



LUXXU

GROUP LIMITED

Luxxu Group Limited

勵時集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1327)

INTERIM REPORT

2021



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MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In first half of 2021, the Group continued to focus on its business operations which (i) cooperate with different industry experts to design and sales of prestige and high-end watches and accessories, including but not limited to diamond tourbillon watches and luxury jewellery watches; (ii) design, production and assembly of watches for our OEM customers; and (iii) manufacture and sales of our own brands watches.

Due to the economic recovery after the coronavirus, the sales for the six months ended 30 June 2021 has been increased due to the overall improvement in retail sales in Hong Kong. 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 increased approximately 34.2% for six months ended 30 June 2021 respectively, when comparing with 2020.

The Group's net loss for the six months ended 30 June 2021 amounted to approximately RMB8.6 million, decreased from loss of approximately RMB16.3 million for the six months ended 30 June 2020. Such decrease was mainly due to the net effect of increase in gross profit, decrease in selling and distribution expense and the turnaround of other gain and loss.

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately RMB7.7 million or 18.5% from approximately RMB41.3 million for the six months ended 30 June 2020 to approximately RMB49.0 million for the six months ended 30 June 2021. The increase in revenue was mainly attributable to the increase in sales resulted from the economy recovery after the coronavirus.

Cost of sales

Our cost of sales increased by approximately RMB7.1 million or 18.8% from approximately RMB38.1 million for the six months ended 30 June 2020 to approximately RMB45.2 million for the six months ended 30 June 2021. The increase primarily consistent with the increase in revenue by 18.5% for the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

Our gross profit increased by approximately RMB0.5 million or 15.7% from approximately RMB3.2 million for the six months ended 30 June 2020 to approximately RMB3.7 million for the six months ended 30 June 2021. The increase was mainly due to the increase in revenue of the Group's products. Our overall gross profit margin remained stable from approximately 7.8% for the six months ended 30 June 2020 to approximately 7.6% for the six months ended 30 June 2021.

Other gain and loss

Our other gain and loss recognised a gain of approximately RMB4.6 million for the six months ended 30 June 2021, representing a turnaround from loss of approximately RMB3.6 million for the six months ended 30 June 2020. The turnaround was primarily attributable to the unrealised fair value gain on financial assets at fair value through profit or loss of approximately RMB0.4 million and reversal of impairment loss recognised under expected credit loss model of approximately RMB4.3 million. For details of the realised and unrealised gain/loss, please refer to significant investments section.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately RMB0.5 million from approximately RMB5.5 million for the six months ended 30 June 2020 to approximately RMB5.0 million for the six months ended 30 June 2021. The decrease was primarily attributable to the decrease in advertising expense.

Administrative expenses

Our administrative expenses increased by approximately RMB0.9 million from approximately RMB10.4 million for the six months ended 30 June 2020 to approximately RMB11.3 million for the six months ended 30 June 2021. The increase was mainly attributable to the increase in staff cost and depreciation during the period.

Finance costs

There was finance costs of approximately RMB0.6 million for the six months ended 30 June 2021 while approximately RMBNil million for the six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss before taxation

As a result of the foregoing, our loss before taxation amounted to approximately RMB8.6 million for the six months ended 30 June 2021 (2020: loss before taxation of approximately RMB16.3 million).

Loss for the period

As a result of the foregoing, loss for the period decreased from approximately RMB16.3 million for the six months ended 30 June 2020 to approximately RMB8.6 million for the six months ended 30 June 2021. Such decrease was primarily due to net effect of increase in gross profit, decrease in selling and distribution expense and the turnaround of other gain and loss.

OUTLOOK AND FUTURE PROSPECTS

Going forward, the Group aimed to offer premium quality products to customers and will continue to strengthen our core competitiveness by improving our watch and jewellery design and development capabilities by upholding the design and artistic knowledge of the design team and recruitment of additional talents. In view of the Sino-US trade dispute mentioned above, the cooling economy in the PRC and also the outbreak of the coronavirus in Hong Kong and the PRC, the Group expects 2021 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 2021, the Group's total cash and bank balances were approximately RMB4.8 million (31 December 2020: approximately RMB5.3 million), most of which are held in HK\$. The current ratio (defined as current assets divided by current liabilities) of the Group decreased from 99.1 times as at 31 December 2020 to 34.8 times as at 30 June 2021. The gearing ratio (defined as total interest-bearing borrowings divided by shareholders' equity) of the Group remained stable from approximately 8.13% as at 31 December 2020 to approximately 8.0% as at 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

DEBTS AND CHARGE ON ASSETS

As at 30 June 2021, none of the assets of the Group has been pledged to secure any loan granted to the Group.

