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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)

### 2022 INTERIM RESULTS

FINANCIAL HIGHLIGHTS	For the six months ended 30 June		
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	YoY change (%)
Revenue	559,018	450,749	24.0
Gross profit margin	5.4%	8.5%	-310 bps
Loss for the period	(27,912)	(21,885)	27.5
Loss attributable to equity shareholders	(22,929)	(16,975)	35.1

### 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 2022 (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 2022 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
		2022	2021
	Note	RMB'000	RMB'000
<b>Revenue</b>	2	<b>559,018</b>	450,749
Cost of sales		<u>(528,722)</u>	<u>(412,283)</u>
<b>Gross profit</b>		<b>30,296</b>	38,466
Other revenue	3(a)	<b>18,556</b>	25,749
Other net (loss)/gain	3(b)	<b>(34,371)</b>	4,761
Distribution costs		<b>(26,068)</b>	(23,891)
Administrative expenses		<u><b>(63,503)</b></u>	<u>(65,741)</u>
<b>Loss from operations</b>		<b>(75,090)</b>	(20,656)
Share of profits of associates		<b>50,882</b>	–
Finance costs	4(a)	<u><b>(1,886)</b></u>	<u>(1,700)</u>
<b>Loss before taxation</b>	4	<b>(26,094)</b>	(22,356)
Income tax (expenses)/credit	5	<u><b>(1,818)</b></u>	<u>471</u>
<b>Loss for the period</b>		<u><b>(27,912)</b></u>	<u>(21,885)</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(22,929)</b>	(16,975)
Non-controlling interests		<u><b>(4,983)</b></u>	<u>(4,910)</u>
<b>Loss for the period</b>		<u><b>(27,912)</b></u>	<u>(21,885)</u>
<b>Loss per share</b>	6		
Basic		<u><b>RMB(0.005)</b></u>	<u>RMB(0.004)</u>
Diluted		<u><b>RMB(0.005)</b></u>	<u>RMB(0.004)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME***For the six months ended 30 June 2022 – unaudited*

(Expressed in Renminbi)

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
<i>Note</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Loss for the period</b>	<b>(27,912)</b>	<b>(21,885)</b>
<b>Other comprehensive income for the period (after tax and reclassification adjustments)</b>		
Item that may be reclassified subsequently to profit or loss:		
Release of exchange differences on disposal of subsidiaries	–	30
Exchange differences on translation of overseas subsidiaries' financial statements	<b>55,102</b>	(9,981)
Share of associates exchange differences on translating foreign operations	<b>4,693</b>	–
	<b>59,795</b>	(9,951)
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>9</i> <b>(75,458)</b>	(19,906)
Exchange differences on translation of equity investments at fair value through other comprehensive income	<i>9</i> <b>21,153</b>	(3,971)
Exchange differences on translation of the Company's financial statements	<b>44,362</b>	(11,501)
	<b>(9,943)</b>	(35,378)
<b>Total comprehensive income for the period</b>	<b>21,940</b>	<b>(67,214)</b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>27,133</b>	(62,132)
Non-controlling interests	<b>(5,193)</b>	(5,082)
<b>Total comprehensive income for the period</b>	<b>21,940</b>	<b>(67,214)</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 – unaudited

(Expressed in Renminbi)

		At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
<b>Non-current assets</b>			
Investment properties		128,535	130,376
Property, plant and equipment	7	508,986	515,745
		<b>637,521</b>	646,121
Intangible assets		3,639	2,861
Goodwill		50,582	49,237
Interests in associates	8	106,985	51,407
Other investments	9	455,859	525,064
Prepayment and deposits	11	1,670	1,598
Deferred tax assets		338	323
		<b>1,256,594</b>	1,276,611
<b>Current assets</b>			
Inventories	10	383,519	597,505
Trade and other receivables	11	698,248	632,749
Loans to associates		118,154	77,951
Other investments	9	8,742	11,585
Current tax recoverable		160	178
Deposits with banks	12	25,635	273,796
Cash and cash equivalents	13	1,021,392	661,017
		<b>2,255,850</b>	2,254,781
<b>Current liabilities</b>			
Trade and other payables and contract liabilities	14	133,891	157,156
Bank loans	15	51,785	46,925
Lease liabilities		11,891	11,774
Current taxation		4,080	3,587
		<b>201,647</b>	219,442
<b>Net current assets</b>		<b>2,054,203</b>	2,035,339
<b>Total assets less current liabilities</b>		<b>3,310,797</b>	3,311,950

