

INTERIM  
REPORT  
2021

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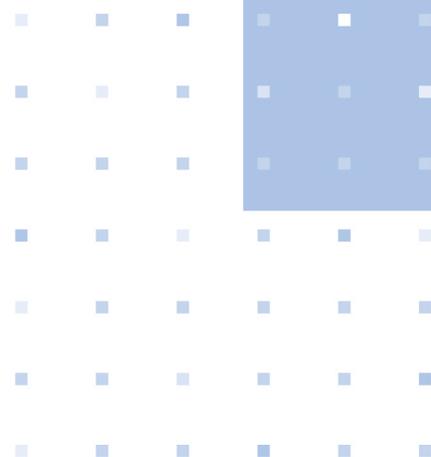
CHINA FORDOO HOLDINGS LIMITED  
中國虎都控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

Stock Code: 2399

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# Corporate Information

## Board of Directors and Committees

### Executive Directors

Mr. Kwok Kin Sun (*Chairman*)  
Mr. Kwok Hon Fung  
Mr. Tong Xin  
Mr. Peng Zuncheng (appointed on 1 January 2021)

### Independent Non-executive Directors

Mr. Cheung Chiu Tung  
Mr. Poon Yick Pang Philip  
Ms. Huang Yumin

### Audit Committee

Mr. Poon Yick Pang Philip (*Chairman*)  
Mr. Cheung Chiu Tung  
Ms. Huang Yumin

### Remuneration Committee

Mr. Cheung Chiu Tung (*Chairman*)  
Mr. Poon Yick Pang Philip  
Ms. Huang Yumin

### Nomination Committee

Mr. Kwok Kin Sun (*Chairman*)  
Mr. Poon Yick Pang Philip  
Ms. Huang Yumin

### Company Secretary

Mr. Tung Man Chun (appointed on 1 July 2021)  
Mr. Lai Tsz Yin (resigned on 30 June 2021)

### Authorized Representatives

Mr. Kwok Hon Fung  
Mr. Tung Man Chun (appointed on 1 July 2021)  
Mr. Lai Tsz Yin (resigned on 30 June 2021)

### Auditor

Elite Partners CPA Limited, *Certified Public Accountants*

### Legal Adviser as to Hong Kong Law

Chungs Lawyers in association with  
DeHeng Law Offices

## Registered Office

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## Headquarters and Principal Place of Business in the People's Republic of China

Fordoo Industrial Zone E12  
Xunmei Industrial Zone, Fengze District  
Quanzhou City, Fujian Province, China

## Principal Place of Business in Hong Kong

Suite 908, 9/F, ICBC Tower,  
3 Garden Road, Central,  
Hong Kong

## Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited  
Suite 3204, Unit 2A, Block 3  
Building D, P.O. Box 1586,  
Gardenia Court, Camana Bay,  
Grand Cayman, KY1-1100,  
Cayman Islands

## Branch Share Registrar and Transfer Office

Boardroom Share Registrars (HK) Limited  
Room 2103B, 21/F, 148 Electric Road,  
North Point, Hong Kong

## Principal Bankers

China CITIC Bank Corporation Limited  
China Construction Bank Corporation

## IR Contact

Investor relations department,  
China Fordoo Holdings Limited  
Suite 908, 9/F, ICBC Tower,  
3 Garden Road, Central,  
Hong Kong  
Tel: (852) 3751 5690  
Fax: (852) 3187 7218  
E-mail: ir@fordoo.cn

## Company Website

www.fordoo.cn

# Financial Highlights

- Revenue of the Group increased by 11.4% to RMB105.7 million (2020: RMB94.9 million).
- Gross profit of the Group decreased by 36.3% to RMB20.5 million (2020: RMB32.2 million).
- Net loss of the Group was RMB64.8 million (2020: net loss of RMB67.1 million).
- Basic and diluted loss per share was RMB3.4 cents (2020: basic and diluted loss per share of RMB3.5 cents).

|                                 | For the six months ended |              | Change   |
|---------------------------------|--------------------------|--------------|----------|
|                                 | 30 June 2021             | 30 June 2020 |          |
| <b>Profitability ratios</b>     |                          |              |          |
| Gross profit margin             | 19.4%                    | 33.9%        | -14.5ppt |
| Net loss to revenue             | -61.4%                   | -70.8%       | -9.4ppt  |
| Return on equity <sup>(1)</sup> | -13.5%                   | -6.5%        | -7.0ppt  |

|  | As at        | As at        |     |
|--|--------------|--------------|-----|
|  | 30 June 2021 | 30 June 2020 |     |
| <b>Liquidity ratios</b>                          |              |              |     |
| Inventory turnover (Days) <sup>(2)</sup>         | 109          | 63           | +46 |
| Trade receivables turnover (Days) <sup>(3)</sup> | 295          | 218          | +77 |
| Trade payables turnover (Days) <sup>(4)</sup>    | 37           | 33           | +4  |

|   | As at        | As at            |          |
|---|--------------|------------------|----------|
|   | 30 June 2021 | 31 December 2020 |          |
| <b>Capital ratios</b>                   |              |                  |          |
| Interest coverage ratios <sup>(5)</sup> | N/A          | N/A              |          |
| Net debt to equity ratio <sup>(6)</sup> | 73.5%        | 57.2%            | +16.3ppt |
| Gearing ratio <sup>(7)</sup>            | 96.8%        | 93.9%            | +2.9ppt  |

Notes:

- (1) Net loss for the period divided by total equity.
- (2) Average of the inventory at the beginning and at the end of the period divided by cost of sales times the number of days during the period.
- (3) Average of the trade receivables at the beginning and at the end of the period divided by revenue times the number of days during the period.
- (4) Average of the trade payables at the beginning and at the end of the period divided by costs of sales times the number of days during the period.
- (5) Profit before interest and tax for the period divided by interest expenses of the same period.
- (6) Net debt divided by total equity as at the end of the period. Net debt includes bank borrowings net of cash and cash equivalents and pledged bank deposits.
- (7) Total debts divided by the total equity as at the end of the period.

# Management Discussion and Analysis

## OVERVIEW

China Fordoo Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) are one of the leading menswear enterprises in the PRC focusing on the design, sourcing, manufacturing and sales of its branded menswear products.

In the first half of 2021, due to the economic recovery from the COVID-19 pandemic leading to an increase in the domestic demand, the Group’s revenue increased from RMB94.9 million to RMB105.7 million, representing a 11.4% increase comparing with the first half of 2020.

The business environment of the menswear industry was very difficult. Although comparing with the first half of 2020, the economy in China was slightly recovered, the occurrence of recurrent waves and outbreaks of COVID-19 are still affecting the consumers’ demand for well-known branded products, they are more inclined to buying more affordable products. In addition, the increase in operating costs has also made the operation even harder, especially in some first-tier cities in China.

To cope up with the intense competition in the retail market and weak consumer sentiment, the Group continued to rationalize its distribution network by closing some of the underperforming retail outlets and to strengthen the corporation with its distributors and sub-distributors in order to improve operating efficiency. Furthermore, the Group persistently enhances its design and product development capabilities to increase its brand building strategies and flexibility in manufacturing by outsourcing part of the production process.

As part of the Group’s strategy to diversify its business and to enhance the long-term growth and shareholder value, during the first half of 2021, it acquired the economic interest and benefits of Tianjin Honggao Technology Co., Ltd.\* (天津洪高科技有限公司) (“**Tianjin Honggao**”) through the acquisition of Good Productive Limited. Tianjin Honggao is principally engaged in the business of sales and marketing of automobiles through an e-commerce platform. During the first half of 2021, the Group derived revenue from advertising activities conducted through Tianjin Honggao in the sum of RMB2.4 million.

## FINANCIAL REVIEW

For the six months ended 30 June 2021, the Group recorded a net loss of RMB64.8 million (2020: RMB67.1 million). The loss was mainly attributable to the decline in Group’s gross profit due to the combining effect of the selling price reduction strategy to retain the market share and the increase in operating costs, an increase in allowance for expected credit losses on trade receivables under IFRS 9 “Financial Instruments” as well as the reduction in finance costs. As at 30 June 2021, the Group had 296 retail outlets (including 17 self-operated retail outlets in Beijing), representing a net decrease of 40 retail outlets from 336 retail outlets as at 31 December 2020.

### Revenue

Comparing with the relatively low revenue amount in the first half of 2020 due to the outbreak of COVID-19, the revenue in the first of 2021 increased by 11.4% from RMB94.9 million to RMB105.7 million. The revenue gradually recovered due to the economic recovery from the COVID-19 pandemic.

# Management Discussion and Analysis

## Revenue by Product Type

|                        | For the six months ended   |               |                            |              |         | Change<br>% |
|------------------------|----------------------------|---------------|----------------------------|--------------|---------|-------------|
|                        | 30 June 2021               |               | 30 June 2020               |              |         |             |
|                        | RMB million<br>(Unaudited) | % of revenue  | RMB million<br>(Unaudited) | % of revenue |         |             |
| <b>Appeal</b>          |                            |               |                            |              |         |             |
| Men's trousers         | 58.4                       | 55.3%         | 52.1                       | 54.9%        | 12.1%   |             |
| Men's tops             | 44.8                       | 42.4%         | 42.6                       | 44.9%        | 5.2%    |             |
| Accessories            | –                          | –             | 0.2                        | 0.2%         | –100.0% |             |
| <b>Total of Appeal</b> | <b>103.2</b>               | <b>97.7%</b>  | 94.9                       | 100.0%       | 8.7%    |             |
| <b>Advertising</b>     | <b>2.4</b>                 | <b>2.3%</b>   | –                          | –            | 100.0%  |             |
| <b>Total</b>           | <b>105.6</b>               | <b>100.0%</b> | 94.9                       | 100.0%       | 11.3%   |             |

Trousers remained the major turnover contributor of the Group in terms of product type and accounted for 55.3% of the total revenue during the first half of 2021 (the first half of 2020: 54.9%).

