b>Current assets</b>		
Within 3 months	151,852	168,318
Over 3 months but less than 12 months	7,176	6,215
Over 12 months	4,615	12,664
Trade receivables, net of loss allowance	163,643	187,197
Other receivables	278,253	264,399
Prepayment and deposits	50,201	83,891
	492,097	535,487
<b>Non-current assets</b>		
Prepayment and deposits	58,764	1,642
	550,861	537,129

Trade receivables are due within 30 to 180 days from the date of billing. All of the trade and other receivables in current assets are expected to be recovered within one year.

## 11 DEPOSITS WITH BANKS

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Deposits with original maturities over three months	24,983	226,880

## 12 CASH AND CASH EQUIVALENTS

As at 30 June 2021 and 31 December 2020, all of the Group's cash and cash equivalents in the consolidated statement of financial position represent cash at bank and cash in hand.

### 13 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

As of the end of the reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Within 1 month	28,497	23,289
Over 1 month but less than 3 months	32,713	10,258
Over 3 months but less than 12 months	8,002	8,076
Over 1 year	–	13,669
Trade payables	<u>69,212</u>	<u>55,292</u>
Contract liabilities	2,177	10,222
Other payables and accrued expenses	<u>32,620</u>	<u>52,049</u>
	<u><b>104,009</b></u>	<u><b>117,563</b></u>

### 14 BANK LOANS

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Bank loans within one year or on demand – Secured	<u>47,323</u>	<u>2,322</u>
Bank loans after one year – Secured	<u>27,608</u>	<u>27,596</u>
	<u><b>74,931</b></u>	<u><b>29,918</b></u>

At 30 June 2021, the banking facilities of certain subsidiaries were secured over their land and buildings with an aggregate carrying value of RMB198,557,000 (31 December 2020: RMB99,047,000).

## 15 CAPITAL, RESERVES AND DIVIDENDS

### (a) Dividends

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

### (b) Shares granted under share award scheme

Pursuant to a share award scheme approved by the Board in 2015, the Company may purchase its own shares and grant such shares to certain employees or consultants of the Group.

During the six months ended 30 June 2021 and 2020, no shares were granted under shares award scheme.

### (c) Repurchase of shares

During the period under review, the Company repurchased a total of 197,860,000 (the first half of 2020: nil) listed shares on the Stock Exchange by way of acquisition from the market at the price between HK\$0.29 to HK\$0.315. The total consideration paid was approximately HKD60,038,000.

## 16 COMMITMENTS

### Capital commitments outstanding at 30 June 2021 not provided for in the interim financial report

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Contracted for	<u>9,725</u>	<u>12,288</u>

## 17 MATERIAL RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Shop design and decoration services provided to Primetime Group (formerly known as Xinyu Group)	<u>10,170</u>	<u>16,363</u>
Goods purchased from Primetime Group	<u>278</u>	<u>–</u>
Payment made on behalf of the subsidiaries by Primetime Group	<u>39</u>	<u>–</u>
Receipt on behalf of Primetime Group by the subsidiaries	<u>1,021</u>	<u>–</u>



## MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2021, the pandemic was well-controlled in Mainland China, the overall economy began to recover, and the recovery continued to expand. Globally, however, the coronavirus pandemic was still fluctuating, the international economic and financial environment was still unpredictable, and the economic recovery of various countries showed a trend of divergence, resulting in an extremely unstable economic environment. Under the principle of “sound, steady and long-term operations”, the Group adapted to market conditions, adjusted and deployed its business in a timely manner, and enhanced the management level in response to the challenging environment, so as to ensure the survival and health of the enterprise, aiming to achieve long-term development in the future.

### I. Financial Review

#### *Revenue*

For the six months ended 30 June 2021, the Group recorded revenue of RMB450,749,000 (six months ended 30 June 2020: RMB651,831,000), representing a year-on-year decrease of 30.8%; high-end consuming accessories business recorded revenue of RMB210,787,000 (six months ended 30 June 2020: RMB208,502,000), which is similar to that in the same period of last year; watch retail and trading sales amounted to RMB64,518,000 (six months ended 30 June 2020: RMB399,959,000), representing a year-on-year decrease of 83.9%. Commodity trading recorded revenue of RMB175,444,000 (six months ended 30 June 2020: RMB43,370,000), representing a year-on-year increase of 304.5%.

