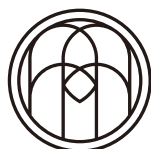


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FORWARD FASHION  
HOLDINGS

**Forward Fashion (International) Holdings Company Limited**

**尚晉(國際)控股有限公司**

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

**(Stock Code: 2528)**

**UNAUDITED INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The board of directors (“**Board**”) of Forward Fashion (International) Holdings Company Limited (“**Company**”) is pleased to announce the unaudited consolidated financial statements of the Company and its subsidiaries (“**Group**”) for the six months ended 30 June 2020, together with the comparative figures for the six months ended 30 June 2019. The financial information has been approved by the Board.

**FINANCIAL HIGHLIGHTS**

		<b>For the six months ended 30 June 2020</b>	For the six months ended 30 June 2019
Revenue	<i>HKD million</i>	<b>367.5</b>	768.2
Gross Profit	<i>HKD million</i>	<b>147.7</b>	419.1
Profit for the period	<i>HKD million</i>	<b>(99.8)</b>	31.3
Earnings per share	<i>HKD</i>	<b>(0.25)</b>	0.10
		<b>As of 30 June 2020</b>	As of 31 December 2019
Current Ratio		<b>1.2</b>	1.0
Gearing Ratio		<b>58%</b>	74%

The Group recorded a loss of HKD99.8 million for the six months ended 30 June 2020 compared to a profit of HKD31.3 million for the six months ended 30 June 2019. The loss was attributable to the significant drop in sales revenue in the first half of 2020 as a result of the COVID-19 pandemic related impact.

## CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2020</b>	2019
		<i>HKD'000</i>	<i>HKD'000</i>
Revenue	5	<b>367,463</b>	768,205
Cost of sales	5	<b>(219,756)</b>	(349,153)
<b>Gross profit</b>		<b>147,707</b>	419,052
Selling and marketing expenses	5	<b>(190,444)</b>	(312,437)
General and administrative expenses	5	<b>(50,548)</b>	(56,139)
Other income	6	<b>4,028</b>	145
Other (losses)/gains, net	7	<b>(4,620)</b>	3,269
<b>Operating (loss)/profit</b>		<b>(93,877)</b>	53,890
Finance income		<b>669</b>	132
Finance costs		<b>(11,323)</b>	(15,597)
Finance costs, net		<b>(10,654)</b>	(15,465)
<b>(Loss)/profit before income tax</b>		<b>(104,531)</b>	38,425
Income tax credit/(expenses)	9	<b>4,711</b>	(7,114)
<b>(Loss)/profit for the period</b>		<b>(99,820)</b>	31,311
<b>(Loss)/profit is attributable to:</b>			
Equity holders of the Company		<b>(96,680)</b>	29,285
Non-controlling interests		<b>(3,140)</b>	2,026
		<b>(99,820)</b>	31,311
<b>(Loss)/earnings per share for profit attributable to equity holders of the Company</b>			
Basic and diluted (loss)/earnings per share ( <i>HKD</i> )	10	<b>(0.25)</b>	0.10

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<i>HKD'000</i>	<i>HKD'000</i>
<b>(Loss)/profit for the period</b>	<b>(99,820)</b>	<b>31,311</b>
<b>Other comprehensive loss for the period</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	<u>(2,073)</u>	<u>(472)</u>
<b>Other comprehensive loss for the period, net of tax</b>	<u>(2,073)</u>	<u>(472)</u>
<b>Total comprehensive (loss)/income for the period</b>	<b><u>(101,893)</u></b>	<b><u>30,839</u></b>
<b>Total comprehensive (loss)/income for the period is attributable to:</b>		
Equity holders of the Company	<b>(98,807)</b>	<b>28,765</b>
Non-controlling interests	<b><u>(3,086)</u></b>	<b><u>2,074</u></b>

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

			Unaudited As at 30 June 2020 HKD'000	Audited As at 31 December 2019 HKD'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	11		148,420	168,191
Right-of-use assets	12		305,564	374,953
Intangible assets			7,241	8,635
Investment in insurance contract			31,795	31,355
Deferred tax assets			20,104	15,756
Prepayment			287	1,306
Other receivables and deposit	15		38,554	42,955
			<u>551,965</u>	<u>643,151</u>
<b>Total non-current assets</b>				
<b>Current assets</b>				
Inventories	13		316,521	383,831
Trade receivable	14		37,061	70,494
Prepayment			26,397	54,018
Other receivables and deposit	15		31,141	46,359
Restricted cash	16		20,957	37,908
Cash and cash equivalents			244,402	72,605
			<u>676,479</u>	<u>665,215</u>
<b>Total current assets</b>				
			<u>1,228,444</u>	<u>1,308,366</u>
<b>Total assets</b>				
<b>Equity</b>				
Share capital	17		4,000	–
Share premium	17		859,233	691,000
Reserves			(594,659)	(592,532)
Retained earnings			23,546	140,226
			<u>292,120</u>	<u>238,694</u>
<b>Capital and reserve attributable to equity holders of the Company</b>				
			<u>292,120</u>	<u>238,694</u>
Non-controlling interest in equity			(3,720)	(634)
			<u>288,400</u>	<u>238,060</u>
<b>Total equity</b>				

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Continued)

		Unaudited As at 30 June 2020 HKD'000	Audited As at 31 December 2019 HKD'000
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	18	138,547	156,408
Lease liabilities	19	181,003	223,211
Provisions	20	2,089	2,255
Financial liabilities at fair value through profit or loss	4.2	4,604	5,883
Other non-current liabilities	21	20,558	13,571
Deferred tax liabilities		3,027	2,923
Other payables	22	12,496	5,784
<b>Total non-current liabilities</b>		<b>362,324</b>	410,035
<b>Current liabilities</b>			
Trade and other payables	22	170,602	217,810
Amount due to related parties	24	40,653	134,292
Other current liabilities	21	22,726	9,451
Contract liabilities		4,027	1,333
Lease liabilities	19	158,377	179,984
Provisions	20	3,743	4,116
Income tax liabilities		14,275	15,596
Borrowings	18	163,317	97,689
<b>Total current liabilities</b>		<b>577,720</b>	660,271
<b>Total liabilities</b>		<b>940,044</b>	1,070,306
<b>Net assets</b>		<b>288,400</b>	238,060