## Revenue by Product Style

|                        | For the six months ended   |               |                            |              |         | Change<br>% |
|------------------------|----------------------------|---------------|----------------------------|--------------|---------|-------------|
|                        | 30 June 2021               |               | 30 June 2020               |              |         |             |
|                        | RMB million<br>(Unaudited) | % of revenue  | RMB million<br>(Unaudited) | % of revenue |         |             |
| <b>Appeal</b>          |                            |               |                            |              |         |             |
| Business Casual        | 72.4                       | 68.5%         | 63.9                       | 67.3%        | 13.3%   |             |
| Business Formal        | 19.3                       | 18.3%         | 19.7                       | 20.8%        | –2.0%   |             |
| Casual                 | 11.5                       | 10.9%         | 11.1                       | 11.7%        | 3.6%    |             |
| Accessories            | –                          | –             | 0.2                        | 0.2%         | –100.0% |             |
| <b>Total of Appeal</b> | <b>103.2</b>               | <b>97.7%</b>  | 94.9                       | 100.0%       | 8.7%    |             |
| <b>Advertising</b>     | <b>2.4</b>                 | <b>2.3%</b>   | –                          | –            | 100.0%  |             |
| <b>Total</b>           | <b>105.6</b>               | <b>100.0%</b> | 94.9                       | 100.0%       | 11.3%   |             |

Business casual series remained our largest revenue contributor in terms of product type and accounted for 68.5% of the total revenue for the first half of 2021 (the first half of 2020: 67.3%).

# Management Discussion and Analysis

## Revenue by Region

| Region                                | For the six months ended   |               |                            |              |             |  |
|---------------------------------------|----------------------------|---------------|----------------------------|--------------|-------------|--|
|                                       | 30 June 2021               |               | 30 June 2020               |              | Change<br>% |  |
|                                       | RMB million<br>(Unaudited) | % of revenue  | RMB million<br>(Unaudited) | % of revenue |             |  |
| Northern China <sup>(1)</sup>         | 3.6                        | 3.4%          | 5.8                        | 6.1%         | -37.9%      |  |
| Northeastern China <sup>(2)</sup>     | –                          | –             | 0.6                        | 0.6%         | -100.0%     |  |
| Eastern China <sup>(3)</sup>          | 42.2                       | 40.0%         | 43.8                       | 46.2%        | -3.7%       |  |
| Central Southern China <sup>(4)</sup> | 6.8                        | 6.4%          | 4.2                        | 4.4%         | 61.9%       |  |
| Southwestern China <sup>(5)</sup>     | 2.9                        | 2.7%          | 3.2                        | 3.4%         | -9.4%       |  |
| Northwestern China <sup>(6)</sup>     | 2.4                        | 2.3%          | 4.6                        | 4.8%         | -47.8%      |  |
| <b>Subtotal</b>                       | <b>57.9</b>                | <b>54.8%</b>  | 62.2                       | 65.5%        | -6.9%       |  |
| Online distributor                    | 32.8                       | 31.1%         | 12.8                       | 13.5%        | 156.3%      |  |
| Self-operated retail outlets          | 12.5                       | 11.8%         | 19.9                       | 21.0%        | -37.2%      |  |
| <b>Total of Appeal</b>                | <b>103.2</b>               | <b>97.7%</b>  | 94.9                       | 100.0%       | 8.7%        |  |
| <b>Advertising</b>                    | <b>2.4</b>                 | <b>2.3%</b>   | –                          | –            | 100.0%      |  |
| <b>Total</b>                          | <b>105.6</b>               | <b>100.0%</b> | 94.9                       | 100.0%       | 11.3%       |  |

### Notes:

- (1) Northern China includes Beijing, Hebei, Shanxi, Tianjin and Inner Mongolia.
- (2) Northeastern China includes Heilongjiang, Jilin and Liaoning.
- (3) Eastern China includes Jiangsu, Zhejiang, Shanghai, Anhui, Fujian, Shandong and Jiangxi.
- (4) Central Southern China includes Henan, Hubei, Hunan, Guangdong, Guangxi and Hainan.
- (5) Southwestern China includes Chongqing, Sichuan, Guizhou, Yunnan and Tibet.
- (6) Northwestern China includes Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang.

The Eastern China region and online distributors were the major revenue contributors, and together accounted for 71.1% (the first half of 2020: 59.7%) of the total revenue during the first half of 2021. Revenue from online distributor increased from 13.5% to 31.1% of the total revenue and it reflected the result that we have placed more efforts on internet marketing and accordingly expanded our online distribution channel.

# Management Discussion and Analysis

## Cost of Sales

Cost of sales increased by 35.9% from RMB62.7 million in the first half of 2020 to RMB85.2 million in the first half of 2021. The increase was primarily due to the increase in the cost of raw materials.

The Group had changed its operational strategy to source its products on OEM purchase only which was more flexible in meeting the current customer demand. Under the current weak retail situation, distributors placed small quantity orders of different product mix, economies of scale in production could not be achieved. In addition, after experiencing the suspension of social and economic activities in the previous year due to the COVID-19 pandemic, outsourcing production process can avoid the sunk cost of production, such as idle labor costs and the fringe benefits.

## Gross Profit and Gross Profit Margin

Gross profit decreased by 36.3% from RMB32.2 million in the first half of 2020 to RMB20.5 million in the first half of 2021 and gross profit margin decreased by 14.5 percentage points from 33.9% in the first half of 2020 to 19.4% in the first half of 2021. The decreases in gross profit and gross profit margin were primarily attributable to the combining effect of the selling price reduction strategy, i.e. reduction in profit margin, to retain market share and the increase in cost of materials.

## Other Income and Other Gains or Losses

Other income and other gains or losses increased by 178.4% from RMB3.6 million in the first half of 2020 to RMB10.1 million in the first half of 2021. The increase was mainly due to the increase in franchise income, rental income and gain on modification of corporate bonds, partially offset by the decrease in interest income and government grants.

## Selling and Distribution Expenses

Selling and distribution expenses increased by RMB15.7 million from RMB13.1 million in the first half of 2020 to RMB28.8 million in the first half of 2021, accounting for 27.3% of total revenue, representing a year-on-year increase of 120.4 percentage points. To cope with the economic recovery from COVID-19 in early 2021, the Company rescheduled some advertising activities which were normally held in the second half of the year to the first half of 2021 to attract customers and retain the market share. It led to the increase in advertising and promotional expenses and hence the selling and distribution expenses. The increase in selling and distribution expenses was partially offset by: (i) the decrease in salesmen salaries and insurance resulting from the decrease in the Group's headcount coupled with a decrease in number of stores during the first half of 2021 and (ii) the decrease in decoration expenses, which was in line with the consolidation strategy on the underperforming shops.

## Administrative and Other Operating Expenses

Administrative and other operating expenses decreased by RMB26.4 million from RMB86.1 million in the first half of 2020 to RMB59.8 million in the first half of 2021, accounting for 56.6% of total revenue, representing a year-on-year decrease of 30.6 percentage points. The decrease was mainly due to the decrease in allowance for expected credit losses on trade receivables under IFRS 9 "Financial Instruments" and staff salaries due to department restructuring and cost saving.

## Finance Costs

Finance costs decreased by 14.3% from RMB17.5 million in the first half of 2020 to RMB15.0 million in the first half of 2021, mainly due to decrease in bank borrowings and corporate bonds.

## Income Tax

Income tax credit decreased by 41.2% from RMB13.7 million in the first half of 2020 to RMB8.1 million in the first half of 2021. The decrease in income tax credit was mainly due to the increase of loss before taxation and the increase in deferred tax assets generated from the decrease in allowance for expected credit losses on trade receivables.

# Management Discussion and Analysis

## Loss Attributable to Shareholders of the Company

For the first half of 2021, loss attributable to the shareholders of the Company (the “Shareholders”) was RMB64.8 million (the first half of 2020: RMB67.1 million).

## Interim Dividend

The board (the “Board”) of directors of the Company (the “Directors”) has resolved not to declare the payment of any interim dividend for the six months ended 30 June 2021 (30 June 2020: Nil).

## BUSINESS REVIEW

### Distribution Network

The following table shows the changes in the number of stores in different regions during the six months ended 30 June 2021:

| Region                       | Number of stores           |  |  | As at<br>30 June<br>2021 |
|------------------------------|----------------------------|--|--|--------------------------|
|                              | As at<br>1 January<br>2021 | Stores<br>opened<br>during<br>the period | Stores<br>closed<br>during<br>the period |                          |
| Northern China               | 43                         | 4  | 9  | 38                       |
| Northeastern China           | 17                         | 0  | 3  | 14                       |
| Eastern China                | 133                        | 7  | 19                                       | 121                      |
| Central Southern China       | 35                         | 1  | 13                                       | 23                       |
| Southwestern China           | 38                         | 6  | 5  | 39                       |
| Northwestern China           | 49                         | 0  | 5  | 44                       |
| <b>Subtotal</b>              | 315                        | 18                                       | 54                                       | 279                      |
| Self-operated retail outlets | 21                         | 0  | 4  | 17                       |
| <b>Total</b>                 | 336                        | 18                                       | 58                                       | 296                      |

As at 30 June 2021, we had a nationwide retail network of 296 retail outlets (including 17 self-operated retail outlets in Beijing) across over 250 cities and 29 provinces, autonomous regions and central government-administered municipalities in the PRC. There was a net decrease of 40 retail stores from 336 as at 31 December 2020, as we continued our consolidation strategy on the retail outlet network during the first half of 2021 and closed down inefficient retail stores.