CAPITAL COMMITMENT

As at 30 June 2021, the Group did not have any material capital commitment (31 December 2020: RMB Nil).

EXCHANGE RISK EXPOSURE

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB and United States dollars. During the six months ended 30 June 2021, 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 2021 are set out in Note 13 to the condensed consolidated interim financial statements.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company completed a placing on 10 August 2020, pursuant to which the Company has allotted 69,120,000 placing shares to not less than six placees at HK\$0.1 per placing share. The net proceeds of the placing were approximately HK\$6.7 million. As at 30 June 2021, the Group had utilized the entire proceeds of the placing as general working capital.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2021 and 31 December 2020.

DIVIDEND PAYMENT

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

SIGNIFICANT ACQUISITIONS OR DISPOSALS

During the six months ended 30 June 2021, there were no material acquisitions or disposals of subsidiaries and associated companies.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS

At 30 June 2021, detail of the significant investments are as follows:

Name of investee	As at 1 January 2021 RMB'000	Fair value gain/(loss) RMB'000	As at 30 June 2021 RMB'000	Percentage to the Group's audited total assets as at 30 June 2021 %	Number of shares held by the Group as at 1 January 2021	Percentage of shareholding held by the Group as at 1 January 2021 %	Number of shares held by the Group as at 30 June 2021	Percentage of shareholding held by the Group as at 30 June 2021 %
Significant investments								
China Automotive Interior Decoration Holdings Limited ("China Automotive") (stock code: 48.HK) (note (a))	1,281	748	2,722	1.31%	3,271,040	3.42	3,271,040	1.96%
Sub-total	1,281	748	2,722	1.31%				
Other listed securities	4,791	(389)	4,075	1.95%				
Total	6,072	359	6,797	3.26%				

Note:

- (a) China Automotive is principally engaged in the manufacture and sale of nonwoven fabric products used in automotive interior decoration parts and other parts, trading of rubber and food products. Based on China Automotive's annual result for the year ended 31 December 2020, revenue and loss of China Automotive was approximately RMB141,626,000 and RMB3,890,000 respectively.

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

Except the significant investments disclosed above, at 30 June 2021, 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 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had a total of 109 (31 December 2020: 109) employees. The total remuneration costs incurred by the Group for the six months ended 30 June 2021 were approximately RMB6.8 million (for the six months ended 30 June 2020: approximately RMB6.5 million). We review the performance of our employees annually and use the results of such review in our annual salary review and promotion appraisal, in order to attract and retain valuable employees.

MANAGEMENT DISCUSSION AND ANALYSIS

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

During the six months ended 30 June 2021, 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 2021, 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	0.77%
Yang Xi	Beneficial owner	3,456,000	–	3,456,000	0.77%
Zou Weikang	Beneficial owner	3,456,000	–	3,456,000	0.77%
Zhong Weili	Beneficial owner	3,456,000	–	3,456,000	0.77%
Duan Baili	Beneficial owner	3,456,000	–	3,456,000	0.77%

Save as disclosed above, at 30 June 2021, none of the Directors or chief executives of the Company had any interests or short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2021, 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 2021 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 2021.

CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2021, 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 29 June 2021.

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 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

AUDIT COMMITTEE

The Audit Committee of the Company, comprising three Independent Non-executive Directors, has reviewed the accounting principles and practices adopted by the Company and has discussed auditing, internal control and financial reporting matters. The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2021.

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 2021.