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Unaudited						
		Attributable to equity holders of the Company					Non-	Total
<i>Notes</i>	Share capital <i>HKD'000</i>	Share premium <i>HKD'000</i>	Reserve <i>HKD'000</i>	Retained earnings <i>HKD'000</i>	Sub-total <i>HKD'000</i>	controlling interests <i>HKD'000</i>	equity <i>HKD'000</i>	
<b>Balance at 1 January 2020</b>	–	691,000	(592,532)	140,226	238,694	(634)	238,060	
<b>Total comprehensive income for the period</b>								
Loss for the period	–	–	–	(96,680)	(96,680)	(3,140)	(99,820)	
Other comprehensive (loss)/ income for the period	–	–	(2,127)	–	(2,127)	54	(2,073)	
	–	–	(2,127)	(96,680)	(98,807)	(3,086)	(101,893)	
<b>Transactions with equity holders of the Company:</b>								
Capitalisation of share premium	17	3,000	(3,000)	–	–	–	–	
Issuance of ordinary shares	17	1,000	171,233	–	172,233	–	172,233	
Dividends and distribution	23	–	–	(20,000)	(20,000)	–	(20,000)	
		4,000	168,233	–	(20,000)	–	152,233	
<b>Balance at 30 June 2020</b>	<b>4,000</b>	<b>859,233</b>	<b>(594,659)</b>	<b>23,546</b>	<b>292,120</b>	<b>(3,720)</b>	<b>288,400</b>	
<b>Balance at 1 January 2019</b>	–	–	100,237	104,697	204,934	(1,263)	203,671	
<b>Total comprehensive income for the period</b>								
Profit for the period	–	–	–	29,285	29,285	2,026	31,311	
Other comprehensive (loss)/ income for the period	–	–	(520)	–	(520)	48	(472)	
	–	–	(520)	29,285	28,765	2,074	30,839	
<b>Transactions with equity holders of the Company:</b>								
Capital injection from shareholders	–	–	10	–	10	–	10	
Dividends and distribution	–	–	–	(805)	(805)	–	(805)	
	–	–	10	(805)	(795)	–	(795)	
<b>Balance at 30 June 2019</b>	–	–	99,727	133,177	232,904	811	233,715	

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
<i>Notes</i>	<b>2020</b>	<b>2019</b>
	<i>HKD'000</i>	<i>HKD'000</i>
<b>Cash flows from operating activities</b>		
Cash generated from operations	96,433	146,120
Income tax paid	(1,106)	(2,920)
	<u>95,327</u>	<u>143,200</u>
<b>Net cash generated from operating activities</b>		
<b>Cash flows from investing activities</b>		
Interest income received	669	82
Purchase of intangible assets	(376)	(1,379)
Purchase of property, plant and equipment	(11,435)	(72,707)
	<u>(11,142)</u>	<u>(74,004)</u>
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	162,441	128,880
Interest paid	(3,358)	(7,012)
Dividends paid to company's shareholders	–	(805)
Repayment of loans from related parties	(90,366)	–
Repayment of borrowings	(114,050)	(73,144)
Proceeds from issue of ordinary shares	181,712	–
Payment for listing fee	(1,850)	(4,772)
Payment of lease liabilities	(47,889)	(117,071)
	<u>86,640</u>	<u>(73,924)</u>
<b>Net cash generated from/(used in) financing activities</b>		
<b>Net increase/(decrease) in cash and cash equivalents</b>		
	<u>170,825</u>	<u>(4,728)</u>
Cash and cash equivalents at beginning of the period	72,605	85,731
Effect on exchange rate difference	972	(1,298)
	<u>244,402</u>	<u>79,705</u>
<b>Cash and cash equivalents at end of the period</b>		

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

Forward Fashion (International) Holdings Company Limited (“Company”) was incorporated in the Cayman Islands on 16 May 2019. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (“Group”) are principally engaged in the retail of fashion apparel of international brands ranging from established designer label brands, popular global brands to up-and-coming brands through our multi-brand and multi-store business model (“Business”) in Mainland China, Macau, Hong Kong and Taiwan.

The ultimate holding company of the Company is Gold Star Fashion Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Fan Wing Ting (“Mr. Fan”), the ultimate controlling shareholder (“Controlling Shareholder”) of the Group.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) since 13 January 2020.

This unaudited condensed consolidated financial information is presented in Hong Kong dollars (“HKD”) and all values are rounded to the nearest thousand (HKD’000), unless otherwise stated.

This interim condensed consolidated financial information has been approved for issue by the Board of the Company on 28 August 2020.

## 2 BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”).

The condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this condensed consolidated financial information should be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by the Company during the six-month ended 30 June 2020.

Since early 2020, the Group’s business operations have been adversely affected by the outbreak of Coronavirus Disease 2019 (“COVID-19”), which resulted in significant decrease in commercial activities, lockdown and social distancing measures imposed by local government. The COVID-19 pandemic has led to temporary shut-down of stores, and the decrease in visitation to Macau, Hong Kong and Taiwan, all of which have created challenges for the business operations of retail stores.

During the six months ended 30 June 2020, the Group experienced significant decline in revenue and recorded a net loss of approximately HKD99,820,000.

In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity requirements and operating performance of the Group and its available sources of financing to assess whether the Group would have sufficient financial resources to fulfil its financial obligations to continue as a going concern. The directors of the Company have reviewed the Group’s cash flow projections, which covers a period of not less than twelve months from 30 June 2020. The directors are of the opinion that, having taken into account the anticipated cashflows generated from the Group’s operations, as well as the possible changes in its operating performance and possible impact of COVID-19 pandemic, the Group’s internal financial resources, availability of existing bank facilities, the Group will have sufficient financial resources to meet its liabilities as and when they fall due in the coming twelve months from 30 June 2020. Accordingly, the directors consider that the Group will be able to continue as a going concern; and thus have prepared the condensed consolidated financial information on a going concern basis.

