



匯成國際控股有限公司

Huicheng International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1146)

2024

Interim Report

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CORPORATE INFORMATION

Executive directors

Mr. ZHANG Yongli
(Chairman & Chief Executive Officer)
Mr. SUN David Lee
Ms. HUANG Xiaoyun
(Chief Financial Officer)

Non-executive director

Mr. WANG Wei

Independent non-executive directors

Mr. KWONG Wilson Wai Sun
Mr. YEUNG Chi Wai
Mr. HO Ka Wang

Company secretary

Ms. KWAN Sau In

Authorised representatives

Ms. HUANG Xiaoyun
Ms. KWAN Sau In

Audit committee

Mr. KWONG Wilson Wai Sun
(Chairman)
Mr. YEUNG Chi Wai
Mr. HO Ka Wang

Remuneration committee

Mr. HO Ka Wang (Chairman)
Mr. ZHANG Yongli
Mr. KWONG Wilson Wai Sun

Nomination committee

Mr. ZHANG Yongli (Chairman)
Mr. YEUNG Chi Wai
Mr. KWONG Wilson Wai Sun

Registered office

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Camana Bay
Grand Cayman
KY1-9005
Cayman Islands

Head office in the PRC

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Tong Pu Road
Pu Tuo District
Shanghai, PRC

Principal place of business in Hong Kong

Room 1303, 13/F.
New East Ocean Centre
9 Science Museum Road
Tsim Sha Tsui East
Kowloon, Hong Kong

Website

www.hcihl.hk

Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Principal bankers

The Hongkong and Shanghai
Banking Corporation Limited
CMB Wing Lung Bank
China Construction Bank (Asia)

Auditor

Ernst & Young,
Certified Public Accountants

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2024 (Unaudited)	2023 (Unaudited)	Change
Revenue (RMB million)	82.3	113.7	(27.6%)
Gross profit (RMB million)	49.7	71.3	(30.3%)
Operating loss (RMB million)	(48.8)	(49.4)	(1.2%)
Loss attributable to owners of the parent (RMB million)	(42.4)	(68.1)	(37.7%)
Loss per share – Basic (RMB cents) ¹	(1.29)	(2.07)	(37.7%)
Gross profit margin	60.4%	62.7%	(2.3 p.p.t)
Operating loss margin	(59.3%)	(43.5%)	+15.8 p.p.t
Net loss margin	(51.9%)	(60.0%)	(8.1 p.p.t)
	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)	Change
Current ratio (times) ²	3.4	4.9	(1.5 times)
Trade receivables turnover days (days) ³	41	42	(1) days
Trade payables turnover days (days) ⁴	73	31	+42 days
Inventory turnover days (days) ⁵	677	541	+136 days

Huicheng International Holdings Limited

Key ratios:

1. Basic loss per share = Loss attributable to owners of the parent/weighted average number of ordinary shares (the weighted average number of shares in the six months ended 30 June 2024 was 3,282,916,000 versus 3,282,916,000 in the same period of last year)
2. Current ratio = Current assets/current liabilities
3. Trade receivables turnover days = Average of opening and closing balances on trade receivables/revenue for the period x 180 days
4. Trade payables turnover days = Average of opening and closing balances on trade payables/cost of sales for the period x 180 days
5. Inventory turnover days = Average of opening and closing balances on inventory/cost of sales for the period x 180 days

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

During the six months ended 30 June 2024 (the “**Relevant Period**”), China’s Gross Domestic Product (“**GDP**”) growth rate decreased by 0.5 percentage points, from 5.5% in the six months ended 30 June 2023 to 5.0% in the Relevant Period. The growth rate of total retail sales of consumer products also decreased by 4.5 percentage points from 8.2% in the six months ended 30 June 2023 to 3.7% in the Relevant Period. Particularly, retail sales achieved by department stores above the designated size decreased by 3.0% during the Relevant Period.

Amid the sluggish retail market sentiment, the Group reported a decrease in revenue by RMB31.4 million, from RMB113.7 million in the six months ended 30 June 2023 to RMB82.3 million in the Relevant Period. Loss attributable to owners of the parent decreased by RMB25.7 million, from RMB68.1 million in the six months ended 30 June 2023 to RMB42.4 million in the Relevant Period.

FINANCIAL REVIEW

Revenue

We derive our revenue primarily from retail sales of our products to our end-consumers through self-operated retail points in department stores and shopping malls in major cities in the PRC, sales of products to third-party retailers who directly manage concession counters and retail stores in other cities in the PRC where we do not operate retail points and sales of products through online channels. Our revenue is stated at the net invoiced value of goods sold after trade discounts.

The total revenue of the Group was RMB82.3 million in the Relevant Period, representing a decrease by RMB31.4 million, or approximately 27.6%, as compared to RMB113.7 million in the six months ended 30 June 2023.

FINANCIAL REVIEW *(continued)*

Revenue *(continued)*

By sales channels

Revenue from sales of products through self-operated retail points decreased by RMB28.6 million, or approximately 30.1%, from RMB95.0 million in the six months ended 30 June 2023 to RMB66.4 million in the Relevant Period and accounted for approximately 80.7% (six months ended 30 June 2023: 83.6%) of the total revenue. Such decrease was mainly attributable to the decrease in number of self-operated retail points from 159 as at 30 June 2023 to 123 as at 30 June 2024, representing a decrease by 22.6%. The revenue from outlet stores also decreased by RMB8.9 million, or approximately 23.3%, from RMB38.2 million in the six months ended 30 June 2023 to RMB29.3 million in the Relevant Period.

Revenue from sales of products to third-party retailers decreased by RMB1.0 million, or approximately 20.0%, from RMB5.0 million in the six months ended 30 June 2023 to RMB4.0 million in the Relevant Period and accounted for approximately 4.9% (six months ended 30 June 2023: 4.4%) of the total revenue.

Revenue from sales of products through online channels decreased by RMB1.8 million, or approximately 13.1%, from RMB13.7 million in the six months ended 30 June 2023 to RMB11.9 million in the Relevant Period and accounted for approximately 14.4% (six months ended 30 June 2023: 12.0%) of the total revenue. The decrease in revenue was primarily attributable to:

- (i) a decrease in sales of product through our e-shops on Tmall. com and JD.com by RMB0.1 million, or approximately 2.4%, from RMB4.1 million in the six months ended 30 June 2023 to RMB4.0 million in the Relevant Period;
- (ii) a decrease in sales from WeChat stores by RMB1.6 million, or approximately 37.2%, from RMB4.3 million in the six months ended 30 June 2023 to RMB2.7 million in the Relevant Period;
- (iii) a decrease in sales of products to online third-party retailers by RMB0.3 million, or approximately 17.6%, from RMB1.7 million in the six months ended 30 June 2023 to RMB1.4 million in the Relevant Period; and partially offset by
- (iv) an increase in sales from online discount platform such as VIP.com by RMB0.2 million, or approximately 5.6%, from RMB3.6 million in the six months ended 30 June 2023 to RMB3.8 million in the Relevant Period.

FINANCIAL REVIEW (continued)**Revenue** (continued)**By sales channels** (continued)

The table below sets forth the breakdown of our revenue contributed by sales made through our self-operated retail points, sales to third-party retailers and sales through online channels:

	Six months ended 30 June			
	2024		2023	
	Revenue RMB million	% of total revenue	Revenue RMB million	% of total revenue
Retail sales from self-operated retailers	66.4	80.7%	95.0	83.6%
Sales to third-party retailers	4.0	4.9%	5.0	4.4%
Sales through online channels	11.9	14.4%	13.7	12.0%
Total	82.3	100.0%	113.7	100.0%

By Brand

Revenue contributed from self-owned brands decreased by RMB17.0 million, or approximately 23.3%, from RMB73.1 million in the six months ended 30 June 2023 to RMB56.1 million in the Relevant Period. However, percentage of revenue from self-owned brands over total revenue increased from 64.3% in the six months ended 30 June 2023 to 68.2% in the Relevant Period.

The table below sets forth our revenue contributed by licensed brands and self-owned brands:

	Six months ended 30 June			
	2024		2023	
	Revenue RMB million	% of total revenue	Revenue RMB million	% of total revenue
Licensed brands	26.2	31.8%	40.6	35.7%
Self-owned brands	56.1	68.2%	73.1	64.3%
Total	82.3	100.0%	113.7	100.0%

FINANCIAL REVIEW *(continued)*

Cost of sales

Our cost of sales decreased by RMB9.9 million, or approximately 23.3%, from RMB42.4 million in the six months ended 30 June 2023 to RMB32.5 million in the Relevant Period. The decrease in cost of sales was primarily in line with the decrease in revenue.

Gross profit and gross profit margin

Our gross profit decreased by RMB21.6 million, or approximately 30.3%, from RMB71.3 million in the six months ended 30 June 2023 to RMB49.7 million in the Relevant Period as a result of the decrease in revenue. Our overall gross profit margin was 60.4% in the Relevant Period which was largely in line with that of 62.7% in the six months ended 30 June 2023.