As at 30 June 2021, 81.1% of the retail outlets were located in department stores or shopping malls whereas 13.2% of the retail outlets were standalone stores.

# Management Discussion and Analysis

## Distribution Channel Management

As at 30 June 2021, the Group's distribution network comprised 56 distributors (31 December 2020: 45 distributors) and 33 sub-distributors (31 December 2020: 39). Among the 56 distributors mentioned above, 11 had business relationships with us for more than ten years. We believe that these strong, stable and long-standing relationships with our distributors are essential to our brand building efforts and continued business development. At the same time, in order to strengthen our distribution channel, we are inviting distributors with extensive industry experience, stable working capital and managerial expertise to join our distribution network.

To facilitate the management of our distributors and retail outlets, we divide our distribution network by regions in the PRC. We have assigned a management team for each region. Each team is responsible for soliciting and selecting potential distributor candidates, supervising and communicating with our distributors and monitoring and conducting on-site inspections of retail outlets within their respective region.

The Group will continue to provide training for its distributors and the management teams, with the aim of improving their retail management skills, sales technique as well as brand and product knowledge.

## Marketing and Promotion

The Group believes that brand awareness is crucial to its long-term business development and a cornerstone of its future success. In the first half of 2021, the Group invested RMB19.4 million (the first half of 2020: RMB4.1 million) in advertising and promotion to heighten its brand awareness, including engaging in online advertisement through the internet, e.g. www.163.com, and software value-added services to promote our brand name.

The Group continued to upgrade its existing retail stores to enhance and reinforce its brand image. The Group opened 18 new stores and renovated 6 existing stores during the first half of 2021. We also endeavor to continue to gradually upgrade some of the stores operated by our distributors and their sub-distributors through store renovation and improvement of in-store design and layout.

## Design and Product Development

The Group always put great emphasis on product design and quality, as we believe our ability and commitment to provide fashionable and comfortable products have been integral to our success. Our product development initiatives include, among others, launching of our new men's casual fashion series and developing our own quality fabrics. As at 30 June 2021, our product design and development team consisted of 16 members. The key team members, who plan, implement, supervise and manage the design and development efforts, have an average of 11 years of experience in the fashion industry. We will continue to invest in our product design and research and development capabilities to capture fashion trends and product designs.

## Sales Fairs

We generally organize sales fairs at our headquarters in Quanzhou to showcase our upcoming products for the spring/summer and autumn/winter collections to our existing and potential distributors and sub-distributors. We review our distributors' orders placed at our sales fair to ensure that they are reasonable and in line with the relevant distributor's capacity and development plans. The sales fairs for 2021 autumn/winter collections was held in April 2021, and the sales fairs for 2022 spring/summer collections will be held in September 2021.

# Management Discussion and Analysis

## PROSPECTS

With the decreasing number of patients diagnosed with COVID-19 pandemic across China and the increase in vaccinated population, the economy in China was slightly recovered from the impact of the pandemic. However, with the recurring waves of the pandemic occurred and the Group will remain cautious and continue to monitor the impact of the pandemic on the business operations. The Group's management remains optimistic that the domestic demand in China will grow in the second half of 2021 with the epidemic easing in China. The Group will continue to monitor the business operations, to control and reduce unnecessary expenses and save costs and to take initiatives to anticipate the fashion trends, consumer needs and preferences in the market and develop new products series with new and high-quality elements that appeal to the target customers and align with our marketing strategy and customer perception.

Looking forward, apart from continuing our operations as a garment enterprise for menswear brand, the Company is studying the feasibility of developing a platform for alliance service in the name of Fordoo, and considering to lease out some factories to increase the revenue. The Group will also implement strict cost control and continue to explore opportunities for business development and diversification, so as to maximize the returns to the Company and Shareholders in the long run and enhance its shareholder value accordingly.

## Liquidity and Financial Resources and Capital Structure

As at 30 June 2021, the total cash and bank balances of the Group were RMB111.6 million (31 December 2020: RMB199.3 million), comprising cash and cash equivalent of RMB109.3 million (31 December 2020: RMB196.7 million) and pledged bank deposits of RMB2.3 million (31 December 2020: RMB2.6 million).

The Group had a total of interest bearing borrowings of RMB464.6 million (31 December 2020: RMB510.2 million) comprising bank borrowings of RMB399.8 million (31 December 2020: RMB419.8 million) and corporate bonds of RMB64.8 million (31 December 2020: RMB90.4 million). The Group's borrowings were primarily denominated in RMB and HK\$ (31 December 2020: in both RMB and HK\$) and bear interest at fixed rate (31 December 2020: fixed rate) ranging from 0.1% to 6.5% (31 December 2020: 0.1% to 7.5%).

The maturity profile of the total borrowings as at 30 June 2021 is as follows (with comparative figures as at 31 December 2020):

|   | As at 30 June 2021         |        | As at 31 December 2020   |        |
|---|----------------------------|--------|--------------------------|--------|
|   | RMB million<br>(Unaudited) | %      | RMB million<br>(Audited) | %      |
| Bank and other borrowings and corporate bonds |                            |        |                          |        |
| — Within 1 year or on demand                  | 425.7                      | 91.6%  | 471.4                    | 92.4%  |
| — Over 1 but within 2 years                   | 20.8                       | 4.5%   | 11.4                     | 2.2%   |
| — Over 2 but within 5 years                   | 18.1                       | 3.9%   | 21.5                     | 4.2%   |
| — Over 5 years                                | —                          | —      | 5.9                      | 1.2%   |
| Total   | 464.6                      | 100.0% | 510.2                    | 100.0% |

As at 30 June 2021, the gearing ratio was 96.8% (31 December 2020: 93.9%). The increase was mainly due to the decrease of total equity. The Group's gearing ratio is measured by the total interest-bearing borrowings divided by total equity and multiplied by 100%.

As at 30 June 2021, the Group's total equity decreased by RMB63.3 million to RMB480.1 million (31 December 2020: RMB543.4 million). The decrease was mainly due to the incur of loss for the first half of 2021.

# Management Discussion and Analysis

## Trade Working Capital Ratios

The Group's average inventory turnover days was 109 days for the first half of 2021, as compared to 63 days for the same period last year. The Group forecasted that the domestic demand for the products in 2021 would be higher and the distributors would place more orders. However, the occurrence of recurring waves of the COVID-19 led to distributors slowing down on placing order and higher inventory turnover days. As at 30 June 2021, the Group's total inventories increased by 213.3% from RMB14.3 million as at 30 June 2020 to RMB44.8 million.

The Group's average trade receivables turnover days for the first half of 2021 was 295 days, representing an increase of 77 days from 218 days for the same period last year. As at 30 June 2021, the Group's total trade receivables increased by 9.7% from RMB163.1 million as at 30 June 2020 to RMB179.0 million. The increase in trade receivables turnover days was mainly due to the long outstanding trade receivables of some customers. The management in charge has been closely following up with the distributors for settlement arrangement with monthly statements and collection letters issued, regular telephone calls and site visits, where applicable. The Group will consider taking legal actions to collect the overdue trade receivables and enforce the collaterals if no further repayment is made in near future.

The Group's average trade payables turnover days was 37 days for the first half of 2021, representing an increase of 4 days as compared to 33 days for the same period last year. We normally have a credit period of 7 to 60 days from our suppliers. The Group had been continuously negotiating with suppliers to obtain a longer credit period to improve the liquidity. As at 30 June 2021, the Group's total trade payables increased by 68.2% from RMB11.1 million as at 30 June 2020 to RMB18.7 million.

The Group recorded a net debt to equity ratio of 73.5% as at 30 June 2021 (30 June 2020: 7.1%).

The Group regularly and actively monitors its capital structure to ensure that there is sufficient working capital to operate its business and to maintain a balanced capital structure between providing steady returns to its Shareholders and benefits to its other stakeholders and having an adequate level of borrowing and security.

## Charges on Group Assets

As at 30 June 2021, secured bank borrowings RMB349.8 million (31 December 2020: RMB349.8 million) were secured by bank deposit, certain buildings, investment properties and land use rights with carrying value of RMB2.3 million (31 December 2020: RMB2.6 million), RMB39.6 million (31 December 2020: RMB63.4 million), RMB325.0 million (31 December 2020: RMB280.0 million) and RMB235.4 million (31 December 2020: RMB238.9 million), respectively.

## Significant Investment, Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

On 14 December 2020 and 5 March 2021, the Company and Mr. Tong Xin ("**Mr. Tong**"), an executive Director, entered into the sale and purchase agreement and supplemental agreement, respectively, pursuant to which the Company had conditionally agreed to acquire and Mr. Tong had conditionally agreed to sell the entire issued share capital of Good Productive Limited ("**GPL**") (the "**Acquisition**") for a consideration of HK\$9.7 million.

Upon completion, the Company held the entire issued share capital of GPL which indirectly holds the entire issued capital of Tianjin Jinshen International Trade Co., Ltd.\* (天津金聖國際貿易有限責任公司) and through the variable interest entity agreements ("**VIE Agreements**"), has effective control over the financing and operations of Tianjin Honggao Technology Co., Ltd.\* (天津洪高科技有限公司) (the "**OPCO**"), and enjoys the economic interest and benefits of the OPCO. According to the relevant Listing Rules, the acquisition of the entire issued share capital of GPL constituted a disclosable and connected transaction and the entry of the VIE Agreements constituted a continuing connected transaction.

# Management Discussion and Analysis

The Acquisition was completed on 30 March 2021. For further details of the Acquisition, please refer to the circular of the Company dated 24 March 2021.

Save as disclosed above, the Group had no significant investment, material acquisition or disposal of subsidiaries, associates and joint ventures during the first half of 2021.