The preparation of condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial information for the year ended 31 December 2019 except for the adoption of new and amended standards as set out below.



### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the 2019 Financial Statements, as described in those annual consolidated financial statements, except for the adoption of new and amended standards as set out below.

#### 3.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the current accounting period:

- (a) Definition of Material – amendments to IAS 1 and IAS 8
- (b) Definition of a Business – amendments to IFRS 3
- (c) Revised Conceptual Framework for Financial Reporting
- (d) COVID-19-Related Rent Concessions – Amendments to IFRS 16
- (e) Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7

The Group has early adopted Amendment to IFRS 16 -Covid-19-Related Rent Concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (b) any reduction in lease payments affects only payments due on or before 30 June 2021; and (c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totalling HKD73,308,000 have been accounted for as negative variable lease payments and recognised in selling and marketing expenses in the statement of profit or loss for the six-month ended 30 June 2020, (see Note 8), with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 January 2020.

Other than the amendment to IFRS 16 -Covid-19-Related Rent Concessions, most of the amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future period.

#### 3.2 Impact of standards issued but not yet applied by the entity

Certain new accounting standards and interpretations have been published that are not mandatory for the six-month ended 30 June 2020 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 4 FINANCIAL RISK MANAGEMENT

### 4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk), credit risk and liquidity risk.

The condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial information, and should be read in conjunction with the Group's annual financial information as at 31 December 2019.

There have been no changes in the risk management policies since year end.

### 4.2 Fair value estimation

#### (i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial information. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

<b>Recurring fair value measurements At 31 December 2019</b>	<b>Level 3 HKD'000</b>
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#### Financial liabilities

Financial liabilities at fair value through profit or loss	<u>5,883</u>
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<b>Recurring fair value measurements At 30 June 2020 (Unaudited)</b>	<b>Level 3 HKD'000</b>
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#### Financial liabilities

Financial liabilities at fair value through profit or loss	<u>4,604</u>
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The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) *Valuation techniques used to determine fair values*

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices
- the Monte Carlo simulation
- discounted cash flow analysis

(iii) *Fair value measurements using significant unobservable inputs (level 3)*

The following table presents the changes in level 3 items for the six months ended 30 June 2019 and 2020:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HKD'000	HKD'000
At the beginning of the period	5,883	11,630
Change in fair value	(1,279)	(2,492)
At the end of the period	<u>4,604</u>	<u>9,138</u>
Total		
Net unrealised gains for the period	<u>(1,279)</u>	<u>(2,492)</u>

(iv) *Valuation processes*

The finance department of the Group includes a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO and the valuation team at least once every year. External valuation experts will be involved when necessary.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Discount rates for financial assets and financial liabilities are determined using a capital asset pricing model to calculate a post-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset or liability.
- Enterprise value (EV)/Earnings before interest, taxes, depreciation and amortisation (EBITDA) multiples are based on the information of comparable companies.
- Drift rates of EBITDA multiples are estimated based on the entity's knowledge of the business and how the current economic environment is likely to impact it.
- EBITDA multiples and EBITDA volatilities are based on the respective historical measures of comparable companies.

(v) *Fair values of other financial instruments*

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

## 5 SEGMENT INFORMATION

The Group is principally engaged in the retailing and wholesale of luxury and fashion clothes and products in the Mainland China, Macau, Hong Kong and other places. The performance of the Group's retail stores is subject to seasonal fluctuations and certain holiday seasons.

The Group's business activities, for which discrete financial information are available, are regularly reviewed and evaluated by the chief operating decision maker ("CODM"). The CODM considers the business from geographic perspective and assesses the performance of the geographical segments mainly based on segment revenues and segment result. Assets and liabilities are regularly reviewed on a consolidated basis.

The revenues from external customers reported to CODM are measured as segment revenues, which are the revenues derived from customers of each segment.

Segment result is equal to revenue from external customers deducted by cost of sales and selling and marketing expenses from each segment.

The segment information for the six months ended 30 June 2019 and 2020 are as follows:

	<b>Six months ended 30 June 2020 (Unaudited)</b>			
	<b>Mainland China HKD'000</b>	<b>Macau HKD'000</b>	<b>Hong Kong and others HKD'000</b>	<b>Total HKD'000</b>
Segment revenue	197,682	155,289	41,465	394,436
Inter-segment revenue	(3,871)	(3,457)	(19,645)	(26,973)
Revenue from external customers	<u>193,811</u>	<u>151,832</u>	<u>21,820</u>	<u>367,463</u>
Cost of sales	(111,583)	(95,035)	(13,138)	(219,756)
Selling and marketing expenses	<u>(84,418)</u>	<u>(90,436)</u>	<u>(15,590)</u>	<u>(190,444)</u>
Segment result	<u>(2,190)</u>	<u>(33,639)</u>	<u>(6,908)</u>	<u>(42,737)</u>
General and administrative expenses				(50,548)
Other income				4,028
Other gains				(4,620)
Finance income				669
Finance costs				(11,323)
Finance costs – net				<u>(10,654)</u>
<b>Loss before income tax expenses</b>				<b>(104,531)</b>
Income tax credit				4,711
<b>Loss for the period</b>				<b><u>(99,820)</u></b>
	<b>As at 30 June 2020 (Unaudited)</b>			
	<b>Mainland China HKD'000</b>	<b>Macau HKD'000</b>	<b>Hong Kong and others HKD'000</b>	<b>Total HKD'000</b>
Segment non-current assets	111,926	403,921	36,118	551,965
Segment current assets	<u>223,787</u>	<u>388,478</u>	<u>64,214</u>	<u>676,479</u>