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***At 30 June 2022 – unaudited*

(Expressed in Renminbi)

		At <b>30 June</b> <b>2022</b> <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
<b>Non-current liabilities</b>			
Bank loans	<i>15</i>	<b>25,558</b>	26,954
Lease liabilities		<b>6,379</b>	12,079
Deferred tax liabilities		<b>444</b>	454
		<b>32,381</b>	39,487
<b>NET ASSETS</b>		<b>3,278,416</b>	3,272,463
<b>CAPITAL AND RESERVES</b>	<i>16</i>		
Share capital		<b>21,264</b>	21,516
Reserves		<b>3,194,480</b>	3,183,082
<b>Total equity attributable to equity shareholders of the Company</b>		<b>3,215,744</b>	3,204,598
<b>Non-controlling interests</b>		<b>62,672</b>	67,865
<b>TOTAL EQUITY</b>		<b>3,278,416</b>	3,272,463

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2022 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
		2022	2021
	Note	RMB'000	RMB'000
<b>Operating activities</b>			
Cash generated from/(used in) operations		55,850	(12,701)
Income tax paid		(1,317)	(1,962)
		<u>55,850</u>	<u>(12,701)</u>
Net cash generated from/(used in) operating activities		<u>54,533</u>	<u>(14,663)</u>
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment		(12,882)	(10,091)
Decrease in deposits with banks		252,937	200,256
Payment for advances to third parties		(49,388)	(48,565)
Proceeds from repayment of advances to third parties		85,602	98,629
Payment for purchase of other investments		(12,937)	(151,216)
Proceeds from sale of other investments		27,837	88,076
Other cash flows arising from investing activities		(24,790)	(46,224)
		<u>266,379</u>	<u>130,865</u>
Net cash generated from investing activities		<u>266,379</u>	<u>130,865</u>
<b>Financing activities</b>			
Capital element of lease rentals paid		(6,317)	(4,378)
Interest element of lease rentals paid		(356)	(457)
Other cash flows arising from financing activities		(13,229)	(6,168)
		<u>(19,902)</u>	<u>(11,003)</u>
Net cash used in financing activities		<u>(19,902)</u>	<u>(11,003)</u>
<b>Net increase in cash and cash equivalents</b>		<b>301,010</b>	<b>105,199</b>
<b>Cash and cash equivalents at 1 January</b>	13	<b>661,017</b>	<b>1,014,983</b>
<b>Effect of foreign exchange rates changes</b>		<b>59,365</b>	<b>(10,550)</b>
		<u>59,365</u>	<u>(10,550)</u>
<b>Cash and cash equivalents at 30 June</b>	13	<b>1,021,392</b>	<b>1,109,632</b>
		<u>1,021,392</u>	<u>1,109,632</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 30 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 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 2021 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 2021 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 2021 are available from the Company’s registered office. The auditor had expressed an unqualified opinion on those financial statements in their report dated 22 March 2022.

## 2 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organized by a mixture of both business lines (products and services) and geography (mainly in Mainland China and Hong Kong). 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 trading division to the Group, the Group’s businesses are 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 trading revenue through their own 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
- Commodity trading
- Watches trading
- Manufacturing of watch accessories and shop design and decoration services business
- Trading of iron ore
- Trading of watches and jewellery business

(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>2022</b>	<b>2021</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>30,853</b>	64,518
– Revenue from manufacturing of watch accessories	<b>177,575</b>	131,499
– Revenue from provision of shop design and decoration service	<b>102,194</b>	79,288
– Revenue from commodity trading	<b>248,396</b>	175,444
	<b>559,018</b>	450,749
<b>Revenue from other sources</b>		
– Gross rentals from investment properties	<b>728</b>	1,779
	<b>559,746</b>	452,528
Disaggregated by geographical location of customers		
– Hong Kong Region (place of domicile)	<b>31,333</b>	64,968
– Mainland China	<b>528,413</b>	387,560
	<b>559,746</b>	452,528

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 2022 of RMB728,000 (six months ended 30 June 2021: RMB1,779,000).