Breakdown of revenue:

*(for the six months ended 30 June)*

	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
High-end Consuming Accessories	<b>210,787</b>	<b>46.8</b>	208,502	32.0
Watches Retail and Trading Business	<b>64,518</b>	<b>14.3</b>	399,959	61.4
Commodity Trading	<b>175,444</b>	<b>38.9</b>	43,370	6.6
<b>Total</b>	<b><u>450,749</u></b>	<b><u>100</u></b>	<b><u>651,831</u></b>	<b><u>100</u></b>

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

For the six months ended 30 June 2021, the Group's gross profit amounted to approximately RMB38,466,000 (six months ended 30 June 2020: RMB81,777,000), representing a year-on-year decrease of 53.0%. Gross profit margin was approximately 8.5% (six months ended 30 June 2020: 12.5%), representing a year-on-year decrease of 400bps. The decrease in gross profit and gross profit margin was mainly due to the decrease in the revenue and the increase in the inventory provisions.

### ***Loss for the period***

During the period under review, the Group recorded a loss amounting to RMB21,885,000 (six months ended 30 June 2020: loss of RMB71,317,000). Loss attributable to equity shareholders amounted to RMB16,975,000 (six months ended 30 June 2020: loss of RMB70,961,000). The loss was mainly due to the decrease of revenue and inventory provisions affected by the economic environment.

### ***Financial status and net debt to equity ratio***

The Group maintained a sound and stable financial position. As at 30 June 2021, the Group had total equity of RMB3,322,492,000 (at 31 December 2020: RMB3,439,810,000) and net current assets of RMB2,101,938,000 (at 31 December 2020: RMB2,322,526,000), with cash and cash equivalents and deposits with banks of RMB1,134,615,000 (at 31 December 2020: RMB1,241,863,000) and total bank loans of RMB74,931,000 (at 31 December 2020: RMB29,918,000). As at 30 June 2021, bank loans bearing interests at fixed rates amounted to a total of RMB45,000,000 (at 31 December 2020: RMB0), with interest rate of 4.0%, and the remaining bank loans bore interests at floating rates of 1.4% (at 31 December 2020: 1.40% to 1.75%). As at 30 June 2021, approximately 60% (at 31 December 2020: 0%) and 40% (at 31 December 2020: 100%) of bank loans were denominated in RMB and NTD, respectively. The maturity profile of bank loans is set out in the notes to the accompanying financial statements. During the period under review, there was no sign of significant changes in the Group's demand for loans in a particular quarter.

As at 30 June 2021, the Group's total debt was RMB74,931,000 (at 31 December 2020: RMB29,918,000). The net debt to equity ratio of the Group was zero (at 31 December 2020: zero). Net debt is defined as total debt (which includes total interest-bearing borrowings) less cash and cash equivalents and deposits with banks. It established a solid foundation for the further business expansion of the Group.

The Group adopts prudent treasury policies in financial and cash management, manages bank credit availability and monitors risks of credit cost centrally in various ways. The Group maintains a good partnership with a number of banks which provide financing facilities, and reviews its funding liquidity and financing needs regularly.

### ***Foreign exchange risk***

The Group's transactions are mainly denominated in HKD, RMB and NTD. During the period under review, the foreign exchange movements of such currencies were managed properly. Accordingly, the Group was not exposed to significant risks associated with foreign exchange fluctuations. The Group has not entered into foreign exchange hedging arrangements to manage foreign exchange risk but has been actively monitoring its foreign exchange risk.

### ***Pledge of assets***

As at 30 June 2021, the Group had land and buildings equivalent to RMB198,557,000 (at 31 December 2020: RMB99,047,000) pledged as security.

### ***Contingent liabilities***

As at 30 June 2021, the Group had no material contingent liabilities (at 31 December 2020: nil).

### ***Current assets***

As at 30 June 2021, the current assets of the Group amounted to approximately RMB2,266,979,000 (at 31 December 2020: RMB2,459,838,000), comprising inventories of approximately RMB623,316,000 (at 31 December 2020: RMB653,106,000), trade and other receivables of approximately RMB492,097,000 (at 31 December 2020: RMB535,487,000), other investments of approximately RMB16,864,000 (at 31 December 2020: RMB29,147,000), cash and cash equivalents and deposits with banks of approximately RMB1,134,615,000 (at 31 December 2020: RMB1,241,863,000).