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 2021, 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

26 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

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 2021, together with the comparative unaudited figures for the corresponding period in 2020 as follows:

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	3	48,954	41,300
Cost of sales		(45,222)	(38,077)
Gross profit		3,732	3,223
Other gain and loss	4	4,627	(3,598)
Selling and distribution expenses		(5,006)	(5,452)
Administrative expenses		(11,348)	(10,432)
Finance costs	5	(637)	–
Loss before taxation		(8,632)	(16,259)
Taxation	6	–	–
Loss for the period	7	(8,632)	(16,259)
Other comprehensive (loss)/income for the period, net of tax			
Exchange differences on translation of foreign operations		(2,617)	3,435
Other comprehensive income for the period, net of tax		(2,617)	3,435
Total comprehensive loss for the period		(11,249)	(12,824)
Loss for the period attributable to:			
– Owners of the Company		(8,632)	(16,259)
Total comprehensive loss for the period attributable to:			
– Owners of the Company		(11,249)	(12,824)
Loss per share attributable to owners of the Company			
– Basic and diluted (RMB) (cents)		(2.0)	(4.7)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	10	20,837	21,734
Right-of-use assets		9,097	–
Goodwill		3,100	3,100
		33,034	24,834
CURRENT ASSETS			
Inventories		59,547	52,228
Trade receivables	11	39,747	46,324
Deposits, prepayments and other receivables	12	64,292	71,644
Financial assets at fair value through profit or loss		6,797	6,072
Cash and bank balances		4,789	5,339
		175,172	181,607
CURRENT LIABILITIES			
Lease liabilities		3,214	–
Accruals and other payables		1,567	1,584
Income tax payables		246	248
		5,027	1,832
NET CURRENT ASSETS		170,145	179,775
TOTAL ASSETS LESS CURRENT LIABILITIES		203,179	204,609
NON-CURRENT LIABILITIES			
Lease liabilities		5,800	–
Bond payable		14,583	15,398
		20,383	15,398
NET ASSETS		182,796	189,211
CAPITAL AND RESERVES			
Share capital	13	38,002	35,126
Reserves		144,794	154,085
TOTAL EQUITY		182,796	189,211

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

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

	Attributable to owners of the Company					
	Share capital RMB'000	Share premium RMB'000	Foreign currency translation reserve RMB'000	Share option reserve RMB'000	Retained earnings RMB'000	Total 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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Net cash (used in)/generated from operating activities	(1,774)	1,640
Net cash used in investing activities	(2,205)	–
Net cash generated from financing activities	4,196	–
Net increase in cash and cash equivalents	217	1,640
Effect of foreign exchange rates changes	(767)	2,495
Cash and cash equivalents at the beginning of the period	5,339	1,851
Cash and cash equivalents at the end of the period	4,789	5,986

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 (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 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2020.

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 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform-Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

The amendment is effective for annual periods beginning on or after 1 January 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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

Issued but not yet effective HKFRSs

At the date of authorisation of this report, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and related amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ⁵
Amendments to HKAS 1	Classification of Liabilities as Current or Noncurrent and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020 ¹
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations ⁴

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ Effective date not yet determined

⁴ Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after January 2022

⁵ Effective for annual periods beginning on or after 1 April 2021

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Branded watches	45,871	34,082
OEM watches	–	2,034
Third-party watches	3,083	5,184
	48,954	41,300

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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
The PRC	23,218	17,446
Asia (excluding the PRC)	25,736	23,854
	48,954	41,300

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 2021 and 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

4. OTHER GAIN AND LOSS

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Unrealised fair value gain(loss) on financial assets at fair value through profit or loss	359	(3,598)
Reversal of impairment loss recognised under expected credit loss model	4,263	–
Sundry income	5	–
	4,627	(3,598)

5. FINANCE COSTS

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest arising from bond payables	637	–

6. TAXATION

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 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 2021 and 2020.

The PRC

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

7. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Loss for the period has been arrived at after charging/(crediting):		
Total employee expenses (including directors' remuneration)	6,773	6,490
Advertising expenses	2,137	2,721
Cost of inventories recognised as an expense	45,222	38,077
Depreciation of property, plant and equipment	2,584	2,237
Allowance for expected credit losses, net	(4,263)	837
Share-based payment expense	1,715	2,669

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	
	2021 RMB'000 (Unaudited)	2020 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	(8,632)	(16,259)

	Six months ended 30 June	
	2021 '000 (Unaudited)	2020 '000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	423,168	345,600

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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

- (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 RMB8,632,000 (2020: RMB16,259,000) and the weighted average of 423,168,000 ordinary shares (2020: 345,600,000) in issue during the year as adjusted to reflect 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 2021 and 2020 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 2021 (2020: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment of approximately RMB1,680,000 (2020: nil).