**(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		Commodity trading		Watches trading		Total	
	PRC		PRC		Hong Kong			
	2022	2021	2022	2021	2022	2021	2022	2021
For the six months ended 30 June	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	279,769	210,787	248,396	175,444	30,853	64,518	559,018	450,749
Inter-segment revenue	57,872	35,408	-	-	-	-	57,872	35,408
Reportable segment revenue	<u>337,641</u>	<u>246,195</u>	<u>248,396</u>	<u>175,444</u>	<u>30,853</u>	<u>64,518</u>	<u>616,890</u>	<u>486,157</u>
Reportable segment gross profit/(loss)	<u>45,515</u>	<u>28,894</u>	<u>12,035</u>	<u>56,678</u>	<u>(27,254)</u>	<u>(47,106)</u>	<u>30,296</u>	<u>38,466</u>

  

	High-end consuming accessories		Commodity trading		Watches trading		Total	
	PRC		PRC		Hong Kong			
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2022	2021	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment assets	<u>137,141</u>	<u>136,174</u>	<u>58,428</u>	<u>157,291</u>	<u>187,950</u>	<u>304,040</u>	<u>383,519</u>	<u>597,505</u>

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
<b>Revenue</b>		
Total revenues for reportable segments	616,890	486,157
Elimination of inter-segment revenue	(57,872)	(35,408)
Consolidated revenue	<u>559,018</u>	<u>450,749</u>
<b>Profit</b>		
Total gross profit for reportable segments	<u>30,296</u>	<u>38,466</u>
Other revenue	18,556	25,749
Other net (loss)/gain	(34,371)	4,761
Distribution costs	(26,068)	(23,891)
Administrative expenses	(63,503)	(65,741)
Share of profits of associates	50,882	–
Finance costs	(1,886)	(1,700)
Consolidated loss before taxation	<u>(26,094)</u>	<u>(22,356)</u>

3 OTHER REVENUE AND OTHER NET (LOSS)/GAIN

(a) Other revenue

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Interest income	5,505	8,587
Rental income	728	1,779
Government grants	1,618	1,151
Dividend income from other investments	6,323	9,520
Others	4,382	4,712
	<u>18,556</u>	<u>25,749</u>

**(b) Other net (loss)/gain**

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Net foreign exchange (loss)/gain	(31,125)	3,504
Net gain/(loss) on disposal of property, plant and equipment	26	(25)
Net loss on disposal of subsidiaries	–	(3,983)
Net realised gain on financial assets held for trading	–	4,864
Fair value (loss)/gain on financial assets held for trading	(3,272)	401
	<u>(34,371)</u>	<u>4,761</u>

**4 LOSS BEFORE TAXATION**

Loss before taxation is arrived at after charging:

**(a) Finance costs**

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Interest on bank loans	1,306	1,064
Interest on lease liabilities	356	457
Bank charges	224	179
	<u>1,886</u>	<u>1,700</u>

**(b) Other items**

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Amortisation	294	355
Depreciation		
– Investment properties and property, plant and equipment	17,875	15,664
– Right-of-use assets	5,879	5,340
Provision for impairment loss on trade and other receivables	–	4,769
Write-down of inventories	34,478	43,255
Expenses relating to short-term leases and leases of low-value assets	595	748
	<u>595</u>	<u>748</u>

## 5 INCOME TAX

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
<b>Current tax</b>		
Hong Kong Profits Tax	1,055	(177)
Mainland China Income Tax	763	(294)
	<u>1,818</u>	<u>(471)</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2021: 16.5%) to the six months ended 30 June 2022, 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 2021.

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 LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB22,929,000 (six months ended 30 June 2021: loss attributable to equity shareholders of the Company of RMB16,975,000) and the weighted average of 4,453,106,451 ordinary shares (six months ended 30 June 2021: 4,512,422,717 ordinary shares) in issue during the interim period.