As at 30 June 2021, cash and cash equivalents of approximately 19% (at 31 December 2020: 14%), 77% (at 31 December 2020: 82%) and 4% (at 31 December 2020: 4%) were denominated in RMB, HKD and other currencies, respectively.

### ***Current liabilities***

As at 30 June 2021, the current liabilities of the Group amounted to approximately RMB165,041,000 (at 31 December 2020: RMB137,312,000), comprising bank loans of approximately RMB47,323,000 (at 31 December 2020: RMB2,322,000), trade and other payables of approximately RMB104,009,000 (at 31 December 2020: RMB117,563,000), lease liabilities of approximately RMB10,725,000 (at 31 December 2020: RMB12,248,000) and current tax payable of approximately RMB2,984,000 (at 31 December 2020: RMB5,179,000).

### ***Capital structure***

The Company's capital structure is composed of issued share capital, reserves and accumulated profits. As at 30 June 2021, the issued share capital of the Company was 4,464,806,959 shares (at 31 December 2020: 4,662,666,959 shares) with reserves and accumulated profits of RMB3,232,955,000 (at 31 December 2020: RMB3,344,357,000) in total.

### ***Significant investment, material acquisition and disposal***

The Company had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the period under review, except as disclosed in the notes to the financial statements.

Except as disclosed in the notes to the financial statements, the Company did not hold other significant investments during the period under review.

## II. Business Review

During the period under review, the Group's business was primarily focused on the manufacturing of high-end consuming accessories and the construction of service platforms.

### *High-end Consuming Accessories Service*

The Group has a relatively mature industrial chain for watch accessories manufacturing, mainly covering from the manufacturing of watch accessories and packaging products to commercial space design, production and decoration. Companies are mainly located in Suzhou, Guangzhou and Dongguan.

The two companies, namely "Guangzhou Artdeco" and "Dongguan Born Talent", mainly produce high-end watch boxes and watch accessories for various types of watches. After years of development, we have achieved great success in all aspects ranging from low-end products to high-end products, from simple processing to independent innovative designs, and from techniques of purely hand-made to basically automated.

"Suzhou Henge" is a commercial space integration service enterprise engaged in design, production, on-site installation, and after-sales service, comprising the design and decoration for each types of counters, props, and various stores.

During the period under review, although the market in Mainland China is relatively stable, the international market is ever-changing and unpredictable. The three companies all operate in both the Mainland China and international markets, therefore facing greater difficulties and challenges. Due to the use of new factories, turbulence in international orders, surge of raw material, logistics and labor costs, the first half of the year saw a larger increase in costs and expenses. The overall revenue of high-end consuming accessories services was similar to that in the same period last year, but the overall net profit recorded a sharper decrease.

After years of development, all companies under the Group have achieved ISO9000 quality management certification, which provides strong support for the manufacturing of high-quality products; the companies have earned a solid reputation in their respective fields, forming tight relationships, mutual trust and interest sharing with brand suppliers. A wide customer base covering China, Switzerland, the United States and other countries in the Asia Pacific region has been established. The application of advanced information management systems, such as the industry-leading ERP, BIM, and MES, provides practical guarantee for efficient and compliance corporate operation.

In the second half of the year, the Group will seek opportunities to conduct industry integration of the upstream and downstream products, as well as further improve leadership in the industry through fully seizing the development opportunities, further strengthening the industrial management together with technical R&D and innovation, taking quality as the priority and driving growth by innovation. The Group will focus on expanding the development in manufacturing of high-end accessories for renowned watches, and on engaging in deeper cooperation with brands and international counterparts in various ways, striving to become an indispensable independent segment in the global industrial ecological chain of high-end watch groups. The Group will continue to enhance the service standard of its integrated services for commercial space in Mainland China and international markets. The Group will also embark on a limited number of diversified business activities to include the manufacturing of high-end product accessories in other high-end lifestyle products such as jewellery, cosmetics and mobile phones, and to expand its commercial space beautification services to include living space beautification services, so as to build momentum for future development.

### ***Retail Network***

During the period under review, in accordance with the established strategy, the Group continued to close down the remaining watch retail stores in Hong Kong and generally ended the operation of retail business of renowned watches.

## **III. Social Responsibility and Human Resources**

As the cornerstone of its corporate management and social responsibility, the Group has always been advocating the corporate spirit of “mutual respect, shouldering responsibility, close collaboration and ongoing innovations” under the “people-oriented” core value.