Other income and gains

Our other income and gains increased by RMB5.4 million, or approximately 60.7%, from RMB8.9 million in the six months ended 30 June 2023 to RMB14.3 million in the Relevant Period, which was primarily due to (i) an increase in royalty income by approximately RMB4.5 million, from RMB0.4 million in the six months ended 30 June 2023 to RMB4.9 million in the Relevant Period, resulting from the sublicensing business of the SBPRC trademarks; and (ii) an increase in sales from external processing services by RMB1.4 million, from RMB2.2 million in the six months ended 30 June 2023 to RMB3.6 million in the Relevant Period.

Selling and distribution expenses

Our selling and distribution expenses decreased by RMB16.5 million, or approximately 19.4%, from RMB85.2 million in the six months ended 30 June 2023 to RMB68.7 million in the Relevant Period.

Rents and concession fees for occupying concession counters within department stores decreased by RMB4.5 million, or approximately 16.2%, from RMB27.7 million in the six months ended 30 June 2023 to RMB23.2 million in the Relevant Period, which was largely due to the decrease in revenue from self-operated retail points.

The labour and costs related to sales and marketing staff and outsourcing costs related to sales and marketing activities decreased from RMB31.2 million in the six months ended 30 June 2023 to RMB22.7 million in the Relevant Period, which was primarily due to the decrease in number of self-operated retail points.

FINANCIAL REVIEW *(continued)***Selling and distribution expenses** *(continued)*

We incurred advertising and promotion expenses of RMB1.1 million (six months ended 30 June 2023: RMB1.2 million) during the Relevant Period for organizing promotion activities and spending on social media marketing to share our brand stories and product knowledge with our customers through Little Red Book (小紅書), Douyin (抖 音), WeChat and Weibo etc.

Consumables and decoration fees for self-operated retail points decreased from RMB7.7 million in the six months ended 30 June 2023 to RMB3.8 million in the Relevant Period which was primarily attributable to the decrease in number of retail points opened during the Relevant Period.

The other selling and distribution expenses, including freight and vehicle expenses, sample expenses, travelling expenses, office expenses and other operating expenses remained consistent during the both periods indicated.

Administrative expenses

The administrative expenses increased by RMB2.6 million, or approximately 10.4%, from RMB25.0 million in the six months ended 30 June 2023 to RMB27.6 million in the Relevant Period. The increase in administrative expenses was mainly due to an increase in equity-settled share award expense by RMB3.0 million.

Other expenses

Other expenses mainly included:

- (i) impairment on trademarks – MCS of RMB8.2 million (six months ended 30 June 2023: impairment on trademarks – Marina Yachting of RMB5.0 million, London Fog of RMB3.0 million and Zoo York of RMB2.4 million, respectively);
- (ii) processing costs for external processing services of RMB3.5 million (six months ended 30 June 2023: RMB3.1 million); and
- (iii) an impairment on right-of-use assets of RMB0.8 million (six months ended 30 June 2023: RMB0.8 million).

FINANCIAL REVIEW *(continued)*

Finance income

Our finance income increased to RMB7.4 million in the Relevant Period as compared to that of RMB6.2 million in the six months ended 30 June 2023, representing an increase by 19.4%. The increase in finance income was mainly due to the increase in interest rates on bank deposits in Hong Kong in the Relevant Period.

Loss before tax

As a result of the foregoing factors, the Group reported a loss before tax of RMB42.7 million in the Relevant Period (six months ended 30 June 2023: RMB43.5 million).

Loss for the period

The Group reported a loss for the period of RMB42.7 million in the Relevant Period (six months ended 30 June 2023: RMB68.2 million).

Loss attributable to owners of the parent

As a result of the foregoing factors, the loss attributable to owners of the parent decreased by RMB25.7 million, or approximately 37.7%, from RMB68.1 million in the six months ended 30 June 2023 to RMB42.4 million in the Relevant Period.

Working Capital Management

	30 June 2024	31 December 2023
Inventory turnover days	677	541
Trade receivables turnover days	41	42
Trade payables turnover days	73	31

FINANCIAL REVIEW *(continued)*

Working Capital Management *(continued)*

The increase in inventory turnover days by 136 days was mainly due to an increase in turnover days of inventories aged between 1 year to 3 years by 148 days from 306 days as at 31 December 2023 to 454 days as at 30 June 2024 due to the decrease in revenue.

The trade receivables turnover days remained consistent for the both periods indicated.

The increase in trade payables turnover days by 42 days was mainly due to the higher trade payables balance as at 30 June 2024, resulting from the early arrival of 2024 fall/winter products.

Liquidity, financial position and cash flows

As at 30 June 2024, we had net current assets of approximately RMB588.6 million, as compared to RMB723.2 million as at 31 December 2023. The current ratio of our Group was 3.4 times as at 30 June 2024 (31 December 2023: 4.9 times).

There was no undrawn banking facility as at 30 June 2024.

FINANCIAL REVIEW *(continued)*

Liquidity, financial position and cash flows *(continued)*

As at 30 June 2024, we had an aggregate cash and cash equivalents, time deposits, structured bank deposits, deposits in financial institutes and financial assets at fair value through profit or loss and of approximately RMB423.2 million. The table below sets forth selected cash flow data from our interim condensed consolidated statement of cash flows:

	For the six months ended 30 June	
	2024	2023
	RMB million	RMB million
Net cash flows from operating activities	1.2	11.3
Net cash flows from/(used) in investing activities	62.4	(8.9)
Net cash flows used in financing activities	(5.2)	(2.6)
Net increase/(decrease) in cash and cash equivalents	58.4	(0.2)
Effect of foreign exchange rate changes, net	(1.2)	(1.6)
Cash and cash equivalents at the beginning of the period	226.4	263.6
Cash and cash equivalents at the end of the period	283.6	261.8

Operating activities

Net cash flows from operating activities decreased by RMB10.1 million, from RMB11.3 million in the six months ended 30 June 2023 to RMB1.2 million in the Relevant Period. The decrease was primarily attributable to the cash outflows in increase in inventories by RMB14.9 million, from RMB3.2 million in the six months ended 30 June 2023 to RMB18.1 million in the Relevant Period.

FINANCIAL REVIEW *(continued)*

Liquidity, financial position and cash flows *(continued)*

Investing activities

Net cash flows from investing activities mainly represented the withdrawal of structured bank deposits, deposits in financial institutes and financial assets at fair value through profit or loss, totaling RMB237.2 million. This was partially offset by an increase in short-term deposits with original maturity of over three months of RMB127.6 million, and a capital injection of RMB55.0 million into the joint partnership in the Relevant Period.

Financing activities

Net cash flows used in financing activities mainly represented the principal portion of lease payments of RMB4.7 million.

Pledge of group assets

As at 30 June 2024, no asset of our Group was pledged as a security for bank borrowings or any other financing facilities.

Capital commitments and contingent liabilities

As of 30 June 2024, the Group had no significant capital commitments (31 December 2023: Nil) and no material contingent liabilities (31 December 2023: Nil).

Foreign exchange management

We conduct business primarily in Hong Kong and the PRC with most of our transactions denominated and settled in HK\$ and RMB. To minimise foreign-exchange risks, the Group has a hedging policy in place.

OPERATION REVIEW

Retail and distribution network

As at 30 June 2024, our sales network comprised a total of 123 self-operated retail points, consisting of concession counters, consignment stores and standalone stores, and 37 retail points operated by our third-party retailers.

The following table sets forth the number of our self-operated retail points and retail points operated by our third-party retailers in Mainland China and Taiwan by brand as at 30 June 2024 and 31 December 2023:

Brands	As at 30 June 2024			As at 31 December 2023		
	Self-operated retail points	Retail points operated by third-party retailers	Total retail points	Self-operated retail points	Retail points operated by third-party retailers	Total retail points
SBPRC	46	6	52	46	6	52
MCS	73	26	99	82	28	110
Marina Yachting	4	5	9	6	5	11
Total	123	37	160	134	39	173

Self-operated retail points

As at 30 June 2024, we had a network of 120 self-operated concession counters (31 December 2023: 131 self-operated concession counters). A majority of the concession counters are located within mainstream department stores in the first and second tier cities in China, including Baillian (百聯), Golden Eagle (金鷹), MOI (茂業), Intime (銀泰), Wangfujing (王府井) etc., among which a total of 38 were outlet stores as at 30 June 2024 (31 December 2023: 48 outlet stores).

As at 30 June 2024, we had a network of 3 standalone stores (31 December 2023: 3 stores) which were located in shopping malls within major cities in the PRC to ensure a steady flow of consumers as well as to enhance our sales and brand awareness.

OPERATION REVIEW *(continued)*

Retail and distribution network *(continued)*

Retail points operated by third party retailers

As at 30 June 2024, we had a total of 37 retail points that were operated by third-party retailers, which remained consistent as compared to that of 39 retail points as at 31 December 2023.

Online Channels

We primarily sell past season products through online channels which consisted of (i) online discount platforms such as VIP.com; (ii) online third-party retailers; (iii) our self-operated e-shops on mainstream online platforms such as Tmall.com, JD.com etc.; and (iv) our WeChat stores.

During the Relevant Period, we continued to participate in the just-in-time delivery program (the “**JIT Program**”) of VIP.com, which allows us to receive orders placed by customers on VIP.com and make direct distribution of the products to customers from our warehouse. We also actively developed new online third-party retailers for online retailing of our products.

Branding

The continuing implementation of a multi-brand strategy is critical to our sustainable expansion and growth. We believe that our multi-brand strategy will allow us capture more market segments, take advantage of a wider range of market opportunities and ultimately increase our overall market share in China’s menswear market.