### (b) Diluted loss per share

There were no dilutive potential ordinary shares during the period ended 30 June 2022 and 2021, and therefore, diluted loss per share are the same as basic loss per share.

## 7 PROPERTY, PLANT AND EQUIPMENT

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

During the six months ended 30 June 2022, the Group entered into a number of lease agreements for office use, and therefore recognised the additions to right-of-use assets of RMB1,408,000 (six months ended 30 June 2021: RMB983,000).

### (b) Acquisitions of owned assets

During the six months ended 30 June 2022, the Group mainly acquired items of plant and machinery with a cost of RMB12,882,000 (six months ended 30 June 2021: RMB10,091,000).

## 8 INTERESTS IN ASSOCIATES

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
<b>Unlisted corporate entities</b>		
Share of net assets	<u>106,985</u>	<u>51,407</u>

## 9 OTHER INVESTMENTS

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
<b>Equity securities designated at FVOCI (non-recycling)</b>		
– Listed securities	291,756	355,750
– Unlisted fund investments	<u>164,103</u>	<u>169,314</u>
	<u>455,859</u>	<u>525,064</u>

*Notes:*

- (i) 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 2022 RMB'000	At 31 December 2021 RMB'000
<b>Equity securities, at fair value</b>		
– Listed securities	<u>8,742</u>	<u>11,585</u>

## 10 INVENTORIES

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Raw materials	19,624	17,225
Work in progress	38,392	37,200
Finished goods	<u>325,503</u>	<u>543,080</u>
	<u>383,519</u>	<u>597,505</u>

## 11 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 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
<b>Current assets</b>		
Within 3 months	184,456	271,248
Over 3 months but less than 12 months	156,150	65,791
Over 12 months	3,343	2,932
Trade receivables, net of loss allowance	343,949	339,971
Other receivables	247,980	233,586
Prepayment and deposits	106,319	59,192
	<u>698,248</u>	<u>632,749</u>
<b>Non-current assets</b>		
Prepayment and deposits	1,670	1,598
	<u>699,918</u>	<u>634,347</u>

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.

## 12 DEPOSITS WITH BANKS

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Deposits with original maturities over three months	<u>25,635</u>	<u>273,796</u>

## 13 CASH AND CASH EQUIVALENTS

As at 30 June 2022 and 31 December 2021, all of the Group's cash and cash equivalents in the consolidated statement of financial position represent cash at bank and cash in hand.

#### 14 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 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Within 1 month	50,236	48,049
Over 1 month but less than 3 months	35,580	43,585
Over 3 months but less than 12 months	4,862	8,199
Over 1 year	4,012	148
	<hr/>	<hr/>
Trade payables	94,690	99,981
Contract liabilities	4,846	3,282
Other payables and accrued expenses	34,355	53,893
	<hr/>	<hr/>
	<b>133,891</b>	<b>157,156</b>
	<hr/> <hr/>	<hr/> <hr/>

#### 15 BANK LOANS

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Bank loans within one year or on demand – Secured	51,785	46,925
	<hr/>	<hr/>
Bank loans after one year – Secured	25,558	26,954
	<hr/>	<hr/>
	<b>77,343</b>	<b>73,879</b>
	<hr/> <hr/>	<hr/> <hr/>

At 30 June 2022, the banking facilities of certain subsidiaries were secured over their land and buildings with an aggregate carrying value of RMB189,933,000 (31 December 2021: RMB194,937,000).

## 16 CAPITAL, RESERVES AND DIVIDENDS

### (a) Dividends

The board does not recommend any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 period ended 30 June 2022 and 2021, no shares were granted under shares award scheme.

### (c) Repurchase of shares

During the period under review, the Company repurchased a total of 60,788,000 (the first half of 2021: 197,860,000) listed shares on the Stock Exchange by way of acquisition from the market at the price between HK\$0.3 to HK\$0.315. The total consideration paid was approximately HKD19,202,000 (equivalent to approximately RMB15,987,000).