As at 30 June 2021, the Group had a total of 1,497 employees in Mainland China, Hong Kong, Macau, Taiwan and Malaysia. The Group has always been committed to developing and adding value to human resources. The Group implements a standard recruitment system and allocates resources to various kinds of training for our managers, employees at all levels and front-line staff of our Company, including, among others, the art of management, optimization of technology, brand knowledge and service awareness, with an aim of enhancing knowledge, manufacturing skills and service capabilities of our staff.

The Group offers a competitive remuneration package and various incentives to all employees, and regularly reviews the structure of relevant mechanisms to cope with corporate development needs. Meanwhile, the Group also offers other benefits to its employees, including mandatory provident fund scheme, insurance scheme, housing and meal allowances.

Environmental protection is one of the top priorities for the Group’s sustainable development. During the period under review, the branches and subsidiaries of the Group carried out strict quality control procedures on products in full accordance with national quality standards, fully safeguarding the interests of clients and consumers. All branches and subsidiaries were also in strict compliance with national regulations. Reports on pollutants were submitted regularly to environmental authorities as required. All pollutant emissions including sewage and gas have passed inspection and met national standards.

Apart from its efforts in achieving business results and creating brand value, the Group also actively participated in public welfare activities. The Group has made contributions to education, healthcare, sports and other welfare undertakings through its donations to The Community Chest of Hong Kong, Po Leung Kuk of Hong Kong and Hong Kong Red Cross, etc.

#### **IV. Outlook**

At present, from a global perspective, although the coronavirus pandemic has eased, it has not been effectively controlled, and the trend of political unrest is also obvious. However, as the pandemic was well-controlled in Mainland China, we expect the economy in Mainland China to sustain its steady trend. In the second half of the year, the Group will continue to adhere to the principle of “sound, steady and long-term operations” and will leverage on the stable environment of economic development in Mainland China to focus on expanding the development in manufacturing of high-end accessories for renowned watches and engage in deeper cooperation with brands and international counterparts in various ways, striving to become an indispensable independent segment in the global industrial ecological chain of high-end watch groups. The Group will continue to enhance the standard of its integrated services for commercial space in Mainland China and international markets. The Group will also embark on a limited number of diversified business activities to include the manufacturing of high-end product accessories in other high-end lifestyle products such as jewellery, cosmetics and mobile phones, and to expand its commercial space beautification services to include living space beautification services. At the same time, the Group will adapt to market changes, continue to explore new profit models, and achieve new breakthroughs in corporate development.

#### ***DIVIDEND DISTRIBUTION***

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

#### ***EQUITY-LINKED AGREEMENTS***

##### *Share Award Scheme*

On 25 March 2015, a share award scheme (“Share Award Scheme”) was adopted by the Company to recognise the contributions of certain participants to the Company and to attract suitable personnel for the growth and further development of the Company.

Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid for a term of ten (10) years commencing on the adoption date. The Board may select any participants, other than any excluded participant, for participation in the Share Award Scheme and determine the award amount for the purchase of the awarded shares to be awarded to the selected participants. The Board is entitled to impose any conditions (including a period of continued service within the Group), as it deems appropriate in its absolute discretion with respect to the entitlement of the selected participants to the awarded shares. No consideration for the awarded shares is needed to be paid by the selected participants to the Company. The Board shall not make any further award of awarded shares which will result in the nominal value of the shares awarded by the Board under the Share Award Scheme exceeding 10% of the issued share capital of the Company as at the adoption

date. The maximum number of shares which may be awarded to a selected participant under the Share Award Scheme in a 12-month period shall not exceed 0.5% of the issued share capital of the Company as at the adoption date or such number of shares as determined by the Board from time to time.

The Share Award Scheme shall terminate on the earlier of the tenth anniversary date of the adoption date or such date of early termination (whichever is earlier) as determined by the Board.

During the period under review, no awarded shares were granted by the Company (for the six months ended 30 June 2020: nil).

### *Share Option Scheme*

At the annual general meeting of the Company held on 15 May 2015, the share option scheme was adopted conditionally.

The share option scheme of the Company was adopted to grant options to selected participants including but not limited to directors and employees of the Group as incentives or rewards for their contributions to the Group (the “Share Option Scheme”). Subject to any early termination as may be determined by the Board, the Share Option Scheme shall be valid and effective for a term of ten (10) years commencing on the adoption date.