	Six months ended 30 June 2019 (Unaudited)			
	Mainland		Hong Kong	Total
	China	Macau	and others	
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
Segment revenue	303,717	423,976	78,854	806,547
Inter-segment revenue	(5,023)	(1,726)	(31,593)	(38,342)
Revenue from external customers	<u>298,694</u>	<u>422,250</u>	<u>47,261</u>	<u>768,205</u>
Cost of sales	(144,738)	(181,856)	(22,559)	(349,153)
Selling and marketing expenses	<u>(124,638)</u>	<u>(173,110)</u>	<u>(14,689)</u>	<u>(312,437)</u>
Segment result	<u>29,318</u>	<u>67,284</u>	<u>10,013</u>	<u>106,615</u>
General and administrative expenses				(56,139)
Other income				145
Other gains				3,269
Finance income				132
Finance costs				(15,597)
Finance costs – net				<u>(15,465)</u>
<b>Profit before income tax expenses</b>				38,425
Income tax expense				<u>(7,114)</u>
<b>Profit for the period</b>				<u><u>31,311</u></u>
		As at 31 December 2019		
	Mainland		Hong Kong	Total
	China	Macau	and others	
	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>	<i>HKD'000</i>
Segment non-current assets	144,838	38,088	460,225	643,151
Segment current assets	<u>251,713</u>	<u>49,046</u>	<u>364,456</u>	<u>665,215</u>

(a) Revenue by business line and nature

	Unaudited	
	Six months ended 30 June	
	2020	2019
	<i>HKD'000</i>	<i>HKD'000</i>
Retail	<b>360,519</b>	735,279
Store management and consignment service	<b>5,965</b>	22,666
Wholesale	<b>979</b>	10,260
Total	<u><b>367,463</b></u>	<u>768,205</u>

(b) **Timing of revenue recognition**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HKD'000</b>	<b>HKD'000</b>
Revenue at a point in time	<b>361,498</b>	745,539
Revenue over time	<b>5,965</b>	22,666
	<hr/>	<hr/>
Total	<b>367,463</b>	768,205
	<hr/> <hr/>	<hr/> <hr/>

**6 OTHER INCOME**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HKD'000</b>	<b>HKD'000</b>
Government grants	<b>1,194</b>	–
Compensation for termination of lease contracts	<b>2,483</b>	–
Others	<b>351</b>	145
	<hr/>	<hr/>
	<b>4,028</b>	145
	<hr/> <hr/>	<hr/> <hr/>

**7 OTHER (LOSSES)/GAINS – NET**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HKD'000</b>	<b>HKD'000</b>
Net changes in cash surrender value of investment in insurance contracts	<b>440</b>	261
Elimination of liabilities	–	1,281
Losses on the derecognition of right-of-use assets and lease liabilities	<b>(274)</b>	–
Exchange losses	<b>(4,063)</b>	(1,072)
Fair value gains on financial liabilities at fair value through profit or losses	<b>1,279</b>	2,492
Net (losses)/gains on disposal of property, plant and equipment	<b>(2,002)</b>	307
	<hr/>	<hr/>
	<b>(4,620)</b>	3,269
	<hr/> <hr/>	<hr/> <hr/>

## 8 EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2020	2019
	<i>HKD'000</i>	<i>HKD'000</i>
Change in inventories	208,025	333,347
Provision for inventories	(2,348)	2,010
Depreciation of right-of-use assets ( <i>Note 12</i> )	108,580	105,184
Employee benefit expenses	91,974	122,494
Depreciation of property, plant and equipment ( <i>Note 11</i> )	31,653	31,591
Operating lease expenses ( <i>Note 12</i> )	26,818	39,335
Utilities and electricity expenses	10,448	12,788
Property management fee	12,342	11,322
Advertising and promotion expenses	7,719	10,012
Payment processing fee	5,406	7,662
Labour cost	2,882	6,056
Taxes and other administrative expenses	1,445	1,631
Travelling, entertainment and communication expenses	2,787	3,355
Impairment loss on property, plant and equipment ( <i>Note 11</i> )	1,772	–
Repair and maintenance	2,315	1,896
Amortisation of intangible assets	1,106	751
Delivery expenses	1,347	4,738
Office expenses	588	3,534
Impairment loss on right-of-use assets ( <i>Note 12</i> )	9,987	–
Professional service fees	2,234	1,828
Auditor's remuneration	664	593
Listing expenses	480	9,263
Rent concession related to COVID-19	(73,308)	–
Other expenses	5,832	8,339
	<u>460,748</u>	<u>717,729</u>

## 9 INCOME TAX (CREDIT)/EXPENSES

### (a) Income tax (credit)/expenses

	Unaudited	
	Six months ended 30 June	
	2020	2019
	<i>HKD'000</i>	<i>HKD'000</i>
Current income tax	262	7,322
Deferred income tax related to the temporary differences	(4,973)	(208)
	<u>(4,711)</u>	<u>7,114</u>

(b) Numerical reconciliation of income tax (credit)/expenses

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HKD'000	HKD'000
(Loss)/profit before income tax	(104,531)	38,425
Tax calculated at applicable statutory tax rate of respective entities	(15,351)	5,103
Effect of progressive tax rate before statutory tax rate	(34)	(69)
Tax preference	(255)	(592)
Withholding income tax on the profits to be distributed by the group companies in the Mainland China	7	29
Tax effect of unrecognised tax losses	10,175	1,283
Utilisation of previously unrecognised tax losses	(52)	–
Items not deductible for tax purposes	799	1,360
Income tax (credit)/expenses	<u>(4,711)</u>	<u>7,114</u>

10 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in outstanding during the period.

	Unaudited	
	Six months ended 30 June	
	2020	2019
(Loss)/profit attributable to equity holders of the Company (HKD'000)	(96,680)	29,285
Weighted average number of ordinary shares in issue (Note)	<u>391,666,667</u>	<u>300,000,000</u>
Basic (loss)/earnings per share (HKD)	<u>(0.25)</u>	<u>0.10</u>

Note:

Basic (loss)/earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. The weighted average number of shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation and the effect of the capitalisation of reserves in January 2020.

(b) No diluted earnings per share is presented as the Group has no dilutive potential ordinary shares during the period.