## Future Plans for Material Investments and Capital Assets

### Factory Restructuring

The Group had started to restructure some redundant factory areas (the “**Restructuring**”) in Quanzhou to alternate the usage of those areas to develop a one-stop home and commercial furnishing chain business platform (the “**Platform**”) to increase the income streams since late 2020.

The Platform will facilitate the matching of suppliers and customers of the furnishing industry. The Restructuring will be separated into different areas such as the furnishing materials store, the furnishing design centre and supporting facilities such as the business centre. We expect to receive rental incomes, promotion and advertisement fees from the Platform.

The Restructuring is under the construction stage and is principally funded by cash generated from our operations and bank borrowings. According to the planned timetable, we expect that the Restructuring will be completed by early 2022.

## Capital Commitments and Contingencies

As at 30 June 2021, the Group had a total capital commitment of RMB271.2 million (31 December 2020: RMB281.9 million). It was primarily related to the construction in progress. All the capital commitments are expected to be financed by our operations and bank borrowings.

As at 30 June 2021, the Group had no material contingent liabilities.

## Foreign Currency Exposure

The functional currency of the Company is the Hong Kong dollar and the figures in the Group’s financial statements are translated into Renminbi for reporting and consolidation purposes. Foreign exchange differences arising from translation of financial statements are directly recognised in equity as a separate reserve. As the Group conducts business transaction principally in Renminbi, the exchange rate risk at the Group’s operational level is not significant. The Group does not employ any financial instruments for hedging purpose.

## Employees, Training, and Development

The Group had a total of 158 employees as at 30 June 2021 (31 December 2020: 171). The main reason of the decrease was due to cost saving scheme. The Group invested in regular training and other development courses for employees to enhance their technical and product knowledge as well as management skills. The Group offered competitive remuneration packages to its employees, including basic salary, allowances, insurance, commission or bonuses and entitlement to participate in the Group’s share option scheme.

# Management Discussion and Analysis

## Use of Proceeds

The shares of the Company (the “Shares”) were listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 16 July 2014 with net proceeds (the “Net Proceeds”) from the global offering of HK\$454.7 million (after deducting underwriting commissions and related expenses). Parts of the Net Proceeds were applied during the reporting period in accordance with the proposed applications set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 30 June 2014 (the “Prospectus”). As at 30 June 2021, the Group had utilized HK\$390.6 million of the Net Proceeds and unutilized Net Proceeds amounts to HK\$64.1 million.

The following table sets forth a breakdown of the use of the Net Proceeds as at 30 June 2021:

| Use of net proceeds   | Available<br>for use<br>HK\$ million | Utilized<br>(as at<br>30 June 2021)<br>HK\$ million | Unutilized<br>(as at<br>30 June 2021)<br>HK\$ million |
|---|--------------------------------------|---|---|
| Brand promotion and marketing                                 | 122.8                                | (122.8)   | –   |
| Research, design and product development                      | 90.9                                 | (52.3)  | 38.6  |
| Repay a portion of our bank borrowings                        | 90.9                                 | (90.9)  | –   |
| Expand distribution network and provide storefront decoration | 59.1                                 | (59.1)  | –   |
| Install ERP system  | 45.5                                 | (20.0)  | 25.5  |
| Working capital and other general corporate purposes          | 45.5                                 | (45.5)  | –   |
|   | 454.7                                | (390.6)   | 64.1  |

The proceeds not utilised were deposited into interest bearing bank accounts with licensed commercial banks in China. The unused proceeds are planned to be utilised by 2021.

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021 — unaudited  
(Expressed in Renminbi)

|  | Notes | Six months ended 30 June |                 |
|--|-------|--------------------------|-----------------|
|  |       | 2021<br>RMB'000          | 2020<br>RMB'000 |
| <b>Revenue</b>   | 4     | <b>105,677</b>           | 94,857          |
| Cost of sales  |       | <b>(85,194)</b>          | (62,689)        |
| <b>Gross profit</b>  |       | <b>20,483</b>            | 32,168          |
| Other income and other gains or losses   | 5     | <b>10,147</b>            | 3,645           |
| Selling and distribution expenses  |       | <b>(28,816)</b>          | (13,075)        |
| Administrative and other operating expenses  |       | <b>(59,770)</b>          | (86,122)        |
| <b>Loss from operations</b>  |       | <b>(57,956)</b>          | (63,384)        |
| Finance costs  | 6(a)  | <b>(14,961)</b>          | (17,464)        |
| <b>Loss before taxation</b>  | 6     | <b>(72,917)</b>          | (80,848)        |
| Income tax   | 7     | <b>8,072</b>             | 13,733          |
| <b>Loss for the period</b>   |       | <b>(64,845)</b>          | (67,115)        |
| <b>Other comprehensive income/(expense) for the period</b>   |       |                          |                 |
| Item that may be reclassified subsequently to profit or loss:  |       |                          |                 |
| Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China (the "PRC") |       | <b>1,534</b>             | (1,379)         |
| <b>Total comprehensive expense for the period</b>  |       | <b>(63,311)</b>          | (68,494)        |
| <b>Loss per share (RMB cents)</b>  |       |                          |                 |
| Basic and diluted  | 8     | <b>(3.4)</b>             | (3.5)           |

The notes on pages 19 to 36 form part of this interim financial report.

# Condensed Consolidated Statement of Financial Position

At 30 June 2021 — unaudited  
(Expressed in Renminbi)

|                                 | Notes | At 30 June<br>2021<br>RMB'000<br>Unaudited | At 31 December<br>2020<br>RMB'000<br>Audited |
|---------------------------------|-------|--|--|
| <b>Non-current assets</b>       |       |  |  |
| Property, plant and equipment   | 9     | 39,562                                     | 67,788                                       |
| Goodwill                        |       | 3,903                                      | –  |
| Investment properties           |       | 324,971                                    | 280,041                                      |
| Right-of-use assets             |       | 240,972                                    | 239,236                                      |
| Intangible assets               |       | 35,477                                     | 57,456                                       |
| Deferred tax assets             |       | 88,357                                     | 85,723                                       |
|                                 |       | <b>733,242</b>                             | 730,244                                      |
| <b>Current assets</b>           |       |  |  |
| Inventories                     | 10    | 44,831                                     | 56,702                                       |
| Trade and other receivables     | 11    | 231,213                                    | 219,650                                      |
| Pledged bank deposits           | 12    | 2,284                                      | 2,600  |
| Cash and cash equivalents       |       | 109,311                                    | 196,651                                      |
|                                 |       | <b>387,639</b>                             | 475,603                                      |
| <b>Current liabilities</b>      |       |  |  |
| Trade, bills and other payables | 13    | 142,593                                    | 120,944                                      |
| Bank borrowings                 | 14    | 399,800                                    | 419,800                                      |
| Corporate bonds                 | 15    | 25,867                                     | 51,502                                       |
| Lease liabilities               |       | 2,162                                      | 331  |
| Current taxation                |       | 1,789                                      | –  |
|                                 |       | <b>572,211</b>                             | 592,577                                      |
|                                 |       | <b>(184,572)</b>                           | (116,974)                                    |
|                                 |       | <b>548,670</b>                             | 613,270                                      |

The notes on pages 19 to 36 form part of this interim financial report.

# Condensed Consolidated Statement of Financial Position

At 30 June 2021 — unaudited  
(Expressed in Renminbi)

|                                | Notes | At 30 June<br>2021<br>RMB'000<br>Unaudited | At 31 December<br>2020<br>RMB'000<br>Audited |
|--------------------------------|-------|--|--|
| <b>Non-current liabilities</b> |       |  |  |
| Corporate bonds                | 15    | 38,904                                     | 38,892                                       |
| Lease liabilities              |       | 3,879                                      | —  |
| Deferred tax liabilities       |       | 25,824                                     | 31,004                                       |
|                                |       | <b>68,607</b>                              | 69,896                                       |
| <b>Net assets</b>              |       |  |  |
|                                |       | <b>480,063</b>                             | 543,374                                      |
| <b>Capital and reserves</b>    |       |  |  |
| Share capital                  | 17    | 3,819                                      | 3,819  |
| Reserves                       |       | 476,244                                    | 539,555                                      |
| <b>Total equity</b>            |       |  |  |
|                                |       | <b>480,063</b>                             | 543,374                                      |