During the Relevant Period, the Group continued to increase its brand presence by sharing brand stories and product knowledge with target audience through social media platforms such as Little Red Book, Douyin, WeChat and Weibo etc.

On 1 July 2024, a subsidiary of the Company entered into a cooperation agreement with Mr. Rock Ji (紀煥博先生), under which Mr. Ji will serve as the brand ambassador for MCS and collaborate with the Group to promote the MCS brand in the Greater China region.

OPERATION REVIEW *(continued)*

Business Digitalization

We developed an O2O system that is tailored to our retail network and allows our customers to make purchases on demand even if the desired item is out of stock at a particular location, which in turn both enhances customers' shopping experience and drives our sales. Sales contributed by the self-developed O2O system increased by RMB0.5 million, or approximately 8.1%, from RMB6.2 million in the six months ended 30 June 2023 to RMB6.7 million in the Relevant Period.

We also operated a social network-based commerce and marketing program in collaboration with Weimob to sell and deliver our products in our WeChat stores. Total revenue derived from WeChat stores decreased by RMB1.6 million, or approximately 37.2%, from RMB4.3 million in the six months ended 30 June 2023 to RMB2.7 million in the Relevant Period.

In addition, as our Customer Relationship Management (CRM) system has been online, we are also working on a customer loyalty program with an aim to further promote customer loyalty, encourage repeat purchases and cross-selling.

Properties under development

The Group's property development segment represents the properties under development which are situated at No. 833, Shuiyun Road, China (Shanghai) Pilot Free Trade Zone Lin-Gang Special Area. The site area of the project is approximately 5,819 square meters and the floor area is approximately 11,637 square meters, which mainly includes commercial area of approximately 3,435 square meters and residential area of approximately 7,600 square meters.

The properties under development are indirectly wholly owned by the Company. As at 30 June 2024, the carrying amount of the properties under development is RMB204.5 million. The percentage of stage of completion of the project is approximately 99.9%. Currently, the Group is in the process of applying for the permit for advance sale of commodity houses from the relevant governmental authorities.

The Board expects the construction of the properties under development will be completed during the year. When completion and the permit for advance sale of commodity houses is obtained, the properties are expected to be sold to recover funds. After sale of the properties, the Board expects that the Group will no longer engage in the property development business.

OPERATION REVIEW *(continued)*

Impairment of Trademarks

The Group classified the trademarks of “London Fog”, “Artful Dodger”, “Zoo York”, “MCS”, “Henry Cotton’s” and “Marina Yachting” as intangible assets with indefinite lives. The Group performs impairment test on each trademark at the end of each reporting period. The impairment assessment was based on the forecast and estimation on the future development of each cash-generating unit to which the trademark is allocated.

During the Relevant Period, the impairment loss of these trademarks was RMB8.3 million which mainly included impairment of MCS of RMB8.2 million (six months ended 30 June 2023: impairment on trademarks – Marina Yachting of RMB5.0 million, London Fog of RMB3.0 million and Zoo York of RMB2.4 million, respectively).

The impairment made on trademarks for the Relevant Period was mainly due to the Group’s strategic decision to adopt a more stringent policy on store openings in response to the sluggish retail market.

Formation of partnerships

Formation of partnership 1

On 24 January 2024, Zhuhai Sinosure Joint Investment Co., Ltd. (珠海信保聯合投資有限公司, “**Zhuhai Sinosure**”, a company indirectly owned as to 49% by the Company and is therefore not regarded as a subsidiary of the Company), as limited partner, entered into a partnership agreement (the “**Partnership Agreement 1**”) with Zhuhai Gree Equity Investment Fund Management Co., Ltd. (珠海格力股權投資基金管理有限公司, “**Gree Equity**”), as general partner, in relation to the formation of Zhuhai Gejin Xinbao Joint Investment Partnership (Limited Partnership) (珠海格金信保聯合投資合夥企業(有限合夥), “**Partnership 1**”). Pursuant to the Partnership Agreement 1, the total capital contribution by all partners to Partnership 1 shall be RMB10,000,000, of which each of Zhuhai Sinosure and Gree Equity shall contribute RMB5,000,000 and RMB5,000,000, respectively.

OPERATION REVIEW *(continued)*

Formation of partnerships *(continued)*

Formation of partnership 2

On 24 January 2024, Guangdong Junrui Industrial Co., Ltd. (廣東君瑞實業有限公司, “**Guangdong Junrui**”), an indirect wholly-owned subsidiary of the Company), as limited partner, entered into a partnership agreement (the “**Partnership Agreement 2**”) with Zhuhai Xingge Capital Investment Co., Ltd. (珠海興格資本投資有限公司, “**Zhuhai Xingge**”), as limited partner, and Partnership 1, as general partner, in relation to the formation of Zhuhai Gejin Xinbao Equity Investment Fund Partnership (Limited Partnership) (珠海格金信保股權投資基金合夥企業(有限合夥), “**Partnership 2**”). Pursuant to the Partnership Agreement 2, The total capital contribution by all partners of Partnership 2 shall be RMB100,000,000, of which each of Guangdong Junrui, Zhuhai Xingge and Partnership 1 shall contribute RMB55,000,000, RMB35,000,000 and RMB10,000,000, respectively.

On 23 April 2024, Guangdong Junrui made a capital injection of RMB 55,000,000 to Partnership 2.

Share award scheme

The Company adopted a Share Award Scheme to recognise the contributions by certain employees and to give incentives to them in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

As at 30 June 2024, a total of 162,534,000 shares of the Company (the “**Award Shares**”) had been granted to 11 employees, including 7 directors. The vesting period of the Award Shares granted will be exercisable on or after 31 October 2024.

Outsourcing

In order to enable our management team to continuously focus on our core missions, we outsourced substantially all of our sales staff in self-operated retail points and the production workers in our manufacturing plant in Dezhou to a third-party outsourcing service company. As at 30 June 2024, approximately 630 sales representatives, store managers and production workers, were employees of the outsourcing service company (31 December 2023: 661).

Employee information

As at 30 June 2024, the Group had approximately 192 full-time employees (31 December 2023: 208). Staff costs, including directors’ remuneration, totalled RMB15.3 million in the Relevant Period (six months ended 30 June 2023: RMB15.2 million).

OPERATION REVIEW *(continued)*

Corporate Social Responsibility

Being a responsible corporate citizen is a core fundamental of our culture. During the Relevant Period, we looked for opportunities to reduce the consumption of paper, electricity and other resources in order to reduce the impact to the environment and set reduction targets as appropriate.

Prospects

The Board will focus on the following initiatives in the second half of 2024:

- to encourage our key sales attendants to create compelling digital marketing content and enhance brand presence on major social media platforms such as Little Red Book, Douyin, and WeChat Channels, thereby attracting a larger target audience;
- to boost online sales by increasing revenue from department store operated online stores, our Wechat stores and e-shops on major e-commerce platforms such as Tmall, JD.com etc.;
- to increase the average sales at our MCS, SBPRC and Marina Yachting stores by leveraging the Group's digital tools such as O2O system and customer loyal program etc.;
- to develop new online and offline third-party retailers to expand the retail network;
- stock clearance of aged inventories; and
- to explore new businesses opportunities such as brand licensing, group purchases etc.

INTERIM DIVIDENDS

The Board does not recommend to declare any interim dividends for the Relevant Period (six months ended 30 June 2023: Nil).

OTHER INFORMATION DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures

As at 30 June 2024, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “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 of Hong Kong Limited (the “**Stock Exchange**”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) contained in Appendix C3 to the Listing Rules, were as follows:

Long Positions in Ordinary Shares and Underlying Shares of the Company:

Name of director	Nature of interest	Number of Ordinary Shares Owned	Underlying Shares Interested (Note 1)	Total	Percentage of the Company's Issued Share Capital (Note 3) (%)
Mr. ZHANG Yongli	Beneficial owner	9,028,000	3,400,000	12,428,000	0.36
	Corporate interest (Note 2)	839,748,000	-	839,748,000	24.37
Mr. SUN David Lee	Beneficial owner	452,000	3,400,000	3,852,000	0.11
Ms. HUANG Xiaoyun	Beneficial owner	463,758,000	34,134,000	497,892,000	14.45
Mr. Wang Wei	Beneficial owner	-	3,400,000	3,400,000	0.10
Mr. KWONG Wilson Wai Sun	Beneficial owner	-	3,400,000	3,400,000	0.10
Mr. YEUNG Chi Wai	Beneficial owner	-	3,400,000	3,400,000	0.10
Mr. HO Ka Wang	Beneficial owner	-	3,400,000	3,400,000	0.10

Notes:

- (1) The number of underlying shares represents the shares in which the Directors are deemed to be interested as a result of holding award shares granted under the Share Award Scheme.
- (2) CEC Outfitters Limited, holding 839,748,000 shares (long position) of the Company, was wholly owned by Vinglory Holdings Limited (“**Vinglory**”) and Vinglory was wholly owned by Mr. ZHANG Yongli.
- (3) The percentage is calculated based on the total number of 3,445,450,000 shares in issue of the Company as at 30 June 2024.