## 17 COMMITMENTS

### Capital commitments outstanding at 30 June 2022 not provided for in the interim financial report

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Contracted for	<u>39,005</u>	<u>54,274</u>

## 18 MATERIAL RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Shop design and decoration services provided to Primetime Group	5,481	10,170
Goods purchased from Primetime Group	–	278
Payment made on behalf of the subsidiaries by Primetime Group	4	39
Receipt on behalf of Primetime Group by the subsidiaries	22	1,021
Goods and services purchased from associates	<u>32,496</u>	<u>–</u>



## MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2022, the economy of Mainland China recovered well from January to February. However, due to the fluctuating pandemic across China and increased economic uncertainties, downward pressure on the economy gradually increased after March. From a global perspective, the international economic and financial environment remained off track, with the economic environment extremely unstable. Under the principle of “sound, steady and long-term operations”, the Group adapted to the market conditions, adjusted its business to ensure the survival and health of the enterprise under severe difficulties, aiming to achieve long-term development in the future.

### I. Financial Review

#### *Revenue*

For the six months ended 30 June 2022, the Group recorded revenue of RMB559,018,000 (six months ended 30 June 2021: RMB450,749,000), representing a year-on-year increase of 24.0%; high-end consuming accessories business recorded revenue of RMB279,769,000 (six months ended 30 June 2021: RMB210,787,000), representing a year-on-year increase of 32.7%; commodity trading revenue amounted to RMB248,396,000 (six months ended 30 June 2021: RMB175,444,000), representing a year-on-year increase of 41.6%; watch trading sales amounted to RMB30,853,000 (six months ended 30 June 2021: RMB64,518,000), representing a year-on-year decrease of 52.2%.

Breakdown of revenue:  
(for the six months ended 30 June)

	2022		2021	
	RMB'000	%	RMB'000	%
High-end Consuming Accessories	279,769	50.1	210,787	46.8
Commodity Trading	248,396	44.4	175,444	38.9
Watches Trading Business	30,853	5.5	64,518	14.3
<b>Total</b>	<b>559,018</b>	<b>100</b>	<b>450,749</b>	<b>100</b>

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

For the six months ended 30 June 2022, the Group's gross profit amounted to approximately RMB30,296,000 (six months ended 30 June 2021: RMB38,466,000), representing a year-on-year decrease of 21.2%. Gross profit margin was approximately 5.4% (six months ended 30 June 2021: 8.5%), representing a year-on-year decrease of 310 bps. The decrease in gross profit and gross profit margin was mainly due to the fluctuations in price and inventory provisions.

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

During the period under review, the Group recorded a loss amounting to RMB27,912,000 (six months ended 30 June 2021: loss of RMB21,885,000). Loss attributable to equity shareholders amounted to RMB22,929,000 (six months ended 30 June 2021: loss of RMB16,975,000). The loss was mainly due to the decrease of gross profit resulted from the underperforming economic environment and inventory provisions.

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

The Group maintained a sound and stable financial position. As at 30 June 2022, the Group had total equity of RMB3,278,416,000 (at 31 December 2021: RMB3,272,463,000) and net current assets of RMB2,054,203,000 (at 31 December 2021: RMB2,035,339,000), with cash and cash equivalents and deposits with banks of RMB1,047,027,000 (at 31 December 2021: RMB934,813,000) and total bank loans of RMB77,343,000 (at 31 December 2021: RMB73,879,000). As at 30 June 2022, the bank loans bore interest at floating rates of 1.47% to 4% (at 31 December 2021: 1.4% to 4%). As at 30 June 2022, approximately 65% (at 31 December 2021: 61%) and 35% (at 31 December 2021: 39%) 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 2022, the Group's total debt was RMB77,343,000 (at 31 December 2021: RMB73,879,000). The net debt to equity ratio of the Company was approximately zero (at 31 December 2021: 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 its 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, changes in the foreign exchange 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 2022, the Group had land and buildings equivalent to RMB189,933,000 (at 31 December 2021: RMB194,937,000) pledged as security.

### ***Contingent liabilities***

As at 30 June 2022, the Group had no material contingent liabilities (at 31 December 2021: nil).