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021 — unaudited  
(Expressed in Renminbi)

|   | Attributable to equity holders of the Company |  |   |  |   |   |   |                             |                  |
|---|---|--|---|--|---|---|---|-----------------------------|------------------|
|   | Notes   | Share capital<br>RMB'000<br>Note 17(b) | Share premium<br>RMB'000<br>Note 17(c)(i) | Statutory reserve<br>RMB'000<br>Note 17(c)(ii) | Capital reserve<br>RMB'000<br>Note 17(c)(iii) | Exchange reserve<br>RMB'000<br>Note 17(c)(iv) | Share-based payment reserve<br>RMB'000<br>Note 17(c)(v) | Retained profits<br>RMB'000 | Total<br>RMB'000 |
| <b>Balance at 1 January 2020 (Audited)</b>                      |   | 3,819                                  | 136,871                                   | 128,898  | 39,023  | (12,056)                                      | 166   | 797,453                     | 1,094,174        |
| <b>Changes in equity for the six months ended 30 June 2020:</b> |   |  |   |  |   |   |   |                             |                  |
| Loss for the period   |   | -                                      | -   | -  | -   | -   | -   | (67,115)                    | (67,115)         |
| Other comprehensive expense for the period                      |   | -                                      | -   | -  | -   | (1,379)                                       | -   | -                           | (1,379)          |
| Total comprehensive expense                                     |   | -                                      | -   | -  | -   | (1,379)                                       | -   | (67,115)                    | (68,494)         |
| <b>Balance at 30 June 2020 (Unaudited)</b>                      |   | 3,819                                  | 136,871                                   | 128,898  | 39,023  | (13,435)                                      | 166   | 730,338                     | 1,025,680        |
| <b>Balance at 1 January 2021 (Audited)</b>                      |   | <b>3,819</b>                           | <b>136,871</b>                            | <b>128,898</b>                                 | <b>39,023</b>                                 | <b>(10,627)</b>                               | <b>166</b>  | <b>245,224</b>              | <b>543,374</b>   |
| <b>Changes in equity for the six months ended 30 June 2021:</b> |   |  |   |  |   |   |   |                             |                  |
| Loss for the period   |   | -                                      | -   | -  | -   | -   | -   | (64,845)                    | (64,845)         |
| Other comprehensive income for the period                       |   | -                                      | -   | -  | -   | 1,534   | -   | -                           | 1,534            |
| Total comprehensive expense                                     |   | -                                      | -   | -  | -   | 1,534   | -   | (64,845)                    | (63,311)         |
| <b>Balance at 30 June 2021 (Unaudited)</b>                      |   | <b>3,819</b>                           | <b>136,871</b>                            | <b>128,898</b>                                 | <b>39,023</b>                                 | <b>(9,093)</b>                                | <b>166</b>  | <b>180,379</b>              | <b>480,063</b>   |

The notes on pages 19 to 36 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2021 — unaudited  
(Expressed in Renminbi)

|  | Six months ended 30 June |          |
|--|--------------------------|----------|
|  | 2021                     | 2020     |
|  | RMB'000                  | RMB'000  |
| <b>Operating activities</b>  |                          |          |
| Cash used in operations  | (42,936)                 | (35,470) |
| Income tax paid  | –                        | (1,371)  |
| Net cash used in operating activities  | (42,936)                 | (36,841) |
| <b>Investing activities</b>  |                          |          |
| Payment for the purchase of property, plant and equipment and intangible assets  | (6,242)                  | (9,014)  |
| Proceeds from disposal of subsidiaries   | 17,000                   | –        |
| Cash inflow from acquisition of subsidiaries                                     | 18,082                   | –        |
| Payments of construction in progress   | (18,182)                 | (314)    |
| Deposit refund from a life insurance policy                                      | –                        | 7,099    |
| Decrease in fixed deposits held at bank with original maturity over three months | –                        | (1,532)  |
| Decrease in pledged bank deposits  | 316                      | 7,147    |
| Interest received  | 846                      | 2,195    |
| Net cash generated from investing activities                                     | 11,820                   | 5,581    |
| <b>Financing activities</b>  |                          |          |
| Proceeds from bank borrowings  | 141,000                  | 109,500  |
| Repayment of bank borrowings   | (161,000)                | (99,500) |
| Proceeds from issue of corporate bonds   | –                        | 9,213    |
| Interest paid  | (12,466)                 | (23,341) |
| Repayment of corporate bonds   | (23,583)                 | –        |
| Payment of lease liabilities   | (175)                    | (1,170)  |
| Net cash used in financing activities  | (56,224)                 | (5,298)  |
| Net decrease in cash and cash equivalents  | (87,340)                 | (36,558) |
| Cash and cash equivalents at 1 January   | 196,651                  | 471,354  |
| Cash and cash equivalents at 30 June   | 109,311                  | 434,796  |

The notes on pages 19 to 36 form part of this interim financial report.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 1 Basis of preparation

This interim financial information 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, including compliance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 30 August 2021.

The interim financial information has been prepared in accordance with the same accounting policies adopted in 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial information in conformity with IAS 34 requires the 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 information contains condensed consolidated interim 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 Company and the Group since the 2020 annual consolidated financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”). The interim financial information is unaudited, but has been reviewed by the Company’s audit committee.

In preparing these condensed consolidated interim financial statements, the Directors have considered the future liquidity of the Group. As at 30 June 2021, the Group has net current liabilities and loss for the year of RMB184,572,000 and RMB64,845,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the aforesaid conditions, these condensed consolidated interim financial statements have been prepared on a going concern basis on the assumption that the Group will be able to operate as a going concern for the foreseeable future. In the opinion of the Directors, the Group can meet its financial obligations as and when they fall due within the next year from the date of the condensed consolidated interim financial statements, after taking into consideration of the following measures and arrangements made subsequent to the reporting date:

- (i) The Group have guarantee contracts with certain banks to obtain maximum credit amounts of RMB1,292,690,000 and as at 30 June 2021, the unutilized facilities amount in respect of bank borrowings is RMB892,890,000.
- (ii) The Group is taking measures to tighten cost controls over various costs and expenses and to seek new investments and business opportunities with an aim to attain profitable and positive cash flow operations.

On the basis of the foregoing, and after assessing the Group’s current and forecasted cash positions, the Directors are satisfied that the Group will be able to meet in full the Group’s financial obligations as they fall due for the period of twelve months from the date of condensed consolidated interim financial statements. Accordingly, the condensed consolidated interim financial statements of the Group have been prepared on the going concern basis.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 2 Changes in accounting policies

The accounting policies adopted and methods of computation used in the condensed consolidated interim financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020, except for the adoption of new standards as set out below.

In the current interim period, the Group has adopted all the amendments (the "**amended IFRSs**") issued by the IASB that are relevant to its operations and effective for its accounting period beginning on 1 January 2021. The adoption of these amended IFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current and prior accounting period.

The Group has not applied any new and revised IFRSs that are not yet effective for the current period in advance.

## 3 Segment information

Operating segments and the amounts of each segment item reported in the condensed consolidated interim financial statements are identified from the condensed consolidated interim financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Operating segments which are individually material are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they meet a majority of these criteria.

The main operation of the Group is manufacturing, wholesaling and retail sales of menswear and advertising revenue in the PRC.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 3 Segment information (Continued)

### (a) Segment revenue and results

For the six months ended 30 June 2021

|  | Menswear<br>Six months<br>ended<br>30 June<br>2021<br>RMB'000<br>(Unaudited) | Advertising<br>Six months<br>ended<br>30 June<br>2021<br>RMB'000<br>(Unaudited) | Unallocated<br>Six months<br>ended<br>30 June<br>2021<br>RMB'000<br>(Unaudited) | Consolidated<br>Six months<br>ended<br>30 June<br>2021<br>RMB'000<br>(Unaudited) |
|--|--|---|---|--|
| Revenue  | 103,257  | 2,420   | –   | 105,677  |
| Segment result before the following items                              | (47,644)   | (1,319)   | –   | (48,963)   |
| Allowance for expected credit losses (“ECL”) of trade receivables, net | (10,538)   | –   | –   | (10,538)   |
| Segment result   | (58,182)   | (1,319)   | –   | (59,501)   |
| Other revenue and unallocated gains                                    |  |   | 2,199   | 2,199  |
| Corporate and other unallocated expenses                               |  |   | (15,615)  | (15,615)   |
| Loss before taxation   |  |   |   | (72,917)   |
| Income tax   | 8,060  | 12  | –   | 8,072  |
| Loss for the period  |  |   |   | (64,845)   |

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 3 Segment information (Continued)

### (a) Segment revenue and results (Continued)

For the six months ended 30 June 2020

|   | Menswear<br>Six months<br>ended<br>30 June<br>2020<br>RMB'000<br>(Unaudited) | Unallocated<br>Six months<br>ended<br>30 June<br>2020<br>RMB'000<br>(Unaudited) | Consolidated<br>Six months<br>ended<br>30 June<br>2020<br>RMB'000<br>(Unaudited) |
|---|--|---|--|
| Revenue                                     | 94,857   | –   | 94,857   |
| Segment result before the following items   | (30,226)   | –   | (30,226)   |
| Allowance for ECL of trade receivables, net | (35,725)   | –   | (35,725)   |
| Segment result                              | (65,951)   | –   | (65,951)   |
| Other revenue and unallocated gains         |  | 1,025   | 1,025  |
| Corporate and other unallocated expenses    |  | (15,922)  | (15,922)   |
| Loss before taxation                        |  |   | (80,848)   |
| Income tax                                  | 13,733   | –   | 13,733   |
| Loss for the period                         |  |   | (67,115)   |

### (b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segments:

|                     | Menswear   |  | Advertising  |  | Unallocated  |  | Consolidated                                       |  |
|---------------------|--|--|--|--|--|--|--|--|
|                     | As at<br>30 June<br>2021<br>RMB'000<br>(Unaudited) | As at<br>31 December<br>2020<br>RMB'000<br>(Audited) |
| Segment assets      | 833,138  | 927,498  | 25,478   | –  | 262,265  | 278,349  | 1,120,881  | 1,205,847  |
| Segment liabilities | 493,654  | 523,626  | 17,325   | –  | 129,839  | 138,847  | 640,818  | 662,473  |

### (c) Geographical Information

The principal place of the Group's operation is in the PRC. For the purpose of segment information disclosures under IFRS 8, the Group regards the PRC as its country of domicile. Over 90% of the Group's revenue and non-current assets are located in the PRC, being treated as a single geographical region.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 4 Revenue

The principal activities of the Group are manufacturing, wholesaling and retail sales of menswear and advertising revenue in the PRC. Revenue represents the sales value of goods sold less discounts and Value Added Tax.