Under the Share Option Scheme, subject to the discretion of the directors, there is no minimum period for which an option must be held before it can be exercised. Each option has a maximum valid period of ten years after which the option shall lapse. The total number of shares issued and to be issued upon exercise of the options granted to each of the eligible participants in any 12-month period must not exceed 1% of the shares in issue. The exercise price shall not be less than the higher of: (i) the closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of offer of that option; (ii) the average of the closing prices per shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of that option; and (iii) the nominal value of the shares.

Under the Share Option Scheme, the grantee shall accept the option within ten days from the date of the offer to grant the share option and pay HKD1.00 to the Company as consideration for the grant upon acceptance of the option.

As of 30 June 2021, the issued share capital of the Company was 4,464,806,959 shares, and there was no option outstanding (at 30 June 2020: nil).

## PURCHASE, SALE OR REPURCHASE OF SECURITIES

During the period under review, the Company repurchased a total of 197,860,000 (the first half of 2020: nil) listed shares on the Stock Exchange by way of acquisition from the market. The total consideration paid was approximately HKD60,038,000, including related expenses, the details are as follows:

<b>Date of repurchase of shares</b>	<b>Number of shares repurchased</b>	<b>Highest price per share paid (HKD)</b>	<b>Lowest price per share paid (HKD)</b>	<b>Approximate aggregate consideration (HKD) (excluding related expenses)</b>
12 January 2021	7,200,000	0.30	0.295	2,129,700
13 January 2021	16,300,000	0.30	0.29	4,830,760
14 January 2021	16,700,000	0.305	0.295	4,968,140
15 January 2021	17,000,000	0.30	0.29	5,021,800
18 January 2021	20,300,000	0.30	0.29	5,957,500
19 January 2021	17,600,000	0.305	0.295	5,275,800
20 January 2021	15,600,000	0.305	0.295	4,671,940
21 January 2021	13,200,000	0.305	0.30	4,023,000
29 March 2021	11,644,000	0.305	0.305	3,551,420
30 March 2021	16,008,000	0.31	0.30	4,882,500
31 March 2021	15,000,000	0.31	0.305	4,576,760
1 April 2021	16,008,000	0.31	0.305	4,942,900
7 April 2021	15,300,000	0.315	0.31	4,743,060

All the above repurchased shares had been cancelled on 28 January 2021 and 15 April 2021, respectively. The repurchases are in the interests of the Company and its shareholders as a whole with a view to enhance the net assets value per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has always been committed to maintaining a high standard of corporate governance to ensure a higher level of transparency in the Group, so as to safeguard the interests of our shareholders as a whole, and ensure cooperative development among our customers, employees and the Group.

The Company has adopted the Code on Corporate Governance Practices (the "Corporate Governance Code") set out in Appendix 14 to the Listing Rules.



The directors are of the opinion that the Company complied with the Corporate Governance Code during the period under review. In order to further enhance the corporate governance of the Group and comply with the provision A.2.1 of the Corporate Governance Code, Mr. Zhang Yuping, the Chairman of the Board, has stepped down from his role as the Chief Executive Officer of the Group on 21 April 2021. Meanwhile, Mr. Cheung Wing Lun Tony has been appointed as the Chief Executive Officer of the Group. After this appointment took effect, the Company no longer deviated from the code provision A.2.1.

## **EVENTS AFTER THE PERIOD UNDER REVIEW**

Save as disclosed in this announcement, there were no important events affecting the Group since the end of the period under review to the date of this announcement.

## **ACKNOWLEDGEMENT**

The directors would like to take this opportunity to express our sincere thanks to all the shareholders for their continuous support and to all our staff for their dedication and contribution to the Group during the period under review.

## **GENERAL INFORMATION**

As at the date of this announcement, the executive directors are Mr. Zhang Yuping (Chairman), Mr. Huang Yonghua and Mr. Lee Shu Chung, Stan; the non-executive director is Mr. Shi Zhongyang, and the independent non-executive directors are Mr. Cai Jianmin, Mr. Wong Kam Fai, William and Mr. Liu Xueling.

By Order of the Board  
**Zhang Yuping**  
*Chairman*

Hong Kong, 26 August 2021

*As at the date of this announcement, the executive directors of the Company are Mr. Zhang Yuping (chairman), Mr. Huang Yonghua and Mr. Lee Shu Chung, Stan; the non-executive director is Mr. Shi Zhongyang; the independent non-executive directors are Mr. Cai Jianmin, Mr. Wong Kam Fai, William and Mr. Liu Xueling.*