### ***Current assets***

As at 30 June 2022, the current assets of the Group amounted to approximately RMB2,255,850,000 (at 31 December 2021: RMB2,254,781,000), comprising inventories of approximately RMB383,519,000 (at 31 December 2021: RMB597,505,000), trade and other receivables of approximately RMB698,248,000 (at 31 December 2021: RMB632,749,000), other investments of approximately RMB8,742,000 (at 31 December 2021: RMB11,585,000), cash and cash equivalents and deposits with banks of approximately RMB1,047,027,000 (at 31 December 2021: RMB934,813,000).

As at 30 June 2022, cash and cash equivalents of approximately 24% (at 31 December 2021: 15%), 63% (at 31 December 2021: 67%) and 13% (at 31 December 2021: 18%) were denominated in RMB, HKD and other currencies, respectively.

### ***Current liabilities***

As at 30 June 2022, the current liabilities of the Group amounted to approximately RMB201,647,000 (at 31 December 2021: RMB219,442,000), comprising bank loans of approximately RMB51,785,000 (at 31 December 2021: RMB46,925,000), trade and other payables of approximately RMB133,891,000 (at 31 December 2021: RMB157,156,000), lease liabilities of approximately RMB11,891,000 (at 31 December 2021: RMB11,774,000), and current tax payable of approximately RMB4,080,000 (at 31 December 2021: RMB3,587,000).

### ***Capital structure***

The Company's capital structure is composed of issued share capital, reserves and accumulated profits. As at 30 June 2022, the issued share capital of the Company was 4,404,018,959 shares (at 31 December 2021: 4,464,806,959 shares) with reserves and accumulated profits of RMB3,194,480,000 (at 31 December 2021: RMB3,183,082,000) 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, the construction of high-end consuming service platforms, international commodity trading and its relevant supply chain services.

### *High-end Consuming Accessories Service*

The Group has a relatively mature industry chain for high-end consuming accessories manufacturing, mainly covering from the manufacturing of accessories such as watches, jewellery and cosmetics, 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, transitioning 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, due to the fluctuating pandemic across Mainland China and increased economic uncertainties, downward pressure on the economy gradually increased. In addition, the international market is ever-changing and unpredictable. Our three companies all operate in both the Mainland China and international markets, therefore facing greater difficulties and challenges. However, the Group is stability-rooted and pursues development through innovation. The Group has adopted various measures to address risks and achieved significant results. During the period under review, the overall revenue and net profit of high-end consuming accessories business both performed well as compared with those in the same period last year.

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 compliant corporate operation.

In the second half of the year, the Group will adapt to market changes and adjust such businesses, further strengthening the industrial management together with technical R&D and innovation, taking quality as the priority and driving growth by innovation. We will seek opportunities to conduct vertical and horizontal industry integration of products, so as to further improve our leadership in the industry. The Group will focus on expanding the development in manufacturing of high-end consuming accessories, and engage in deeper cooperation with brands and international counterparts in various ways. 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 consuming 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, striving to become an indispensable independent segment in the global industry ecological chain of high-end consumption, so as to build momentum for future development.

### ***International Trading***

During the period under review, in accordance with the established strategy, the Group continued to carry out the international commodity trading business, seeking a new profit model and future development of the Group. During the period under review, the international trading business mainly covered the importation of iron ore and manganese ore to Mainland China. Due to the ever-changing global political and economic environment, the operation of the business fluctuated. While its sales increased, profits had decreased compared with the same period last year due to the fluctuations and drop in price.

In the second half of the year, the Group will continue to keep abreast of the market and carry out commodity trading activities as applicable and prudential in order to lay a solid foundation for the Group's healthy survival and development.

### ***International Shipping***

During the period under review, in order to facilitate the launch of international trading business while seeking new development directions for the Group, the Group continued to expand the existing international shipping business, which mainly focused on global maritime transportation of dry bulk cargo, such as coal, iron ore, manganese ore and industrial salt. Customers served included world-renowned mines and China's large-scale state-owned enterprises. Benefiting from the recovery of global economy, the Group's shipping business achieved rapid growth and outstanding results during the period under review, contributing to the Group's healthy survival and development.