11. TRADE RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	99,330	102,900
Less: Allowance for expected credit losses	(59,583)	(56,576)
	39,747	46,324

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

11. TRADE RECEIVABLES (Continued)

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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
0 to 30 days	3,004	1,819
31 to 60 days	3,132	858
61 to 90 days	3,484	1,758
91 to 180 days	6,648	5,442
Over 180 days	23,479	36,420
	39,747	46,324

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Deposits and prepayments (Note i)	64,292	69,329
Other receivables (Note ii)	32,517	42,102
Less: Allowance for expected credit losses (Note ii)	(32,517)	(39,787)
	64,292	71,644

Note:

- (i) Included in deposits and prepayments, (a) approximately RMB54,801,000 (31 December 2020: RMB57,701,000) are the deposit and prepayments for purchase of inventories to independent third parties; (b) approximately RMB9,491,000 (31 December 2020: RMB11,628,000) is the prepayment for advertising;
- (ii) Included in other receivables approximately RMB28,967,000 (31 December 2020: RMB33,097,000) which is the consideration receivables of disposal of subsidiaries during the year 2017. During the six months ended 30 June 2021, the Group received further partial payment from the purchaser. The management will continue to use best effort to liaise with the purchaser to recover all remaining consideration. At the date of this report, the Group has commenced legal proceeding against the purchaser.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

13. SHARE CAPITAL

	Number of shares '000	Nominal value HK'000	
Authorised:			
Ordinary shares of HK\$0.10 each			
As at 1 January 2021 (Audited) and 30 June 2021 (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\$0.10 each			
As at 1 January 2021 (Audited)	414,720	41,472	35,126
Issue of shares on 17 May 2021 upon exercise of options (note (i))	34,560	3,456	2,876
Ordinary shares of HK\$0.10 each			
At 30 June 2021 (Unaudited)	449,280	44,928	38,002

Note:

- (i) On 17 May 2021, 34,560,000 shares was issued by exercising the share options by option holders. For details, please refer to the Company's next day disclosure returns dated 17 May 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 2021, 34,560,000 share options has been granted under the Share Option Scheme (2020: 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 2021 '000	Granted during the period '000	Exercised during the period '000	Lapsed/ forfeited during the period '000	Outstanding at 30 June 2021 '000
Directors									
See Ching Chuen	4 May 2020	HK\$0.41	4 May 2020 to 3 May 2023	No	3,456	-	-	-	3,456
Yang Xi	4 May 2020	HK\$0.41	4 May 2020 to 3 May 2023	No	3,456	-	-	-	3,456
Zou Weikang	4 May 2020	HK\$0.41	4 May 2020 to 3 May 2023	No	3,456	-	-	-	3,456
Zhong Weili	4 May 2020	HK\$0.41	4 May 2020 to 3 May 2023	No	3,456	-	-	-	3,456
Duang Baili	4 May 2020	HK\$0.41	4 May 2020 to 3 May 2023	No	3,456	-	-	-	3,456
Employees									
	11 April 2019	HK\$0.41	11 April 2019 to 10 April 2029	No	31,104	-	-	-	31,104
	4 May 2020	HK\$0.1626	4 May 2020 to 3 May 2023	No	17,280	-	-	-	17,280
	16 April 2021	HK\$0.1084	16 April 2021 to 15 April 2024	No	-	34,560	(34,560)	-	-
Total					65,664	34,560	(34,560)	-	65,664

The closing price of the shares immediately before the date of share options granted on 16 April 2021 is HK\$0.104.

15. EVENT AFTER THE REPORTING PERIOD

On 5 August 2021, the Company entered into the placing agreement to place through the placing agent on a best effort, up to 89,856,000 placing shares at the placing price of HK\$0.1 per placing share. The placing is completed on 18 August 2021. For details, please refer to the Company’s announcement dated 5 August 2021 and 18 August 2021.