## 11 PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>HKD'000</i>	Leasehold improvements <i>HKD'000</i>	Vehicle <i>HKD'000</i>	Office furniture and equipment <i>HKD'000</i>	Computer and electronic equipment <i>HKD'000</i>	Total <i>HKD'000</i>
<b>At 31 December 2019</b>						
Cost	83,577	275,064	4,128	22,070	12,525	397,364
Accumulated depreciation and impairment provision	<u>(3,645)</u>	<u>(197,909)</u>	<u>(3,128)</u>	<u>(17,129)</u>	<u>(7,362)</u>	<u>(229,173)</u>
Net book amount	<u>79,932</u>	<u>77,155</u>	<u>1,000</u>	<u>4,941</u>	<u>5,163</u>	<u>168,191</u>
<b>Six months ended 30 June 2020</b>						
Opening net book amount	79,932	77,155	1,000	4,941	5,163	168,191
Additions	-	17,003	-	131	722	17,856
Depreciation	(818)	(27,920)	(156)	(1,545)	(1,214)	(31,653)
Impairment provision	-	(1,772)	-	-	-	(1,772)
Exchange differences	-	(527)	-	(65)	(54)	(646)
Disposals	<u>-</u>	<u>(2,880)</u>	<u>(484)</u>	<u>(44)</u>	<u>(148)</u>	<u>(3,556)</u>
Closing net book amount (unaudited)	<u>79,114</u>	<u>61,059</u>	<u>360</u>	<u>3,418</u>	<u>4,469</u>	<u>148,420</u>
<b>At 30 June 2020</b>						
Cost	83,577	280,586	3,158	21,159	12,895	401,375
Accumulated depreciation and impairment provision	<u>(4,463)</u>	<u>(219,527)</u>	<u>(2,798)</u>	<u>(17,741)</u>	<u>(8,426)</u>	<u>(252,955)</u>
Net book amount (unaudited)	<u>79,114</u>	<u>61,059</u>	<u>360</u>	<u>3,418</u>	<u>4,469</u>	<u>148,420</u>

Depreciation of the Group's property, plant and equipment has been recognised in the consolidated information of profit or loss as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	2020	2019
	<i>HKD'000</i>	<i>HKD'000</i>
Selling and marketing expenses	29,065	28,937
Administrative expenses	<u>2,588</u>	<u>2,654</u>
	<u>31,653</u>	<u>31,591</u>

12 RIGHT-OF-USE ASSETS

	Unaudited As at 30 June 2020 HKD'000	Audited As at 31 December 2019 HKD'000
Retail stores	291,688	360,617
Vehicle	2,107	2,734
Office	11,769	11,602
	<u>305,564</u>	<u>374,953</u>

	Retail stores HKD'000	Vehicle HKD'000	Office HKD'000	Total HKD'000
<b>At 31 December 2019</b>				
Cost	666,175	4,414	30,092	700,681
Accumulated depreciation and impairment	(305,558)	(1,680)	(18,490)	(325,728)
<b>Net book amount</b>	<u>360,617</u>	<u>2,734</u>	<u>11,602</u>	<u>374,953</u>

**Six months ended 30 June 2020**

Opening net book amount	360,617	2,734	11,602	374,953
Additions	57,644	–	3,224	60,868
Depreciation	(104,971)	(627)	(2,982)	(108,580)
Impairment provision	(9,987)	–	–	(9,987)
Early termination of lease contracts	(10,380)	–	–	(10,380)
Exchange differences	(1,235)	–	(75)	(1,310)
<b>Closing net book amount (unaudited)</b>	<u>291,688</u>	<u>2,107</u>	<u>11,769</u>	<u>305,564</u>

**At 30 June 2020**

Cost	654,690	4,414	24,024	683,128
Accumulated depreciation and impairment	(363,002)	(2,307)	(12,255)	(377,564)
<b>Net book amount (unaudited)</b>	<u>291,688</u>	<u>2,107</u>	<u>11,769</u>	<u>305,564</u>

The statement of profit or loss shows the following amounts relating to leases:

	Unaudited Six months ended 30 June 2020 HKD'000	2019 HKD'000
Expense relating to variable lease payments not included in lease liabilities (Note 8)	26,818	39,335
Depreciation charge of right-of-use assets (Note 8)	108,580	105,184
Interest expenses (included in finance cost)	<u>9,423</u>	<u>9,163</u>

For the six months ended 30 June 2020, the rent concessions related to COVID-19 was HKD73,308,000 (Note 8).

### 13 INVENTORIES

	Unaudited As at 30 June 2020 <i>HKD'000</i>	Audited As at 31 December 2019 <i>HKD'000</i>
Fashion wears and accessories	337,512	407,169
Less: provision for impairment	<u>(20,991)</u>	<u>(23,338)</u>
	<b><u>316,521</u></b>	<b><u>383,831</u></b>
Inventory measured at cost	268,659	335,228
Inventory measured at net realisable value	<u>47,862</u>	<u>48,603</u>
	<b><u>316,521</u></b>	<b><u>383,831</u></b>

### 14 TRADE RECEIVABLE

	Unaudited As at 30 June 2020 <i>HKD'000</i>	Audited As at 31 December 2019 <i>HKD'000</i>
<b>Trade receivables</b>		
Due from third parties	37,061	70,494
Less: provision for impairment of trade receivables	<u>–</u>	<u>–</u>
Net trade receivables	<b><u>37,061</u></b>	<b><u>70,494</u></b>
	Unaudited As at 30 June 2020 <i>HKD'000</i>	Audited As at 31 December 2019 <i>HKD'000</i>
Within 3 month	33,590	69,960
Over 3 month and within 6 months	1,707	278
Over 6 months and within 1 year	1,764	256
Over 1 year	<u>–</u>	<u>–</u>
	<b><u>37,061</u></b>	<b><u>70,494</u></b>

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

## 15 OTHER RECEIVABLES AND DEPOSIT

	Unaudited As at 30 June 2020 HKD'000	Audited As at 31 December 2019 HKD'000
Included in current assets		
– Rental deposits	9,880	12,181
– Value-added tax recoverable	10,189	12,042
– Compensation receivables ( <i>Note a</i> )	1,995	9,618
– Staff advance	662	875
– Construction allowance receivables	–	4,904
– Others	8,415	6,739
	<u>31,141</u>	<u>46,359</u>
Included in non-current assets		
– Rental deposits	38,554	42,955
	<u>69,695</u>	<u>89,314</u>

*Note:*

- (a) In 2017, three subsidiaries of the Group signed store opening agreements with a shopping mall landlord, which states if the opening date of the eight stores to be opened occurs later than 31 July 2017 due to the landlord's reason, the landlord would compensate the Group according to an agreed calculation method. These eight stores were finally opened in February 2018 and the shopping mall landlord initially agreed to compensate the Group a total amount of Macanese pataca 9,906,000 (equivalent to HKD9,618,000) which is below the contract agreed compensation amount. After further negotiation, the landlord agree to raise the compensation but with additional conditions.