China is a major world importer of bulk raw materials. Although the global economic growth and China's market demands remain certain uncertainties, China has enhanced various favorable policies. Demands for international transportation are also picking up, and the shipping market is expected to continue to improve. In the second half of the year, the Group will continue its expansion into the marine transportation market of China and continue to provide existing customers with better-quality shipping service. At the same time, maintaining our prudential and stable operating strategy, the Group will also target the international market to explore new customers, new cargoes and new routes to enhance the Company's vessel capacity and market competitiveness, so as to achieve robust profit growth and contribute to the Group's business transformation.

### III. Social Responsibility and Human Resources

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, which serves as the solid cornerstone of our corporate management and social responsibility.

As at 30 June 2022, the Group had a total of 1,618 employees in Mainland China, Hong Kong, Macau, Taiwan and Malaysia. Having always been committed to developing and adding value to human resources, the Group implements a standard recruitment system and allocates resources in an organised manner 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.

The remuneration policies of the Group are as follows:

- The amount of remuneration for the Directors or the employees is determined according to their relevant experience, responsibilities, workload and years of service in the Group;
- The non-monetary benefits are determined by the Board and are provided in the remuneration package of the Directors or the employees;
- The Directors and the eligible employees shall be granted with options or awarded shares of the Company as determined by the Board to be part of their remuneration package.

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, making due contributions to education, medical care, sports and other public welfare undertakings.

#### **IV. Outlook**

At present, from a global perspective, the trend of political unrest is still obvious while great uncertainties over global economy remain, and the pandemic in Mainland China is also fluctuating. Amid the unstable pandemic and uncertain external environment, the Chinese economy is facing greater downward pressure, and its economic growth rate has slowed down. However, the economy of Mainland China is resilient, abundant of control measures under macroeconomic policies. With the efficient coordination of pandemic prevention and control, as well as the effects of various policies and measures to stabilize the economy, the economy of Mainland China is expected to continue to recover within a reasonable range.

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 environment of stable economic development in Mainland China to develop steadily. The Group will keep abreast of the market, adjust its business model and constantly explore new development directions. The Group will further advance the process of international trade, continuously expand and strengthen the international shipping business closely related to international trade, and strive to grow, hoping to become a stronger participant of the international shipping supply chain in the near future, and achieve new breakthroughs in corporate development.

The Group will continue to adapt to market demands and continuously enhance the service standard of its integrated services for commercial space in both Mainland China and international markets. The Group will continuously adjust the manufacturing of high-end accessories for renowned watches while embark on a limited number of diversified business activities to include the manufacturing of high-end consuming 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, thus becoming an indispensable independent segment in the industry ecological chain of high-end consuming accessories.

## ***DIVIDEND DISTRIBUTION***

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

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

### ***Share Award Scheme***

On 25 March 2015, a 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 2021: nil).

### ***Share Option Scheme***

At the annual general meeting of the Company held on 15 May 2015, a share option scheme of the Company 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 with the remaining life of approximately three years as of the date of this announcement.



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.

No options were granted, exercised, cancelled or lapsed for the six months ended 30 June 2022 (six months ended 30 June 2021: nil). As of 30 June 2022, there was no option outstanding (at 30 June 2021: nil).

## **PURCHASE, SALE OR REPURCHASE OF SECURITIES**

During the period under review, the Company repurchased a total of 60,788,000 (six months ended 30 June 2021: 197,860,000) listed shares on the Stock Exchange by way of acquisition from the market. The total consideration paid was approximately HKD19,202,000, 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>
26 May 2022	23,584,000	0.315	0.30	7,410,540
27 May 2022	26,080,000	0.315	0.31	8,212,920
30 May 2022	11,124,000	0.315	0.315	3,504,060

All the above repurchased shares had been cancelled on 23 June 2022, respectively. The repurchases are in the interests of the Company and its shareholders as a whole with a view to enhancing 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 2022.

## **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 and has achieved adequate balance of power and been able to guarantee scientific decision-making.

## **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, 30 August 2022

*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.*