DISCLOSURE OF INTERESTS *(continued)***Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures** *(continued)***Long Positions in Ordinary Shares and Underlying Shares of the Company:** *(continued)*

Save as disclosed above, as at 30 June 2024, none of the Directors and chief executives of the Company had registered an interest or short position 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.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2024, the following interests and short positions of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or were otherwise notified to the Company:

Long Position in Ordinary Shares and Underlying Shares of the Company:

Name	Notes	Nature of Interest	Number of Shares	Percentage of the Company's Issued Share Capital (Note 4)
Mr. ZHANG Yongli	(1)	Corporate interest	839,748,000	24.37
	(1)	Beneficial owner	12,428,000	0.36
Vinglory Holdings Limited	(1)	Corporate interest	839,748,000	24.37
CEC Outfitters Limited	(1)	Beneficial owner	839,748,000	24.37
Ms. HUANG Xiaoyun	(2)	Beneficial owner	497,892,000	14.45
Mr. SHEN Chengjian	(3)	Beneficial owner	112,150,000	3.26
	(3)	Interest of spouse	168,904,000	4.90
Ms. XIAO Wenqing	(3)	Beneficial owner	168,904,000	4.90
	(3)	Interest of spouse	112,150,000	3.26
Ms. ZHANG Kailun		Beneficial owner	173,000,000	5.02

DISCLOSURE OF INTERESTS *(continued)*

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares *(continued)*

Notes:

- (1.1) CEC Outfitters Limited, holding 839,748,000 shares (long position) of the Company, was wholly owned by Vinglory and Vinglory was wholly owned by Mr. ZHANG Yongli.
- (1.2) Mr. ZHANG Yongli held interests in a total of 12,428,000 shares (long position) of the Company, including 3,400,000 underlying shares represents the award shares granted under the Share Award Scheme.
- (2) Ms. HUANG Xiaoyun held interests in a total of 497,892,000 shares (long position) of the Company, including 34,134,000 underlying shares represents the award shares granted under the Share Award Scheme.
- (3) Mr. SHEN Chengjian ("**Mr. Shen**") held interests in 112,150,000 shares (long position) of the Company and his spouse Ms. XIAO Wenqing ("**Ms. Xiao**") held 168,904,000 shares (long position) of the Company. Mr. Shen is deemed to be interested in the 168,904,000 shares held by Ms. Xiao and Ms. Xiao is deemed to be interested in the 112,150,000 shares held by Mr. Shen.
- (4) The percentage is calculated based on the total number of 3,445,450,000 shares in issue of the Company as at 30 June 2024.

Save as disclosed above, as at 30 June 2024, no person, other than the Directors and chief executives of the Company, whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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

During the six months ended 30 June 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sales of treasury shares, as defined under the Listing Rules).

As of 30 June 2024, there were no treasury shares held by the Company.

SHARE AWARD SCHEME

1. Summary

The Company adopted a share award scheme (the “**Share Award Scheme**”), approved by the resolutions of the Board passed on 4 November 2014. Detail of the Share Award Scheme may refer to the Company’s announcement on the same date.

The specific purposes and objectives of the Share Award Scheme are to:

- (a) recognise the contributions by certain employees and to give incentives to them in order to retain them for the continual operation and development of the Group; and
- (b) attract suitable personnel for further development of the Group.

To facilitate the implementation of the Share Award Scheme, a trust deed is entered into by the Group and South Zone Holdings Limited (the “**Trustee**”) pursuant to which the Trustee shall purchase and hold shares for the benefit of certain employees of the Group and any subsidiary and in such manner as the Board may determine from time to time.

DURATION

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date being 4 November 2014 unless being early terminated by a resolution of the Board.

OPERATION OF THE SCHEME

Grant of award shares

The Board may from time to time at its absolute discretion, select any employee (excluding any excluded employee) for participation in the Share Award Scheme as a selected employee and grant to such selected employee the award shares for free or at a price/consideration per award share determined by the Board at its sole discretion.

SHARE AWARD SCHEME *(continued)*

1. **Summary** *(continued)*

The Board may from time to time during the life of the scheme pay to the Trustee such amount of monies it sees fit to enable the Trustee to purchase on the market from time to time shares which will be held upon trust pending the making of any grant.

No payment shall be made to the Trustee and no instructions to acquire shares shall be given to the Trustee under the scheme where such payment or giving of instructions is prohibited under the Listing Rules or other applicable laws from time to time.

Vesting of award shares

Subject to the rules of the Share Award Scheme, the Board shall determine from time to time the vesting conditions or periods for the grant to be vested. For vesting of the grants to the selected employees, the Board may at its absolute discretion to direct and procure the Trustee to release the award shares to the selected employees by transferring the number of Award Shares to the selected employees.

Right attached to the grants

The grants do not carry any right to vote at general meetings of the Company, or any dividend, transfer or other rights (including those arising on the winding-up of the Company).

No selected employee shall enjoy any of the rights of a shareholder of the Company by virtue of the grant under the scheme, unless and until the Shares underlying the grant are actually transferred to the selected employee pursuant to the vesting of such grant.

SHARE AWARD SCHEME *(continued)*

1. Summary *(continued)*

Lapse of award shares

In the event (i) a selected employee ceases to be an employee, or (ii) the subsidiary by which a selected employee is employed ceases to be a subsidiary of the Company (or of a member of the Group), or (iii) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company), or (iv) a selected employee is found to be an excluded employee, the grant shall lapse and all the award shares shall not vest on the relevant Vesting Date but shall become returned shares for the purposes of the scheme.

Non-transferrable

Any grant made shall be personal to the elected employee to whom it is made and shall not be assignable and no selected employee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to the Award Shares referable to him pursuant to such Grant under the Scheme.

Voting right of the Trustee

The Trustee shall not exercise the voting rights in respect of any shares held under the Trust.

SCHEME LIMIT

The maximum number of share currently permitted to be granted under the Share Award Scheme is an amount equivalent, to 10% of the issued share capital of the Company as at 4 November 2014. The maximum number of shares issuable under the Share Award Scheme to each eligible participant in the Share Award Scheme is limited to 1% of the issued share capital of the Company at any time.

The Trustee will hold the shares and any income derived from them in accordance with the terms of the trust deed. Details of the Company purchased by the Trustee for the Share Award Scheme shall refer to note 24 under the heading "Share Award Scheme" to the financial statements.

SHARE AWARD SCHEME (continued)

1. Summary (continued)

TERMINATION

The scheme shall terminate on the earlier of the 10th anniversary date of the Adoption Date; and such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected employee hereunder.

2. Award Shares Granted

A total of 162,534,000 award shares granted under the Share Award Scheme were granted on 31 October 2023 to 11 employees, including 7 Directors, for free. Details of movements of the award shares granted under the Share Award Scheme during the six months ended 30 June 2024 are set out below:

Category of grantees	Name of Director	Date of grant	Purchase price (HK\$)	Closing price immediately before the date of grant (HK\$)	As at 1 January 2024	Granted during the six months ended	Vested during the six months ended	Cancelled/ Lapsed during the six months ended	As at 30 June 2024	Vesting Period
						30 June 2024	30 June 2024	30 June 2024		
Executive Director	Mr. ZHANG Yongli	31 October 2023	-	0.033	3,400,000	-	-	-	3,400,000	Note 1
Executive Director	Mr. SUN David Lee	31 October 2023	-	0.033	3,400,000	-	-	-	3,400,000	Note 1
Executive Director	Ms. HUANG Xiaoyun	31 October 2023	-	0.033	34,134,000	-	-	-	34,134,000	Note 1
Non-executive Director	Mr. WANG Wei	31 October 2023	-	0.033	3,400,000	-	-	-	3,400,000	Note 1
Independent non-executive Director	Mr. KWONG Wilson Wai Sun	31 October 2023	-	0.033	3,400,000	-	-	-	3,400,000	Note 1
Independent non-executive Director	Mr. YEUNG Chi Wai	31 October 2023	-	0.033	3,400,000	-	-	-	3,400,000	Note 1
Independent non-executive Director	Mr. HO Ka Wang	31 October 2023	-	0.033	3,400,000	-	-	-	3,400,000	Note 1
Employees in aggregate	-	31 October 2023	-	0.033	108,000,000	-	-	-	108,000,000	Note 1
					162,534,000	-	-	-	162,534,000	

Notes:

- The vesting period of the award shares granted will be exercisable on or after 31 October 2024.
- No award share under the Share Award Scheme was granted, exercised, forfeited, lapsed or cancelled during the six months ended 30 June 2024.
- The maximum number of shares permitted to be granted is 344,545,000 shares. The number of shares available for future grant under the Share Award Scheme is 182,011,000 shares.

CORPORATE GOVERNANCE

Corporate governance practices

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders and to enhance corporate value and accountability. The Board is of the view that throughout the six months ended 30 June 2024, the Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix C1 of the Listing Rules, with the exception of code provision C.2.1.

According to code provision C.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company deviates from this code provision because both the chairman and chief executive officer (“**CEO**”) positions of the Company are held by Mr. Zhang Yongli. The Board believes that vesting the roles of chairman and CEO in the same person provides the Group with strong and consistent leadership and allows for efficient business planning and decisions under the current situation.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has devised its own code of conduct regarding Directors’ dealings in the Company’s securities and securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company (the “**Code of Conduct**”) on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules.

All Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standard set out in the Model Code and the Code of Conduct for the six months ended 30 June 2024.

CHANGES OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B of the Listing Rules, the changes in information of a Director since the date of the 2023 annual report of the Company are set out below:

Name of Director	Detail of Changes
Mr. YEUNG Chi Wai	Be appointed as a chairman of Accounting Development Foundation Limited

AUDIT COMMITTEE

The audit committee of the Company has discussed with the management regarding the risk management and internal control systems and financial reporting matters related to the preparation of the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2024. It has also reviewed the said unaudited interim condensed consolidated financial statements in conjunction with the Company's external auditors.

APPRECIATION

I would like to take this opportunity to thank our colleagues on the Board for their contribution and support throughout the challenging period, and our management and staff members of the Group for their hard work and loyal service. I would also like to express our sincere appreciation to our shareholders, customers and suppliers as well as our business partners for their continuing support.

By Order of the Board
Huicheng International Holdings Limited

ZHANG Yongli

Chairman
Hong Kong

23 August 2024



**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF HUICHENG INTERNATIONAL HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 2 to 37, which comprises the condensed consolidated statement of financial position of Huicheng International Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as at 30 June 2024 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“**IAS 34**”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

23 August 2024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2024

	Notes	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
REVENUE	5	82,264	113,721
Cost of sales		(32,542)	(42,430)
Gross profit		49,722	71,291
Other income and gains	6	14,287	8,948
Selling and distribution expenses		(68,656)	(85,153)
Administrative expenses		(27,631)	(25,020)
Impairment losses on financial assets, net		(1,366)	156
Other expenses	8	(15,132)	(19,650)
Operating loss		(48,776)	(49,428)
Finance income	7	7,389	6,226
Finance costs		(478)	(307)
Share of (losses)/profits of: Associates		(815)	40
LOSS BEFORE TAX	8	(42,680)	(43,469)
Income tax expense	9	-	(24,731)
LOSS FOR THE PERIOD		(42,680)	(68,200)
Attributable to:			
Owners of the parent		(42,396)	(68,080)
Non-controlling interests		(284)	(120)
		(42,680)	(68,200)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For loss for the period	11	RMB(1.29)cents	RMB(2.07)cents

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended 30 June 2024

	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
LOSS FOR THE PERIOD	(42,680)	(68,200)
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of financial statements	2,187	16,045
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	2,187	16,045
<i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of financial statements	(548)	(3,364)
Equity investments designated at fair value through other comprehensive income: Changes in fair value	(2,334)	(751)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(2,882)	(4,115)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(695)	11,930
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(43,375)	(56,270)
Attributable to:		
Owners of the parent	(43,094)	(56,164)
Non-controlling interests	(281)	(106)
	(43,375)	(56,270)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**As at 30 June 2024**

	Notes	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	235,023	242,600
Investment properties		42,389	44,036
Right-of-use assets		41,342	40,945
Investments in associates		66,171	11,942
Equity investments designated at fair value through other comprehensive income	13	23,957	26,291
Other non-current assets		9,702	9,702
Other intangible assets	12	31,405	39,763
Deferred tax assets		2,768	2,768
Total non-current assets		452,757	418,047
CURRENT ASSETS			
Inventories	14	116,367	128,420
Properties under development	15	204,465	204,024
Trade receivables	16	12,811	23,711
Prepayments and other receivables	17	81,110	75,218
Financial assets at fair value through profit or loss	18	11,883	31,812
Structured bank deposits and deposits in financial institutes	19	74	217,013
Time deposits	20	127,598	–
Cash and cash equivalents	20	283,640	226,350
Total current assets		837,948	906,548
CURRENT LIABILITIES			
Trade payables	21	17,372	9,083
Other payables and accruals	22	106,357	49,977
Lease liabilities		5,404	4,069
Tax payable		120,205	120,190
Total current liabilities		249,338	183,319

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)***As at 30 June 2024**

	Notes	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
NET CURRENT ASSETS		588,610	723,229
TOTAL ASSETS LESS CURRENT LIABILITIES		1,041,367	1,141,276
NON-CURRENT LIABILITIES			
Lease liabilities		1,403	857
Interest-bearing other borrowings		5,392	5,894
Deferred tax liabilities		3,475	3,536
Total non-current liabilities		10,270	10,287
Net assets		1,031,097	1,130,989
EQUITY			
Equity attributable to owners of the parent			
Share capital	23	280,661	280,661
Shares held for share award scheme	24	(30,946)	(30,946)
Reserves		777,820	877,431
		1,027,535	1,127,146
Non-controlling interests		3,562	3,843
Total equity		1,031,097	1,130,989

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the parent												
	Share capital RMB'000 (note 23)	Shares held for Share Award Scheme RMB'000 (note 24)	Capital redemption reserve RMB'000	Merger reserve RMB'000	Acquisition reserve RMB'000	Share award reserve RMB'000 (note 27)	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2024 (audited)	280,661	(30,946)	543	389,848	(182,362)	995	(39,168)	53,562	23,018	630,995	1,127,146	3,843	1,130,989
Loss for the period	-	-	-	-	-	-	-	-	-	(42,396)	(42,396)	(284)	(42,680)
Other comprehensive loss for the period:													
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	(2,334)	-	-	-	(2,334)	-	(2,334)
Exchange differences on translation of financial statements	-	-	-	-	-	-	-	-	1,636	-	1,636	3	1,639
Total comprehensive loss for the period	-	-	-	-	-	-	(2,334)	-	1,636	(42,396)	(43,094)	(281)	(43,375)
Deregistration of a subsidiary	-	-	-	-	-	-	-	(65)	-	65	-	-	-
Share Award Scheme arrangements	-	-	-	-	-	2,984	-	-	-	-	2,984	-	2,984
Special dividend declared	-	-	-	-	-	-	-	-	-	(59,501)	(59,501)	-	(59,501)
At 30 June 2024 (unaudited)	280,661	(30,946)	543	389,848	(182,362)	3,979	(41,502)	53,497	24,654	529,163	1,027,535	3,562	1,031,097

* These components of equity comprise the consolidated reserves of RMB777,820,000 (31 December 2023: RMB877,431,000) in the interim condensed consolidated statement of financial position as at 30 June 2024.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the six months ended 30 June 2023

	Attributable to owners of the parent													
	Share capital RMB'000 (note 23)	Shares held for Share Award Scheme RMB'000 (note 24)	Capital redemption reserve RMB'000	Merger reserve RMB'000	Acquisition reserve RMB'000	Share Option reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total		Non-controlling interests RMB'000	Total equity RMB'000
											Total			
											RMB'000	RMB'000		
At 1 January 2023 (audited)	280,661	(30,946)	543	389,848	(182,362)	18,423	(36,505)	53,562	16,309	755,094	1,264,627	4,421	1,269,048	
Loss for the period	-	-	-	-	-	-	-	-	-	(68,080)	(68,080)	(120)	(68,200)	
Other comprehensive loss for the period:														
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	(751)	-	-	-	(751)	-	(751)	
Exchange differences on translation of financial statements	-	-	-	-	-	-	-	-	12,667	-	12,667	14	12,681	
Total comprehensive loss for the period	-	-	-	-	-	-	(751)	-	12,667	(68,080)	(56,164)	(106)	(56,270)	
Transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	-	-	(1,503)	-	-	-	1,503	-	-	-	
Addition of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	1,000	1,000	
At 30 June 2023 (unaudited)	280,661	(30,946)	543	389,848	(182,362)	16,920	(37,256)	53,562	28,976	688,517	1,208,463	5,315	1,213,778	

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

		2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(42,680)	(43,469)
Adjustments for:			
Depreciation of property, plant and equipment	8	8,526	9,361
Depreciation of investment properties	8	1,647	1,656
Depreciation of right-of-use assets	8	5,256	8,554
Amortisation of other intangible assets	8	93	56
Gain on disposal of right-of-use assets		–	(307)
Write-down of inventories to net realisable value	8	30,123	24,729
Share of losses/(profits) of associates		815	(40)
Fair value gains, net:			
Financial assets at fair value through profit or loss	8	(377)	(689)
Impairment of other intangible assets	8	8,255	10,887
Impairment of right-of-use assets		776	842
Impairment of items of property, plant and equipment		–	23
Impairment/(reversal of impairment) of trade receivables, net	8	782	(212)
Impairment of other receivables and prepayments, net	8	473	56
Equity-settled share award expense		2,984	–
Finance costs		478	307
Finance income	7	(7,389)	(6,226)
Dividend income from equity investments at fair value through other comprehensive income		(315)	–
Gain on disposal of items of property, plant and equipment		(8)	–
		9,439	5,528

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(continued)

For the six months ended 30 June 2024

Notes	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Increase in inventories	(18,069)	(3,226)
Increase in properties under development	–	(1,301)
Decrease in trade receivables	10,118	5,378
(Increase)/decrease in prepayments, other receivables	(4,930)	3,912
Increase in trade payables	8,287	3,418
Decrease in other payables and accruals	(3,591)	(2,417)
Cash generated from operations	1,254	11,292
Net cash generated from operating activities	1,254	11,292
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from equity investments at fair value through other comprehensive income	315	–
Proceeds from disposal of items of property, plant and equipment	8	–
Purchase of items of property, plant and equipment	(955)	(687)
Additions to other intangible assets	–	(1,000)
Increase in short term deposits with original maturity of over three months	(127,598)	–
Interest received from bank deposits	6,785	2,487
Interest received from structured bank deposits and investment income on wealth management products	241	3,305
Decrease/(increase) in structured bank deposits and deposits in financial institutes and financial assets at fair value through profit or loss	237,245	(7,441)
Repayment of loan from a related party	957	–
Interest received from related parties	488	–
Loans to a related party	–	(5,475)
Investment in an associate	(55,000)	(125)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*(continued)***For the six months ended 30 June 2024**