In April 2020, the Group and the shopping mall landlord came to a final agreement, increasing the compensation amount to HKD13,200,000, of which half shall be settled in cash and half shall be used to eliminate rental due to the shopping mall landlord. As at 30 June 2020, the Group has already received the compensation amount HKD6,600,000 in cash, and the remaining balance HKD1,995,000 booked in other receivable represents the amount to be used to eliminate rental due to the landlord.

## 16 RESTRICTED CASH

	Unaudited As at 30 June 2020 HKD'000	Audited As at 31 December 2019 HKD'000
Restricted cash	<u>20,957</u>	<u>37,908</u>

Restricted cash mainly includes the security deposits for issuance of letters of credit by banks denominated in HKD and the security deposits for bank loans denominated in HKD.

## 17 SHARE CAPITAL

	Number of shares	Nominal value of shares <i>HKD'000</i>	Share premium <i>HKD'000</i>
As at 31 December 2019	600	–	691,000
Issuance of ordinary shares in relation to the initial public listing (“IPO”)	100,000,000	1,000	171,233
Capitalisation of share premium	299,999,400	3,000	(3,000)
As at 30 June 2020 (Unaudited)	<u>400,000,000</u>	<u>4,000</u>	<u>859,233</u>

On 13 January 2020, the shares of the Company were listed on the Stock Exchange. In connection with the listing completed on 13 January 2020, the Company issued a total of 100,000,000 ordinary shares at a price of HKD2.0 per share for a total proceeds of HKD200,000,000.

Upon completion of the IPO, the Company issued a total of 100,000,000 ordinary shares at par value of HKD0.01 each for cash consideration of HKD2.0 each, and raised gross proceeds of approximately HKD200,000,000. The respective share capital amount was approximately HKD1,000,000 and share premium arising from the issuance was approximately HKD171,233,000, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers’ fees, reporting accountant’s fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB27,767,000 were treated as a deduction against the share premium arising from the issuance.

On 13 January 2020, a total of 299,999,400 shares were allotted and issued, credited as fully paid, at par to the holder of shares on the register of members of the Company in proportion to their shareholdings by way of capitalisation of the sum of HKD2,999,994 standing to the credit of the share premium account of the Company, and the shares allotted and issued rank pari passu in all respects with the existing issued shares.

## 18 BORROWINGS

	Unaudited As at 30 June 2020 <i>HKD'000</i>	Audited As at 31 December 2019 <i>HKD'000</i>
<b>Non-current</b>		
Bank loans ( <i>Note a</i> )	<u>138,547</u>	156,408
<b>Current</b>		
Bank loans ( <i>Note a</i> )	22,766	52,187
Letter of credit loans ( <i>Note b</i> )	<u>140,551</u>	45,502
	<u>163,317</u>	97,689
	<u><b>301,864</b></u>	<u>254,097</u>

Notes:

(a) All borrowings are pledged as shown below:

	<b>Unaudited</b>	Audited
	As at	As at
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<i>HKD'000</i>	<i>HKD'000</i>
Pledged by Mr. Fan's properties	<b>115,583</b>	66,443
Pledged by Mr. Fan's properties and time deposit	<b>37,626</b>	22,590
Pledged by Mr. Fan's properties, time deposit and insurance contract	<b>103,289</b>	119,312
Pledged by buildings	<b>45,366</b>	45,752
	<u><b>301,864</b></u>	<u>254,097</u>

(b) Letter of credit loans represent loans granted by banks in connection with inward cargoes.

(c) The borrowings were repayable by repayment day as follows:

	<b>Unaudited</b>	Audited
	As at	As at
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<i>HKD'000</i>	<i>HKD'000</i>
Within 1 year	<b>163,317</b>	97,689
Between 1 and 2 years	<b>22,332</b>	22,883
Between 2 and 5 years	<b>56,867</b>	61,358
Over 5 years	<b>59,348</b>	72,167
	<u><b>301,864</b></u>	<u>254,097</u>

(d) Compliance with loan covenants

The Group complied with the financial covenants of its borrowing facilities throughout the six-month ended 30 June 2020.

## 19 LEASE LIABILITIES

	<b>Unaudited</b>	Audited
	As at	As at
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<i>HKD'000</i>	<i>HKD'000</i>
Current	<b>158,377</b>	179,984
Non-current	<b>181,003</b>	223,211
	<u><b>339,380</b></u>	<u>403,195</u>

## 20 PROVISIONS

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2020</b> <i>HKD'000</i>	Audited As at 31 December 2019 <i>HKD'000</i>
<b>Non-current</b>		
Make good provision	<u>2,089</u>	<u>2,255</u>
<b>Current</b>		
Make good provision	3,743	2,212
Legal claim ( <i>Note</i> )	<u>–</u>	<u>1,904</u>
	<u>3,743</u>	<u>4,116</u>
	<u><u>5,832</u></u>	<u><u>6,371</u></u>

*Note:*

In September 2017, claims were lodged against subsidiaries of the Group made by one shopping mall for violation of retail stores opening agreements. Unfavorable judgements were subsequently handed down against the subsidiaries in September 2018. However, after taking appropriate legal advice, the directors have decided to appeal against the decision. No payment has been made to the claimant pending outcome of the appeal. If upheld, payment of RMB1,705,000 (equivalent to HKD1,904,000) will be required. The recognised provision reflects the directors' best estimate of the most likely outcome.

In January 2020, the final judgement was handed down against subsidiaries of the Group. The judgement has been executed and payment has been made to the claimant in June 2020.