Revenue by product type is as follows:

|                                      | Six months ended 30 June       |                                |
|--------------------------------------|--------------------------------|--------------------------------|
|                                      | 2021<br>RMB'000<br>(Unaudited) | 2020<br>RMB'000<br>(Unaudited) |
| Men's trousers                       | 58,338                         | 52,056                         |
| Men's tops                           | 44,774                         | 42,580                         |
| Accessories                          | 145                            | 221                            |
| Advertising                          | 2,420                          | –                              |
|                                      | <b>105,677</b>                 | 94,857                         |
| <b>Timing of revenue recognition</b> |                                |                                |
| At a point of time                   | 103,257                        | 94,857                         |
| Over time                            | 2,420                          | –                              |
|                                      | <b>105,677</b>                 | 94,857                         |

## 5 Other income and other gains or losses

|  | Six months ended 30 June       |                                |
|--|--------------------------------|--------------------------------|
|  | 2021<br>RMB'000<br>(Unaudited) | 2020<br>RMB'000<br>(Unaudited) |
| Interest income  | 846                            | 2,423                          |
| Rental income from investment properties less direct outgoings | 2,724                          | 738                            |
| Government grants (note (i))                                   | –                              | 118                            |
| Net foreign exchange gain/(loss)                               | 13                             | (134)                          |
| Consultancy service income                                     | 333                            | 437                            |
| Franchise income   | 4,491                          | –                              |
| Gain on modification of corporate bonds                        | 713                            | –                              |
| Others   | 1,027                          | 63                             |
|  | <b>10,147</b>                  | 3,645                          |

Note:

- (i) Government grants were received from several local government authorities, of which the entitlements were under the discretion of the relevant authorities.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 6 Loss before taxation

Loss before taxation is arrived at after charging:

|  | Six months ended 30 June |             |
|--|--------------------------|-------------|
|  | 2021                     | 2020        |
|  | RMB'000                  | RMB'000     |
|  | (Unaudited)              | (Unaudited) |
| <b>(a) Finance costs:</b>                              |                          |             |
| Interest on corporate bonds                            | 4,225                    | 6,174       |
| Interest on bank borrowings                            | 10,674                   | 11,229      |
| Interest on lease liabilities                          | 62                       | 61          |
|  | <b>14,961</b>            | 17,464      |
| <b>(b) Staff costs:</b>                                |                          |             |
| Contributions to defined contribution retirement plans | 476                      | 228         |
| Salaries, wages and other benefits                     | 8,605                    | 15,073      |
|  | <b>9,081</b>             | 15,301      |
| <b>(c) Other items:</b>                                |                          |             |
| Amortisation of intangible assets                      | 23,010                   | 22,200      |
| Depreciation of property, plant and equipment          | 1,999                    | 7,943       |
| Depreciation of investment properties                  | 5,724                    | 594         |
| Depreciation of right-of-use assets                    | 4,213                    | 4,305       |
| Research and developments expenses (note (i))          | 984                      | 2,645       |
| Cost of inventories                                    | 84,536                   | 62,570      |
| Allowance for ECL, net                                 | 9,788                    | 35,725      |
| Written-off of trade receivables                       | –                        | 1,441       |

Note:

- (i) Research and development costs include staff costs of employees in the design and product development department of RMB903,000 (six months ended 30 June 2020: RMB1,639,000), which are included in the staff costs as disclosed in note 6(b).

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 7 Income tax

|   | Six months ended 30 June |             |
|---|--------------------------|-------------|
|   | 2021                     | 2020        |
|   | RMB'000                  | RMB'000     |
|   | (Unaudited)              | (Unaudited) |
| <b>Current tax</b>                                    |                          |             |
| Provision for PRC corporate income tax for the period | -                        | 246         |
| <b>Deferred tax</b>                                   |                          |             |
| Origination and reversal of temporary differences     | <b>(8,072)</b>           | (13,979)    |
|   | <b>(8,072)</b>           | (13,733)    |

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) No provision was made for Hong Kong Profits Tax as the Group did not earn any assessable profit subject to Hong Kong Profits Tax during the six months ended 30 June 2021 and 2020.
- (iii) Pursuant to the income tax rules and regulations of the PRC, provision for PRC corporate income tax is calculated based on the statutory rate of 25% of the assessable profits of the subsidiaries incorporated in the PRC.
- (iv) According to the Corporate Income Tax law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 8 Loss per share

### (a) Basic loss per share

The calculation of the basic loss per share attributable to equity holders of the Company is based on the following data:

|   | Six months ended 30 June |             |
|---|--------------------------|-------------|
|   | 2021                     | 2020        |
|   | RMB'000                  | RMB'000     |
|   | (Unaudited)              | (Unaudited) |
| <b>Loss</b>   |                          |             |
| Loss for the period for the purposes of computation of basic loss per share | <b>(64,845)</b>          | (67,115)    |

|   | Number of shares |           |
|---|------------------|-----------|
|   | '000             | '000      |
| <b>Number of shares</b>                             |                  |           |
| Weighted average number of ordinary shares in issue | <b>1,923,600</b> | 1,923,600 |

### (b) Diluted loss per share

The computation of diluted loss per share for the six months ended 30 June 2020 and 2021 did not assume the exercise of outstanding share options of the Company since their assumed conversion would result in a decrease in loss per share.

## 9 Property, plant and equipment

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment with a cost of RMB6,242,000 (six months ended 30 June 2020: RMB9,014,000).

Items of property, plant and equipment with a net book value of RMBNil (six months ended 30 June 2020: RMBNil) were disposed of during the six months ended 30 June 2021.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 10 Inventories

|                | As at<br>30 June<br>2021<br>RMB'000<br>(Unaudited) | As at<br>31 December<br>2020<br>RMB'000<br>(Audited) |
|----------------|--|--|
| Raw materials  | 255  | 52   |
| Finished goods | 44,576   | 56,650   |
|                | <b>44,831</b>                                      | 56,702   |

## 11 Trade and other receivables

|   | As at<br>30 June<br>2021<br>RMB'000<br>(Unaudited) | As at<br>31 December<br>2020<br>RMB'000<br>(Audited) |
|---|--|--|
| Trade receivables                           | 405,547  | 379,131  |
| Less: Loss allowance for ECL                | (226,552)  | (216,014)  |
| Trade receivables                           | 178,995  | 163,117  |
| Prepayments to suppliers                    | 35,822   | 6,729  |
| Other deposits, prepayments and receivables | 16,396   | 49,804   |
|   | <b>231,213</b>                                     | 219,650  |

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 11 Trade and other receivables (Continued)

### Aging analysis

At the end of the reporting period, the aging analysis of trade receivables with net of allowance for ECL, based on invoice date, is as follows:

|  | As at<br>30 June<br>2021<br>RMB'000<br>(Unaudited) | As at<br>31 December<br>2020<br>RMB'000<br>(Audited) |
|--|--|--|
| Within 3 months                        | 60,922   | 114,572  |
| More than 3 months but within 6 months | 15,501   | 24,297   |
| More than 6 months but within 1 year   | 98,674   | 21,513   |
| Over 1 year                            | 3,898  | 2,735  |
|  | <b>178,995</b>                                     | 163,117  |

Trade receivables are normally due for settlement within 90–180 days (31 December 2020: 90–180 days) from the invoice date.

### Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance amount unless the recovery of the receivables is remote, in which case the receivables are written off directly.

The movement in the allowance for ECL during the period/year is as follows:

|  | As at<br>30 June<br>2021<br>RMB'000<br>(Unaudited) | As at<br>31 December<br>2020<br>RMB'000<br>(Audited) |
|--|--|--|
| Balance as at 1 January                          | 216,014  | 207,532  |
| Reversal of ECL recognised in prior years        | (32,875)   | (27,104)   |
| Reversal due to written-off of trade receivables | –  | (42,690)   |
| ECL recognised                                   | 43,413   | 78,276   |
| Balance as at 30 June/31 December                | <b>226,552</b>                                     | 216,014  |

## 12 Pledged bank deposits

As at 30 June 2021, bank deposits have been pledged as security for bank borrowings, which were repayable within 1 year (see note 14(a)). The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 13 Trade, bills and other payables

|                | As at<br>30 June<br>2021<br>RMB'000<br>(Unaudited) | As at<br>31 December<br>2020<br>RMB'000<br>(Audited) |
|----------------|--|--|
| Trade payables | 18,694   | 16,248   |
| Bills payables | 5,000  | 6,500  |
| Accruals       | 52,206   | 52,784   |
| Other payables | 66,693   | 45,412   |
|                | <b>142,593</b>                                     | 120,944  |

As at the end of the reporting period, the aging analysis of the trade and bills payables, based on relevant invoice date, is as follows:

|                                   | As at<br>30 June<br>2021<br>RMB'000<br>(Unaudited) | As at<br>31 December<br>2020<br>RMB'000<br>(Audited) |
|-----------------------------------|--|--|
| Within 1 month                    | 5,781  | 7,289  |
| After 1 month but within 3 months | 7,719  | 15,250   |
| Over 3 months but within 6 months | 5,023  | 129  |
| Over 6 months but within 1 year   | 5,171  | 80   |
|                                   | <b>23,694</b>                                      | 22,748   |

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 14 Bank borrowings

(a) The bank borrowings were repayable as follow:

|                            | As at<br>30 June<br>2021<br>RMB'000<br>(Unaudited) | As at<br>31 December<br>2020<br>RMB'000<br>(Audited) |
|----------------------------|--|--|
| Within 1 year or on demand | <b>399,800</b>                                     | 419,800  |

(b) The bank borrowings were secured as follows:

|                 | As at<br>30 June<br>2021<br>RMB'000<br>(Unaudited) | As at<br>31 December<br>2020<br>RMB'000<br>(Audited) |
|-----------------|--|--|
| Bank borrowings |  |  |
| — Secured       | <b>349,800</b>                                     | 349,800  |
| — Unsecured     | <b>50,000</b>                                      | 70,000   |
|                 | <b>399,800</b>                                     | 419,800  |