	Notes	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Net cash flows generated from/(used in) investing activities		62,486	(8,936)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injected by non-controlling interests		-	1,000
Loan from a related party		-	6,400
Repayment of loan from related parties		(502)	-
Principal portion of lease payments		(4,728)	(9,997)
Net cash flows used in financing activities		(5,230)	(2,597)
NET INCREASE/(DECREASE)IN CASH AND CASH EQUIVALENTS			
		58,510	(241)
Cash and cash equivalents at beginning of period		226,350	263,615
Effect of foreign exchange rate changes, net		(1,220)	(1,570)
CASH AND CASH EQUIVALENTS AT END OF PERIOD			
		283,640	261,804
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	257,094	195,827
Time deposits	20	26,546	65,977
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position and condensed consolidated statement of cash flows	20	283,640	261,804

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2024

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 7 March 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands. The address of its principal place of business is Room 1303, 13/F., New East Ocean Centre, 9 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong. The shares of the Company were listed on the Main Board of the The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 9 December 2011 (the “**Listing Date**”).

The principal activity of the Company is investment holding. The Group is principally engaged in the business of design, manufacture, marketing and sale of apparel products and accessories in the People’s Republic of China (the “**PRC**”, or “**China**” which excludes, for the purpose of this report, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan) with a focus on menswear. The Group also engages in the business of property development in the PRC. There has been no significant change in the Group’s principal activities during the six months ended 30 June 2024.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and International Accounting Standard (“**IAS**”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

These interim condensed consolidated financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(continued)

- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the apparel products and accessories segment engaged in the business of the design, manufacture, marketing and sale of apparel products and accessories in the PRC with a focus on menswear; and
- (b) the property development segment engaged in the business of the development of properties in the PRC.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, non-lease-related finance costs, dividend income, fair value gains/losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, cash and cash equivalents, equity investments at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2024	Apparel products and accessories RMB'000	Property development RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	82,264	-	82,264
Reconciliation:			
Elimination of intersegment sales			-
Revenue			82,264
Segment results	(51,501)	5	(51,496)
Reconciliation:			
Elimination of intersegment results			(4,839)
Finance income			7,389
Dividend income and unallocated gains			18,545
Corporate and other unallocated expenses			(12,279)
Loss before tax			(42,680)

4. OPERATING SEGMENT INFORMATION (continued)

30 June 2024 (unaudited)	Apparel products and accessories RMB'000	Property development RMB'000	Total RMB'000
Segment assets	852,038	263,501	1,115,539
Reconciliation:			
Elimination of intersegment receivables			(213,621)
Elimination of capitalised interest expense			(38,783)
Corporate and other unallocated assets			427,570
Total assets			1,290,705
Segment liabilities	78,942	270,607	349,549
Reconciliation:			
Elimination of intersegment payables			(213,621)
Corporate and other unallocated liabilities			123,680
Total liabilities			259,608
Six months ended 30 June 2024	Apparel products and accessories RMB'000	Property development RMB'000	Total RMB'000
Other segment information			
Impairment losses of			
trade receivables, net	782	-	782
Impairment of other intangible assets	8,255	-	8,255
Impairment of right-of-use assets	776	-	776
Depreciation and amortisation	15,522	-	15,522
Capital expenditure*	955	441	1,396

* Capital expenditure consists of additions to property, plant and equipment, long-term prepayments, other intangible assets and properties under development.

4. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2023	Apparel products and accessories RMB'000	Property development RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	113,721	-	113,721
Reconciliation:			
Elimination of intersegment sales			-
Revenue			113,721
Segment results	(39,414)	41	(39,373)
Reconciliation:			
Elimination of intersegment results			(4,791)
Finance income			6,226
Dividend income and unallocated gains			4,411
Corporate and other unallocated expenses			(9,942)
Loss before tax			(43,469)

4. OPERATING SEGMENT INFORMATION (continued)

30 June 2023 (unaudited)	Apparel products and accessories RMB'000	Property development RMB'000	Total RMB'000
Segment assets	835,233	256,733	1,091,966
Reconciliation:			
Elimination of intersegment receivables			(259,880)
Elimination of capitalised interest expense			(33,876)
Corporate and other unallocated assets			618,194
Total assets			1,416,404
Segment liabilities	71,967	260,281	332,248
Reconciliation:			
Elimination of intersegment payables			(259,880)
Corporate and other unallocated liabilities			130,258
Total liabilities			202,626

4. OPERATING SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2023	Apparel products and accessories RMB'000	Property development RMB'000	Total RMB'000
Other segment information			
Reversal of impairment of trade receivables, net	(212)	-	(212)
Impairment of other intangible assets	10,887	-	10,887
Impairment of right-of-use assets	842	-	842
Impairment of property, plant and equipment	23	-	23
Depreciation and amortisation	17,971	-	17,971
Capital expenditure*	1,687	1,301	2,988

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Taiwan	1,447	1,348
Mainland China	80,817	112,373
Total	82,264	113,721

The revenue information above is based on the locations of the customers.

4. OPERATING SEGMENT INFORMATION *(continued)*
(b) Non-current assets

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Hong Kong	45,202	45,770
Mainland China	380,830	343,469
	426,032	389,239

The non-current assets information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

No revenue from a single external customer amounted to 10% or more of the Group's revenue during the interim period presented.

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of goods	82,264	113,721

5. REVENUE (continued)

Revenue from contracts with customers

(i) Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Type of goods		
Sale of apparel and accessories	82,264	113,721
Timing of revenue recognition		
Goods transferred at a point in time	82,264	113,721

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue recognised from performance obligations satisfied in previous periods:		
<i>Sale of apparel products and accessories</i>	2,243	5,017

5. REVENUE (continued)**Revenue from contracts with customers** (continued)**(ii) Performance obligation**

Information about the Group's performance obligation is summarised below:

Sale of products

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 90 days from delivery, except for third-party retailers, where payment in advance is normally required.

6. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Government subsidies	837	551
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	3,880	2,962
Royalty income*	4,909	440
Service and processing income	3,558	2,449
Sundry income	33	1,076
	13,217	7,478
Other gains		
Fair value gains, net:		
Financial assets at fair value through profit or loss	377	689
Others	693	781
	1,070	1,470
	14,287	8,948

6. OTHER INCOME AND GAINS *(continued)*

* This mainly represents the brand licensing income generated from third-party licensees for the Group's sublicensing of the Santa Barbara Polo & Racquet Club trademarks.

7. FINANCE INCOME

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income on bank deposits	6,785	2,487
Interest income on structured bank deposits, deposits in financial institutes and investment income on wealth management products	241	3,305
Others	363	434
	7,389	6,226

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Note	For the six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cost of inventories sold		15,461	29,999
Depreciation of property, plant and equipment	12	8,526	9,361
Depreciation of investment properties		1,647	1,656
Depreciation of right-of-use assets		5,256	8,554
Amortisation of other intangible assets*	12	93	56
Employee benefit expenses (including Directors' remuneration):			
Wages and salaries		11,223	13,821
Equity-settled share award expense		2,984	–
Pension scheme contributions		1,109	1,370
		15,316	15,191
Outsourced labor costs		17,551	23,367
Processing cost**		3,514	3,143
Impairment of other intangible assets**	12	8,255	10,887
Impairment of right-of-use assets**		776	842
Impairment losses/(reversal of impairment losses) of trade receivables, net***		782	(212)
Impairment of property, plant and equipment		–	23
Impairment of other receivables, net***		473	56
Fair value gains, net:			
Financial assets at fair value through profit or loss – wealth management products		(377)	(689)
Lease payments not included in the measurement of lease liabilities		18,485	19,651
Write-off of inventories provisions#		(13,328)	(12,298)
Write-down of inventories to net realisable value#		30,123	24,729
Exchange differences, net		768	2,464

8. LOSS BEFORE TAX *(continued)*

- * The amortisation of other intangible assets is included in “Administrative expenses” in the interim condensed consolidated statement of profit or loss.
- ** The impairment of other intangible assets and right-of-use assets, and processing cost are included in “Other expenses” in the interim condensed consolidated statement of profit or loss.
- *** The impairment losses/(reversal of impairment losses) of trade receivables, impairment of other receivables are included in “Impairment losses on financial assets, net” in the interim condensed consolidated statement of profit or loss.
- # The write-down of inventories to net realisable value and write-off of inventories provisions are included in “Cost of sales” in the interim condensed consolidated statement of profit or loss.

9. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company incorporated in the Cayman Islands and its subsidiary incorporated in the BVI are exempted from taxation.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the six months ended 30 June 2024.