## 21 OTHER CURRENT AND NON-CURRENT LIABILITIES

	<b>Unaudited</b> <b>Six months</b> <b>ended</b> <b>30 June</b> <b>2020</b> <i>HKD'000</i>
At 1 January	23,022
Receipt	27,346
Recognised in consolidated statements of profit or loss	(6,603)
Exchange difference	<u>(481)</u>
At 30 June	<u><u>43,284</u></u>
Current	22,726
Non-Current	20,558

The other current and non-current liabilities are mainly the decoration subsidy received from the franchisors and shopping malls and is amortised on a straight-line basis over the rental periods.

## 22 TRADE AND OTHER PAYABLES

	Unaudited As at 30 June 2020 HKD'000	Audited As at 31 December 2019 HKD'000
<b>Current</b>		
Trade payables ( <i>Note</i> )	74,810	102,310
Salaries payable	41,555	52,123
Dividend payable	20,000	–
Variable lease payable	9,985	20,478
Listing expense payable	–	6,221
Other taxes payable	4,308	1,576
License fee payable	2,140	2,290
Operating support fund	676	11,722
Renovation service fee payables	11,971	5,268
Other payables	5,157	15,822
	<u>170,602</u>	<u>217,810</u>
<b>Non-current</b>		
Operating support fund	12,152	5,046
License fee payables	344	738
	<u>12,496</u>	<u>5,784</u>
	<u><b>183,098</b></u>	<u><b>223,594</b></u>

*Note:*

Trade payables primarily represent payables for inventories. The ageing analysis of the trade payables based on invoice date is as follows:

	Unaudited As at 30 June 2020 HKD'000	Audited As at 31 December 2019 HKD'000
Within 3 months	64,984	100,784
Over 3 months and within 1 year	9,826	1,526
Over 1 year	–	–
	<u>74,810</u>	<u>102,310</u>



## 23 DIVIDENDS

The dividends payable of HKD20,000,000 (HKD0.05 per share) relates to the final dividend for the year ended 31 December 2019 and was subsequently paid on 20 August 2020.

The board of directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2020.

## 24 SIGNIFICANT RELATED PARTY TRANSACTIONS

### (a) Significant transactions with related parties

The following significant transactions occurred with related parties:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HKD'000	HKD'000
<b>Purchase of goods</b>		
Company with significant influence over a subsidiary	–	1,083
<b>Purchase of decoration services</b>		
Controlled by a close family member of Mr. Fan	2,052	14,556
<b>Purchase of rental services (with variable lease payment)</b>		
Fellow subsidiaries	–	4,095
<b>Purchase of management, promotion and administration services</b>		
Fellow subsidiary	4,685	9,189
<b>Interest expense</b>		
Controlling shareholder of the Company	–	1,445

In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(b) **Period/year end balances with related parties**

(1) *Due to related parties*

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>HKD'000</b>	<b>HKD'000</b>
<b>Loans from related parties – non-trade</b>		
Mr. Fan	–	90,366
<b>Amount due to related parties – non-trade</b>		
Ieng Nam Singapore Pte. Ltd.	<b>767</b>	767
Shun Ao Investment Company Limited	<b>8,962</b>	–
<b>Amount due to related parties – trade</b>		
SJ Synergy Engineering Company Limited	<b>30,924</b>	35,999
Sao Hang Investment Company Limited	–	7,160
	<b>40,653</b>	134,292

Amount due to related parties represents unsecured, interest-free and repayable on demand amount paid on behalf of the Group by related parties.

(c) **Leases as lessee with other related parties**

The following amounts of leases are related to related parties:

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2020</b>	2019
	<b>HKD'000</b>	<b>HKD'000</b>
<b>Lease liabilities</b>		
Controlling shareholder of the Company	<b>6,797</b>	7,350

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HKD'000</b>	<b>HKD'000</b>
<b>Addition in right-of-use assets</b>		
Controlling shareholder of the Company	<u>399</u>	<u>9,059</u>
<b>Interest of lease liabilities</b>		
Controlling shareholder of the Company	<b>216</b>	227
Fellow subsidiaries	<u>–</u>	<u>1</u>
	<b><u>216</u></b>	<b><u>228</u></b>

## 25 SUBSEQUENT EVENTS

On 15 July 2020, Fortune Fashion Limited, a direct wholly-owned subsidiary of the Company (“Fortune Fashion”), Mr. Yip Tze Yee (葉子詒), a merchant engaging in the production, development, import and sale of skincare and cosmetic products business and the beneficial owner of the SwissPro brand before the completion of the transaction (“Mr. Yip”) and Yuan Zhi Holdings Limited, a company incorporated in Hong Kong with limited liability (“JV Company”) entered into an agreement pursuant to which, Fortune Fashion agreed to pay RMB11.8 million to Mr. Yip as initial set up fee of the SwissPro Business which will be run by the JV Company after completion of the transaction. Mr. Yip will inject all operating resources and intellectual property rights related to SwissPro owned and managed by Mr. Yip or Beijing Ruishibao Trading Co., Ltd (including but not limited to registered trademarks, domain names, production technology, distribution channels and network, aftersales service resources, qualifications, licenses, etc) to the JV Company or entity designated by Fortune Fashion. Fortune Fashion may (but is not legally obliged to) provide a shareholder’s loan of up to HKD50 million to the JV Company as supporting fund.

The JV Company was incorporated in Hong Kong on 18 June 2020 with one share in issue with a registered capital of HKD1 which was owned by Fortune Fashion. Pursuant to the agreement, Fortune Fashion shall subscribe for 7,999 new shares of JV Company at HKD7,999 and Mr. Yip shall subscribe for 2,000 new shares of JV Company at HKD2,000. The JV Company will be owned as to 80% and 20% by Fortune Fashion and Mr. Yip respectively. The board of directors of the JV Company shall consist of five directors. Four of them shall be appointed by Fortune Fashion and one of them shall be appointed by Mr. Yip. Board resolutions of the JV Company shall be passed by a majority of JV Company Directors. The chairman of the JV Company Board shall be held by one of the JV Company Directors who is appointed by Fortune Fashion.