(c) Certain bank borrowings were secured by assets of the Group, the carrying amounts of these assets are as follows:

|                               | As at<br>30 June<br>2021<br>RMB'000<br>(Unaudited) | As at<br>31 December<br>2020<br>RMB'000<br>(Audited) |
|-------------------------------|--|--|
| Property, plant and equipment | <b>39,562</b>                                      | 63,394   |
| Investment properties         | <b>324,971</b>                                     | 280,041  |
| Right-of-use assets           | <b>235,356</b>                                     | 238,911  |
| Pledged bank deposits         | <b>2,284</b>                                       | 2,600  |
|                               | <b>602,173</b>                                     | 584,946  |

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 14 Bank borrowings (Continued)

(d) The amounts of banking facilities and the utilisation at the end of the reporting period are set out as follows:

|  | As at<br>30 June<br>2021<br>RMB'000<br>(Unaudited) | As at<br>31 December<br>2020<br>RMB'000<br>(Audited) |
|--|--|--|
| Facility amount  | 1,292,690  | 1,307,690  |
| Utilised facilities amount in respect of bank borrowings | 399,800  | 419,800  |

## 15 Corporate bonds

|                           | As at<br>30 June<br>2021<br>RMB'000<br>(Unaudited) | As at<br>31 December<br>2020<br>RMB'000<br>(Audited) |
|---------------------------|--|--|
| Unsecured corporate bonds | 64,771   | 90,394   |

The Group's corporate bonds are repayable as follows:

|                                  | As at<br>30 June<br>2021<br>RMB'000<br>(Unaudited) | As at<br>31 December<br>2020<br>RMB'000<br>(Audited) |
|----------------------------------|--|--|
| Within 1 year                    | 25,867   | 51,502   |
| After 1 year but within 2 years  | 20,790   | 11,417   |
| After 2 years but within 5 years | 18,114   | 21,532   |
| After 5 years                    | -  | 5,943  |
|                                  | 64,771   | 90,394   |

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 15 Corporate bonds (Continued)

The movement of corporate bonds is as follows:

|   | As at<br>30 June<br>2021<br>RMB'000<br>(Unaudited) | As at<br>31 December<br>2020<br>RMB'000<br>(Audited) |
|---|--|--|
| As at 1 January                           | 90,394   | 93,333   |
| Proceeds from issuance of corporate bonds | –  | 9,017  |
| Modification of corporate bonds           | (713)  | 262  |
| Repayment of corporate bonds              | (23,583)   | (15,580)   |
| Imputed interests                         | 2,433  | 5,125  |
| Exchange realignment                      | (3,760)  | (1,763)  |
| As at 30 June/31 December                 | <b>64,771</b>                                      | 90,394   |

As at 30 June 2021, the Group issued bonds with a principle amount in a total of RMB76,533,000 (31 December 2020: RMB117,617,000) carried interest at 0.1%–6.5% (31 December 2020: 0.1%–15%) per annum. Total transaction cost attributable to the issuance of the bonds amounted to RMB13,229,000 (31 December 2020: RMB15,519,000). The bonds are unsecured with maturity date falling on 2–8 years (31 December 2020: 2–8 years) of the issue date.

The effective interest rate of the bonds ranges from 6.73% to 13.63% (31 December 2020: 6.73% to 13.63%) per annum.

## 16 Equity-settled share-based payments for employees

The Company has adopted a share option scheme on 7 October 2015 whereby the Directors are authorised, at their discretion, to invite certain employees of the Group, including certain directors of the Group, to take up share options at consideration of HK\$1 each (equivalent to RMB0.821 at the date of grant). Each option gives the holder the right to subscribe for one ordinary share in the Company and will be settled gross in shares.

### (a) Details of share options granted are as follows:

| Date of grant                     | Exercise price | Number of options granted | Vesting periods | Contractual life of options       |         |
|-----------------------------------|----------------|---------------------------|-----------------|-----------------------------------|---------|
| Options granted to the Directors: |                |                           |                 |                                   |         |
| 7 October 2015                    | Batch 1        | HK\$0.89*                 | 400,000*        | one year from the date of grant   | 5 years |
| 7 October 2015                    | Batch 2        | HK\$0.89*                 | 400,000*        | two year from the date of grant   | 5 years |
| 7 October 2015                    | Batch 3        | HK\$0.89*                 | 400,000*        | three year from the date of grant | 5 years |
|                                   |                | HK\$0.89*                 | 1,200,000       |                                   |         |

\* On 15 October 2019, the Company approved the share subdivision at the extraordinary general meeting, the share subdivision become effect on 17 October 2019, whereby each issued and unissued ordinary share of HK\$0.01 each subdivision into four subdivision ordinary shares of HK\$0.0025 each.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 16 Equity-settled share-based payments for employees (Continued)

### (b) The number and weighted average exercise prices of share options

|  | As at 30 June 2021<br>(Unaudited)  |                      | As at 31 December 2020<br>(Audited) |                      |
|--|------------------------------------|----------------------|-------------------------------------|----------------------|
|  | Weighted average<br>Exercise price | Number of<br>options | Weighted average<br>exercise price  | Number of<br>options |
| Outstanding at the 1 January/<br>30 June/31 December | HK\$0.89                           | 1,200,000            | HK\$0.89                            | 1,200,000            |
| Exercisable at 30 June/31 December                   | HK\$0.89                           | 1,200,000            | HK\$0.89                            | 1,200,000            |

During the six months ended 30 June 2021, Nil (31 December 2020: Nil) share options were granted and 1,200,000 (31 December 2020: 1,200,000) of share options became exercisable as at 30 June 2021.

The shares options outstanding as at 30 June 2021 had an exercise price of HK\$0.89 (31 December 2020: HK\$0.89) and a weighted average remaining contractual life of 1 year (31 December 2020: 1.5 years).

## 17 Capital, reserves and dividends

### (a) Dividends

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

### (b) Share capital

Authorised and issued share capital

|   | Number<br>of shares | Amount<br>HK\$'000 |         |
|---|---------------------|--------------------|---------|
| <b>Authorised:</b>  |                     |                    |         |
| As at 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021 | 4,000,000,000       | 10,000             |         |
|   |                     |                    |         |
|   | Number<br>of shares | Amount<br>HK\$'000 | RMB'000 |
| <b>Issued and fully paid:</b>   |                     |                    |         |
| As at 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021 | 1,923,600,000       | 4,809              | 3,819   |

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 17 Capital, reserves and dividends (Continued)

### (c) Nature and purpose of reserves

#### (i) Share premium

The share premium represents the difference between the par value of the shares of the Company (the “Shares”) and proceeds received from the issuance of the Shares.

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to the Shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

#### (ii) Statutory reserve

As stipulated by regulations in the PRC, the Company’s subsidiaries established and operated in the mainland China are required to appropriate 10% of their after-tax-profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of profits to parent companies.

The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

#### (iii) Capital reserve

On 30 April 2014, an amount payable of RMB39,023,000 had been waived by the ultimate controlling party, Mr. Kwok Kin Sun, and capitalised in capital reserve.

#### (iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statement of operations outside the mainland China.

#### (v) Share-based payment reserve

Share-based payment reserve comprises the following:

- The fair value of services provided by parties other than employees to the Group in connection with the listing of the Company and the services were settled by equity instrument of the Company. The relevant services are recognised in accordance with IFRS 2, *Share-based payment*. Share-based payment was vested pursuant to the listing of the Company on 16 July 2014. No transfer from the share-based reserve to the share premium account during the period of 2021.
- The portion of the grant date fair value of share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for the share-based payments.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 18 Commitments

### Capital commitments

Capital commitments of the Group in respect of construction in progress outstanding at 30 June 2021 that were not provided for in the interim financial information were as follows:

|                | As at<br>30 June<br>2021<br>RMB'000<br>(Unaudited) | As at<br>31 December<br>2020<br>RMB'000<br>(Audited) |
|----------------|--|--|
| Contracted for | 271,230  | 281,934  |

## 19 Acquisition of subsidiaries

On 14 December 2020 and 5 March 2021, the Company entered into the sale and purchase agreement and the supplemental agreement with Mr. Tong Xin, the Director and the ultimate beneficial owner of vendor, respectively, for the acquisition of 100% the issued share capital of Good Productive Limited and its subsidiaries (“**Good Productive Group**”) at a cash consideration of HK\$9,700,000 (equivalent to RMB8,199,000). Good Productive Group is principally engaged in the sales and marketing of automobiles through an e-commerce platform. The acquisition of Good Productive Group was completed on 30 March 2021.

The fair value of identifiable assets acquired and liabilities assumed of the acquiree as at the date of acquisition were as follows:

|  | RMB'000  |
|--|----------|
| <b>Net assets acquired:</b>                    |          |
| Intangible assets                              | 1,031    |
| Cash and cash equivalents                      | 4,597    |
| Trade and other receivables                    | 12,956   |
| Other payables                                 | (11,534) |
| Deferred tax                                   | (258)    |
| Tax payables                                   | (2,147)  |
| Total identifiable net assets at fair value    | 4,645    |
| Cash consideration payable                     | 8,199    |
| Less: Fair value of net assets acquired        | (4,645)  |
| Goodwill                                       | 3,554    |
|  | RMB'000  |
| <b>Net cash inflow arising on acquisition:</b> |          |
| Cash consideration paid                        | -        |
| Add: cash and cash equivalents acquired        | 4,597    |
|  | 4,597    |

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 20 Material related party transactions

In addition to the related party information disclosed elsewhere in the condensed consolidated interim financial statements, the Group entered into the following material related party transactions.