In accordance with the relevant PRC income tax rules and regulations, the Group’s subsidiaries registered in the PRC are subject to Corporate Income Tax (“**CIT**”) at a statutory rate of 25% on their respective taxable income for the six months ended 30 June 2024 and the six-month period ended 30 June 2023.

	For the six months ended 30 June	
	2024	2023
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Current – PRC		
Charge for the period	61	(3)
Deferred	(61)	24,734
Total tax charge for the period	–	24,731

10. DIVIDEND

The final dividends for the year ended 31 December 2023 on ordinary shares of RMB59,501,000 were approved by shareholders of the Company at the annual general meeting on 17 May 2024 and were subsequently paid on 19 July 2024.

The Board has resolved not to declare any dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EUIITY HOLDERS OF THE PARENT

The calculation of basic loss per share is based on the loss for the six months ended 30 June 2024 attributable to owners of the parent of RMB42,396,000 (six months ended 30 June 2023: the loss of RMB68,080,000) and the weighted average number of ordinary shares of 3,282,916,000 (six months ended 30 June 2023: 3,282,916,000) shares in issue during the six months ended 30 June 2024.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2024 in respect of a dilution as the share options under Share Option Scheme outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of basic loss per share is based on:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Losses		
Loss attributable to owners of the parent, used in the basic loss per share calculation	(42,396)	(68,080)

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EUIY HOLDERS OF THE PARENT *(continued)*

	Number of shares For the six months ended 30 June	
	2024	2023
Shares		
Weighted average number of ordinary shares in issue	3,445,450,000	3,445,450,000
Weighted average number of shares purchased for the Share Award Scheme	(162,534,000)	(162,534,000)
Adjusted weighted average number of ordinary shares in issue used in the basic loss per share calculation	3,282,916,000	3,282,916,000

12. PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

	Property, plant and equipment RMB'000	Other intangible assets RMB'000
Unaudited		
Opening net book amount at 1 January 2024	242,600	39,763
Additions	955	–
Disposals	(288)	–
Depreciation and amortisation provided during the six months ended 30 June 2024	(8,526)	(93)
Impairment	–	(8,255)
Exchange realignment	282	(10)
Closing net book amount at 30 June 2024	235,023	31,405
Audited		
Opening net book amount at 1 January 2023	257,676	51,015
Additions	3,023	1,000
Disposals	(61)	–
Depreciation and amortisation provided during the year	(18,498)	(161)
Impairment	(122)	(12,322)
Exchange realignment	582	231
Closing net book amount at 31 December 2023	242,600	39,763

As at 30 June 2024, one certificate of ownership in respect of a certain building with net carrying amount of approximately RMB2,840,000 (31 December 2023: RMB3,071,000) has not been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

12. PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS *(continued)*

The Group classified the trademarks of “London Fog”, “Artful Dodger”, “Zoo York”, “MCS”, “Henry Cotton’s” and “Marina Yachting” as intangible assets with indefinite lives. The Group has performed impairment reviews of the carrying values of trademarks as at 30 June 2024 based on a value in use calculation using cash flow projections from financial budgets covering a five-year period approved by senior management. For the period ended 30 June 2024, the discount rates applied to the cash flow projection were 31.2% (2023: 36.9%) for “London Fog”, 28.3% (2023: 29.7%) for “MCS”, and 28.3% (2023: 29.7%) for “Marina Yachting” and cash flows beyond the five-year period were extrapolated using a growth rate of 2.3% (2023: 3.0%) which does not exceed the projected long term average growth rate for the relevant industry in Mainland China. Based on the result of the impairment test, the recoverable amounts of the trademarks of “London Fog”, “Zoo York”, “Henry Cotton’s”, “MCS” and “Marina Yachting” were lower than their carrying amounts as at 30 June 2024. Accordingly, management determined that there was impairment of these trademarks and recognize RMB8,000, RMB12,000 and RMB8,235,000 for “Zoo York”, “Henry Cotton’s” and “MCS” respectively. (2023: impairment of RMB2,992,000, RMB2,448,000, RMB15,000, RMB477,000 and RMB4,955,000 for “London Fog”, “Zoo York”, “Henry Cotton’s”, “MCS” and “Marina Yachting”, respectively).

Assumptions were used in the value in use calculation of the trademarks. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of the trademarks.

Budgeted gross profit margins

Budgeted gross profit margins are based on average values achieved historically. These are adjusted over the budget period in accordance with anticipated efficiency improvements and expected market developments.

Discount rates

The discount rates used are before tax and reflect specific risks relating to the Menswear cash-generating unit and the trademarks with indefinite lives.

13. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Listed equity investment, at fair value		
Guangdong Shaoneng Group Co., Ltd.	23,957	26,291
	23,957	26,291

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

14. INVENTORIES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Raw materials	3,875	4,041
Work in progress	3,333	911
Finished goods	109,159	123,468
	116,367	128,420

15. PROPERTIES UNDER DEVELOPMENT

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Properties under development	204,465	204,024

The Group's properties under development are located in the PRC and situated on leasehold land with long-term leases. Properties under development are classified under current assets as they are expected to be realised in the Group's normal operating cycle.

16. TRADE RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables	21,828	32,006
Impairment	(9,017)	(8,295)
	12,811	23,711

The Group's trading terms with its customers are mainly on credit, except for third-party retailers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

16. TRADE RECEIVABLES *(continued)*

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 month	4,965	20,529
1 to 2 months	2,448	2,785
2 to 3 months	1,510	72
Over 3 months	3,888	325
	12,811	23,711

The movements in the loss allowance for impairment of trade receivables are as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
At beginning of period/year	8,295	9,048
Amount written off as uncollectible	(60)	(545)
Impairment losses/(reversal of impairment losses), net	782	(208)
At end of period/year	9,017	8,295

17. PREPAYMENTS AND OTHER RECEIVABLES

	Note	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Prepayments		26,405	19,662
Deposits and other receivables		53,393	52,525
Deposit and other receivables from related parties	27(b)	20,917	22,100
		100,715	94,287
Impairment allowance		(19,605)	(19,069)
		81,110	75,218

The movement in the loss allowance for impairment of prepayments and other receivables is as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
At beginning of period/year	19,069	12,001
Impairment losses, net	473	7,869
Amounts written off as uncollectable	–	(903)
Exchange realignment	63	102
At end of period/year	19,605	19,069

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Wealth management products, at fair value	11,883	31,812

The above financial assets at fair value at 30 June 2024 were wealth management products issued by securities companies in the PRC. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

19. STRUCTURED BANK DEPOSITS AND DEPOSITS IN FINANCIAL INSTITUTES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Structured bank deposits and deposits in financial institutes, at amortised cost	74	217,013

The structured deposits and deposits in financial institutes have terms of less than one year and are denominated in RMB.

20. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Cash and bank balances	257,094	164,974
Time deposits	154,144	61,376
	411,238	226,350
Less:		
Time deposits with original maturity of more than three months when acquired	(127,598)	–
Cash and cash equivalents	283,640	226,350

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The bank balances and short-term deposits are deposited with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

An ageing analysis of the trade payables as at 30 June 2024 and 31 December 2023, based on the invoice date, is as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade payables		
Payables to third parties		
Within 30 days	13,754	6,043
31 to 90 days	598	9
91 to 180 days	3	–
Over 181 days	3,017	3,031
	17,372	9,083

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 45 days.

22. OTHER PAYABLES AND ACCRUALS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
	8,614	11,049
Contract liabilities		
Dividends payable	59,925	–
Other payables	11,013	13,689
Accruals	7,579	6,571
Other taxes payable	18,828	18,270
Payables to related parties	398	398
Note		
	106,357	49,977

The other payables are non-interest-bearing and are due within one year.

23. SHARE CAPITAL
Shares

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Issued and fully paid:		
3,445,450,000 (31 December 2023: 3,445,450,000) ordinary shares	344,545	344,545
Equivalent to RMB'000	280,661	280,661

There was no movement of issued share capital during the six months ended 30 June 2024.

24. SHARE AWARD SCHEME

The Company adopted a share award scheme (the “**Share Award Scheme**”), approved by the resolutions of the Board passed on 4 November 2014.

The specific purposes and objectives of the Share Award Scheme are to:

- (a) recognise the contributions by certain employees and to give incentives to them in order to retain them for the continual operation and development of the Group; and
- (b) attract suitable personnel for further development of the Group.

To facilitate the implementation of the Share Award Scheme, a trust Deed is entered into by the Group and South Zone Holdings Limited (the “**Trustee**”) pursuant to which the Trustee shall purchase and hold shares for the benefit of certain employees of the Group and in such manner as the Board may determine from time to time.

The Board may from time to time at its absolute discretion, select any employee (excluding any excluded employee) for participation in the Share Award Scheme as a selected employee and grant to such selected employee the award shares for free or at a price/consideration per award share determined by the Board at its sole discretion.

24. SHARE AWARD SCHEME *(continued)*

The maximum number of share currently permitted to be granted under the Share Award Scheme is an amount equivalent, to 10% of the issued share capital of the Company as at 4 November 2014. The maximum number of shares issuable under the Share Award Scheme to each eligible participant in the Share Award Scheme is limited to 1% of the issued share capital of the Company at any time.

From 4 November 2014 to 31 December 2020, the Company purchased 162,534,000 shares, amounting to RMB30,946,000.

No shares of the Company were purchased by the Trustee during the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

The Board granted 162,534,000 shares to 11 employees on 31 October 2023. The exercise period of the share award granted is determinable by the board, and commences after a vesting period of one year.

The movements in share award during the period/year is presented below:

	Weighted average exercise price per share HK\$ per share	Number of options '000
At 1 January 2023	–	–
Granted during 2023	–	162,534
At 31 December 2023 and 30 June 2024	–	162,534

The exercise price, exercise period and fair value of the share award outstanding as at 30 June 2024 are as follows:

Date of grant	Number of options '000	Exercise price HK\$ per share	Exercise period	Fair Value of Granted Share award HK\$ per share
31 October 2023	162,534	–	31 October 2024 to indefinite period	0.04

25. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to ten years.

At 30 June 2024, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within one year	4,625	4,612
In the second to fifth years, inclusive	13,524	13,520
After five years	11,135	11,997
	29,284	30,129

26. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Contracted, but not provided for:		
Buildings	42	91
	42	91

27. RELATED PARTY TRANSACTIONS

(a) Other transactions with related parties:

	Notes	For the six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Purchases of product tags			
Wuxi Hengye Software Technology Co., Ltd	(i)&(ii)	129	209
Royalty fees			
Shanghai Pancoat Trading Co., Ltd (“ Shanghai Pancoat ”)	(ii)	121	1,000
Rental expenses			
Huang Xiaoyun	(ii)&(iv)	145	144
Sales of products			
Shanghai Jegoplay Hongmeng Culture Development Co., Ltd	(ii)	–	820
Zhejiang Manqu Technology Co., Ltd	(ii)&(v)	17	–
		17	820
Rental income			
Wuxi Hengye Software Technology Co., Ltd	(i)&(ii)	234	–
Received repayment from/loans granted to:			
Shanghai Jegoplay Hongmeng Culture Development Co., Ltd	(vi)	(1,255)	5,475
Repay loan to/loan from:			
Shanghai Pancoat Trading Co., Ltd		(502)	6,400

27. RELATED PARTY TRANSACTIONS *(continued)*

(a) Other transactions with related parties: *(continued)*

- (i) The key management member of Wuxi Hengye Software Technology Co., Ltd. ("**Wuxi Hengye**") is Zhang Yongli, the chairman and the chief executive officer of the Group. Sun Jing, the spouse of Zhang Yongli, is a non-controlling shareholder and holds 27.67% equity interest in Wuxi Hengye. The purchases were made on mutually agreed terms.
- (ii) The transaction was made on mutually agreed terms.
- (iii) During the six months ended 30 June 2024, the Group repayed RMB502,000 to Shanghai Pancoat. The loan is unsecured and due on 7 June 2025, and bears interest at 4.5% per annum.
- (iv) Huang Xiaoyun is an executive director and the chief financial officer of the Group.
- (v) Zhejiang Manqu Technology Co., Ltd. ("**Zhengjiang Manqu**") is the subsidiary of the non-controlling shareholder of a subsidiary of the Group.
- (vi) During the six months ended 30 June 2024, the Group received repayment RMB1,225,000 from Shanghai Jegoplay Hongmeng Culture Development Co., Ltd. ("**Jegoplay Hongmeng**"), which is an associate of the Group. The loan is unsecured and due on 31 August 2024, and bears interest at 4.5% per annum.

27. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Other payable			
Huang Xiaoyun	(vi)	145	144
Wuxi Hengye Software Technology Co., Ltd	(i)	100	100
		245	244
Prepayments and other receivables			
China Brands Group	(viii)	100	100
Wuxi Hengye Software Technology Co., Ltd	(ii)	127	2
Jegoplay Hongmeng Culture Development Co., Ltd.	(v)	17,394	18,702
Zhejiang Dianshi Technology Co., Ltd	(iii)	1,134	1,134
Zhejiang Manqu Technology Co., Ltd.	(vii)	2,162	2,162
		20,917	22,100
Other borrowings			
Shanghai Pancoat Trading Co., Ltd	(iv)	5,392	5,894
Interest payable			
Shanghai Pancoat Trading Co., Ltd	(iv)	121	154

27. RELATED PARTY TRANSACTIONS *(continued)*

(b) Outstanding balances with related parties: *(continued)*

- (i) The Group had an outstanding deposit of other payable of RMB100,000 as at 30 June 2024 (31 December 2023: RMB100,000) due to Wuxi Hengye, which was related to the Group's provision of rental services to Wuxi Hengye. The balance is unsecured, interest-free and is due at the end of the lease term.
- (ii) The Group had an outstanding balance of other receivables of RMB127,000 as at 30 June 2024 (31 December 2023: RMB2,000) due from Wuxi Hengye, which is related to the elevator maintenance services and rental services to Wuxi Hengye. The balance is unsecured, interest-free and due in two months.
- (iii) The Group had an outstanding balance of other receivables of RMB1,134,000 as at 30 June 2024 (31 December 2023: RMB1,134,000) due to Zhejiang Dianshi, which is related to a loan granted by the Group. The loan bear interest at 5% per annum and is due on 28 Sep 2023. The balance is unsecured and repayable on demand.
- (iv) The Group had an outstanding balance of other borrowings of RMB5,392,000 and interest payable of RMB121,000 as at 30 June 2024 (31 December 2023: RMB5,894,000) due to Shanghai Pancoat. The loan bear interest at 4.5% per annum and is due on 7 June 2025.
- (v) The Group had an outstanding balance of other receivables of RMB17,393,000 as at 30 June 2024 (31 December 2023: RMB18,701,000) due from Jegoplay Hongmeng, which is related to a loan granted by the Group. The loan bear interest at 4.5% per annum and is due on 31 August 2024.
- (vi) The Group had an outstanding balance of other payables of RMB145,000 as at 30 June 2024 (31 December 2023: RMB144,000) due to Huang Xiaoyun, which was related to the Group's procurement of rental services from Huang Xiaoyun. The balance is unsecured, interest-free and due in one month.

27. RELATED PARTY TRANSACTIONS *(continued)***(b) Outstanding balances with related parties:** *(continued)*

- (vii) The Group had an outstanding balance of prepayment of RMB2,162,000 as at 30 June 2024 (31 December 2023: RMB2,162,000) due from Zhejiang Manqu, which is the subsidiary of the non-controlling shareholder of a subsidiary of the Group. The balance is unsecured, interest-free and has no fixed terms of repayment.
- (viii) The Group had an outstanding deposit of other receivable of RMB100,000 as at 30 June 2024 (31 December 2023: RMB100,000) due from China Brands Group. China Brands Group is the parent company of Shanghai Pancoat, which is the non-controlling shareholder of a subsidiary of the Group. The balance is unsecured, interest-free and has no fixed terms of repayment.

(c) Compensation of key management personnel of the Group, including directors' remuneration, is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fees	1,457	1,481
Salaries, allowances and benefits in kind	3,514	2,828
Equity-settled share award expense	2,984	–
Pension scheme contributions	91	108
Total compensation paid to key management personnel	8,046	4,417

27(a)(iv) constituted connected transactions as defined in Chapter 14A of the Listing Rules. The Company is of the view that the transaction was de minimis transaction and was therefore fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules ("**Fully Exempt CT**").

28. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Financial assets				
Equity investments designated at fair value through other comprehensive income	23,957	26,291	23,957	26,291
Financial assets at fair value through profit or loss	11,883	31,812	11,883	31,812
	35,840	58,103	35,840	58,103

Management has assessed that the fair values of cash and cash equivalents, time deposits, structured bank deposits, trade receivables, trade payables, financial assets included in prepayments and other receivables, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the value of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

28. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices.

The Group invests in unlisted investments, which represent wealth management products issued by banks in the PRC and HK. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

28. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value
As at 30 June 2024

	Fair value measurement using		Total RMB'000 (Unaudited)
	Quoted prices in active markets Level 1 RMB'000 (Unaudited)	Significant observable inputs Level 2 RMB'000 (Unaudited)	
Equity investments designated at fair value through other comprehensive income –listed	23,957	-	23,957
Financial assets at fair value through profit or loss	-	11,883	11,883
	23,957	11,883	35,840

28. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

Assets measured at fair value *(continued)*

As at 31 December 2023

	Fair value measurement using		Total RMB'000 (Audited)
	Quoted prices in active markets Level 1 RMB'000 (Audited)	Significant observable inputs Level 2 RMB'000 (Audited)	
Equity investments designated at fair value through other comprehensive income –listed	26,291	–	26,291
Financial assets at fair value through profit or loss	–	31,812	31,812
	26,291	31,812	58,103

28. FAIR VALUES AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

Assets measured at fair value *(continued)*

The movements in fair value measurements within Level 3 during the period/year are as follows:

	For the six months ended 30 June 2024 RMB'000 (Unaudited)	For the year ended 31 December 2023 RMB'000 (Audited)
Equity investments designated at fair value through other comprehensive income-unlisted		
At 1 January	–	83
Total losses recognised in other comprehensive income	–	(83)
At end of period/year	–	–

Liabilities measured at fair value

The Group did not have any financial liabilities measured at fair value as at 30 June 2024 and 31 December 2023.

During the six months ended 30 June 2024, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2023: Nil).

29. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2024 were approved and authorised for issue in accordance with a resolution of the Board on 23 August 2024.