### (a) Key management personnel compensation

Remuneration for key management personnel of the Group for the period, including amounts paid to the Directors, is as follows:

|  | Six months ended 30 June |             |
|--|--------------------------|-------------|
|  | 2021                     | 2020        |
|  | RMB'000                  | RMB'000     |
|  | (Unaudited)              | (Unaudited) |
| Short-term employee benefits               | 1,101                    | 938         |
| Contributions to retirement benefit scheme | 20                       | 21          |
|  | <b>1,121</b>             | 959         |

The total remuneration is included in "staff costs" (see note 6(b)).

### (b) Balances with related parties

The Group had the following significant balances with its related parties as at 30 June 2021:

#### Due to related parties

|                           | Notes | As at       | As at       |
|---------------------------|-------|-------------|-------------|
|                           |       | 30 June     | 31 December |
|                           |       | 2021        | 2020        |
|                           |       | RMB'000     | RMB'000     |
|                           |       | (Unaudited) | (Audited)   |
| <b>Non-trade related</b>  |       |             |             |
| Mr. Kwok Kin Sun          | (i)   | 346         | 346         |
| Mr. Kwok Hon Fung         | (i)   | 2           | 2           |
| Famous Brightness Limited | (ii)  | 8,199       | –           |

Note:

- (i) Mr. Kwok Kin Sun and Mr. Kwok Hon Fung are collectively the Directors and the Shareholders. Balances with shareholders were unsecured and non-interest-bearing and had no fixed repayment terms.
- (ii) On 14 December 2020 and 5 March 2021, the Company entered into the sales and purchase agreement and the supplemental agreement with Mr. Tong Xin, the Director and the ultimate beneficial owner of Famous Brightness Limited, respectively, for acquire the equity interest of Good Product Group.

## 21 Events after the reporting date

As at the date of this report, there are no significant event relevant to the business or financial performance of the Group that comes to the attention of the Directors after the balance sheet date.

# Other Information

## Disclosure of Interests

### Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporations

As at 30 June 2021, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were as follows:

Interests in Shares, underlying Shares and debentures and associated corporations:

| Name                             | Nature of interest                   | Number of issued ordinary Shares held | Number of underlying Shares under the share options held <sup>(3)</sup> | Total       | Approximate percentage of shareholding |
|----------------------------------|--------------------------------------|---------------------------------------|---|-------------|--|
| Mr. Kwok Kin Sun <sup>(1)</sup>  | Interest in a controlled corporation | 787,950,000                           | –   | 787,950,000 | 40.96%                                 |
| Mr. Kwok Hon Fung <sup>(2)</sup> | Interest in a controlled corporation | 193,852,000                           | –   | 193,852,000 | 10.08%                                 |
| Mr. Cheung Chiu Tung             | Beneficial owner                     | –                                     | 1,200,000   | 1,200,000   | 0.06%                                  |

Notes:

(1) Mr. Kwok Kin Sun, the chairman of the Board and an executive Director, is deemed to be interested in all the Shares held by Everkept Limited (“Everkept”) by reason of his 70% interest in the share capital of Everkept.

(2) Mr. Kwok Hon Fung, an executive Director, the chief executive officer of the Group and the son of Mr. Kwok Kin Sun, is deemed to be interested in all the Shares held by Equal Plus Limited (“Equal Plus”) by reason of his 100% interest in the share capital of Equal Plus.

Equal Plus is an associated corporation of the Company pursuant to the SFO. Mr. Kwok Hong Fung, an executive director, in the capacity as a beneficial owner, held the entire issued share capital of Equal Plus (i.e. number of share held: one).

(3) These are Shares subject to the exercise of the share options granted by the Company under the Share Option Scheme on 7 October 2015. Details of the Share Option Scheme are set out in the section headed “Share Option Scheme” below.

Save as disclosed above, as at 30 June 2021, none of the Directors and chief executive of the Company had or were deemed to have any interests or a short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### Directors' Rights to Acquire Shares or Debentures

Save as disclosed in “Share Option Scheme” below, during the reporting period, no rights to acquire benefits by means of acquisition of Shares or debentures of the Company were granted to any Directors or their respective spouse or minor children, neither were there any such rights exercised by them; nor was the Company, or any of its subsidiaries a party to any arrangement which enabled the Directors to acquire such rights in another body corporate.

# Other Information

## Substantial Shareholders' and Other Persons' Interests and short positions in the Shares and Underlying Shares of the Company

As at 30 June 2021, so far as the Directors are aware, having made all reasonable enquiries, the following interest of 5% or more of the issued share capital of the Company (other than the interests of the Directors and chief executives as disclosed above) were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

| Name   | Position | Nature of interest                 | Number of Shares | Approximate percentage of shareholding |
|--|----------|------------------------------------|------------------|--|
| Donghai International Financial Holdings Company Limited | Long     | Security interest in Shares        | 763,950,000      | 39.71%                                 |
| 東海證券股份有限公司 <sup>(1)</sup>                                | Long     | Interest in controlled corporation | 763,950,000      | 39.71%                                 |
| Ms. Wong Tung Yam <sup>(2)</sup>                         | Long     | Interest of spouse                 | 787,950,000      | 40.96%                                 |
| Everkept   | Long     | Beneficial owner                   | 787,950,000      | 40.96%                                 |
| Equal Plus   | Long     | Beneficial owner                   | 193,852,000      | 10.08%                                 |

Notes:

- (1) 東海證券股份有限公司, being the controlling shareholder of Donghai International Financial Holdings Company Limited, is deemed to be interested in all the Shares in which Donghai International Financial Holdings Company Limited is interested by virtue of the SFO.
- (2) Ms. Wong Tung Yam, being the spouse of Mr. Kwok Kin Sun, the chairman of the Board and an executive Director, is deemed to be interested in all the Shares in which Mr. Kwok Kin Sun is interested by virtue of the SFO.

Same as disclosed above, as at 30 June 2021, the Company was not aware of any person or corporation having an interest or a short position in the Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be under section 336 of Part XV of the SFO.

## Sufficiency of Public Float

Based on the publicly available information and to the best of the Directors' knowledge, information and belief at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules during the six months ended 30 June 2021.

## Review of Interim Results

The Company has an audit committee (the "Audit Committee") which comprises three independent non-executive Directors, namely Mr. Poon Yick Pang Philip (Chairman of the Audit Committee), Mr. Cheung Chiu Tung and Ms. Huang Yumin. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed auditing, financial reporting, internal control and risk management systems, and has reviewed the unaudited interim financial report for the six months ended 30 June 2021.

# Other Information

## Share Option Scheme

The Company adopted a Share Option Scheme on 9 June 2014 (the “**Share Option Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the Group. On 7 October 2015, the Company granted options to subscribe for an aggregate of 3,300,000 ordinary Shares of HK\$0.01 each in the share capital of the Company to Eligible Persons of the Group under the Share Option Scheme at an exercise price of HK\$3.56 per Share. As a result of the share subdivision effected on 17 October 2019, the exercise prices were adjusted to HK\$0.89 and the number of share options was adjusted from 300,000 to 1,200,000. Details of the Share Option Scheme were set out in the 2019 Annual Report of the Company.

Details of movements of the share options during the six months ended 30 June 2021 are set out below:

| Category         | Date of grant  | Exercise price (HK\$) | Exercisable period               | As at 1 January 2021 | Number of Share Options |           |           |        | As at 30 June 2021 |
|------------------|----------------|-----------------------|----------------------------------|----------------------|-------------------------|-----------|-----------|--------|--------------------|
|                  |                |                       |                                  |                      | Granted                 | Exercised | Cancelled | Lapsed |                    |
| <b>Director</b>  |                |                       |                                  |                      |                         |           |           |        |                    |
| Cheung Chiu Tung | 7 October 2015 | 0.89                  | 7 October 2016 to 6 October 2021 | 400,000              | -                       | -         | -         | -      | 400,000            |
|                  | 7 October 2015 | 0.89                  | 7 October 2017 to 6 October 2022 | 400,000              | -                       | -         | -         | -      | 400,000            |
|                  | 7 October 2015 | 0.89                  | 7 October 2018 to 6 October 2023 | 400,000              | -                       | -         | -         | -      | 400,000            |
| Total            |                |                       |                                  | 1,200,000            | -                       | -         | -         | -      | 1,200,000          |

The total number of Shares available for issue under the Share Option Scheme is 1,200,000, representing 0.06% of the Company's issued share capital as at 30 June 2021.

## Purchase, Sale or Redemption of The Company's Listed Securities

Neither the Company nor any of its subsidiaries had 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 complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”) during the six months ended 30 June 2021.

In addition, the Board currently comprises four executive Directors and three independent non-executive Directors, with independent non-executive Directors representing 43% of the Board, which is higher than the requirement of the Listing Rules. Such percentage of independent non-executive Directors on the Board can ensure their views would carry significant weight and enhance independence of the Board. On the above basis, the Board considers that the current structure will not impair the balance of power and the authority of the Board. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.

# Other Information

## Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as the Company’s code of conduct regarding Directors’ securities transactions.

The senior management personnel who, because of their office in the Company, are likely to be in possession of inside information, have also been requested to comply with the provisions of the Model Code.

Upon specific enquiries, all Directors and the senior management personnel of Company confirmed that they have complied with the relevant requirements under the Model Code throughout the reporting period.

## Updates on Compliance and Regulatory Matters as Disclosed in the Prospectus

Our Directors are not aware of any legal, arbitration or administrative proceedings against us, including the matter described above, that will have a material adverse effect on our business, financial condition or results of operations.

## EVENTS AFTER REPORTING PERIOD

As at the date of this report, there are no significant events relevant to the business or financial performance of the Group that come to the attention of the Directors after 30 June 2021.

On behalf of the Board

### **Kwok Kin Sun**

*Chairman and Executive Director*

Hong Kong

30 August 2021