Upon completion of the transaction, the JV Company will be principally engaged in the sales, trading, management, planning and development of branded skincare and cosmetic products under the brand name “SwissPro” in the Greater China and will become an indirect non-wholly owned subsidiary of the Company and the financial results and position of the JV Company will be consolidated into the Company’s financial information.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

The Group principally engages in the retail of fashion apparel of international brands ranging from established designer label brands, popular global brands to up-and-coming brands in Mainland China, Macau, Hong Kong and Taiwan (collectively, “**Greater China**”). The Group adopts a multi-brand and multi-store business model. As at 30 June 2020, the Group operated (i) 213 self-operated retail stores in Greater China, of which 178 retail stores are mono-brand stores operated under the brand name of the merchandise to cater for the brand’s target customers; and (ii) 35 retail stores are multi-brand stores that offer a broad assortment of the Group’s selected fashion apparel and lifestyle merchandise from different international brands and the Group’s own brands. As at 30 June 2020, the Group’s brand portfolio had 125 brands, of which 122 brands are international brands owned by third-party brand owners or their master/authorised licensors and three are its own brands, namely, *UM*, *UM•IXOX* and *IXOX*.

The ongoing China-U.S. trade tension and the COVID-19 outbreak have severely affected the Group’s revenue as the drop in tourist arrivals has substantially reduced consumer’s spending. The Group’s revenue for the six months ended 30 June 2020 is HKD367.5 million (2019: HKD768.2 million), a drop in revenue of 52.2% compared to that for the six months ended 30 June 2019.

The drop in revenue is mainly attributed to (i) the fall in Wholesale and Retail Trades industry GDP of Mainland China in the first half of 2020 by 8.1% year-over-year (“**yoy**”); (ii) the drop in tourist arrivals to Hong Kong in the first half of 2020 by 90% yoy; and (iii) the drop in tourist arrivals from Mainland China to Macau in the first half of 2020 by 83.9% yoy. The Group’s Macau business in particular, has been at a standstill due to the drop in tourist arrivals. At present, non-Macau residents are still barred from entry into Macau dependent on their COVID-19 test results and this has significantly deterred visitors to Macau.

In the light of this tough business environment, the Group has been closely monitoring the market conditions and adjusted its business strategies and operations to minimize the negative impact, including proactive cost control measures on merchandise costs, rental expenses and staff costs to ensure that a healthy cashflow position is maintained.

## FINANCIAL REVIEW

### Revenue

The Group’s revenue decreased to HKD367.5 million for the six months ended 30 June 2020 (2019: HKD768.2 million) which was mainly due to the drop in the sales of the Group’s self-operated retail stores in Mainland China and Macau. The revenue of HKD360.5 million generated from the Group’s retail channels accounted for 98.1% of the total revenue for the first six months in 2020, or 51.0% lower than that for the six months ended 30 June 2019. Among the revenue generated from retail channels for the six months ended 30 June 2020, 99.1% was generated from the sales of the Group’s self-operated retail stores and the rest was generated from online sales. The revenue generated from the Group’s mono-brand retail

stores decreased to HKD300.8 million for the six months ended 30 June 2020, representing a yoy decrease of 51.4%. The revenue generated from the Group's multi-brand retail stores decreased to HKD56.5 million for the six months ended 30 June 2020, representing a yoy decrease of 51.5%.

Breakdown of revenue by sales channels:

	Six months ended 30 June 2020		Six months ended 30 June 2019		Change (%)
	HKD million	% of revenue	HKD million	% of revenue	
Retail					
Mono-brand stores	300.8	81.8	618.7	80.5	(51.4)
Multi-brand stores	56.5	15.4	116.5	15.2	(51.5)
Online sales	3.2	0.9	0.05	–	6,300.0
	<u>360.5</u>	<u>98.1</u>	<u>735.3</u>	<u>95.7</u>	<u>(51.0)</u>
Store Management & consignment services	6.0	1.6	22.7	3.0	(73.6)
Wholesale	1.0	0.3	10.2	1.3	(90.2)
Total	<u><u>367.5</u></u>	<u><u>100.0</u></u>	<u><u>768.2</u></u>	<u><u>100.0</u></u>	<u><u>(52.2)</u></u>

The revenue generated from the retail stores in Macau for the six months ended 30 June 2020 decreased to HKD151.8 million, representing a drop of 64.1% compared to that for the corresponding period in 2019. The revenue generated from Mainland China recorded HKD193.9 million for the six months ended 30 June 2020, representing a yoy decrease of 35.1%. The revenue generated from the sales in Hong Kong and Taiwan recorded a drop to HKD21.8 million for the six months ending 30 June 2020, representing a yoy decrease of 53.8%.

Revenue by geographical areas:

	Six months ended 30 June 2020		Six months ended 30 June 2019		Change (%)
	HKD million	% of revenue	HKD million	% of revenue	
Mainland China	193.9	52.8	298.7	38.9	(35.1)
Macau	151.8	41.3	422.3	55.0	(64.1)
Hong Kong and Taiwan	21.8	5.9	47.2	6.1	(53.8)
	<u><u>367.5</u></u>	<u><u>100.0</u></u>	<u><u>768.2</u></u>	<u><u>100.0</u></u>	<u><u>(52.2)</u></u>

## **Gross profit**

The Group's cost of sales consisted of cost of inventory sold for the fashion apparel and lifestyle products and the cost of store management rendered to the brand owners. The cost of sales decreased to HKD219.8 million for the six months ended 30 June 2020, or a yoy decrease of 37.1%. With the increasing percentage of cost of sales to revenue, the Group's gross profit for the six months ended 30 June 2020 decreased to HKD147.7 million, a drop of 64.8%, and its gross profit margin decreased to 40.2%, representing a 1,430 basis points decrease from that of 2019. The decrease in the Group's gross profit was mainly contributed by the decrease in the gross profit from Mainland China and Macau of HKD71.7 million and HKD183.6 million, respectively. The decrease in the gross profit margin was mainly attributable to the decrease in the gross profit margin of sales in Macau to 37.4% for the six months ended 30 June 2020, representing a 1,950 basis points decrease from that of the corresponding period in 2019 as a result of more discount offered.

## **Other income and other gains and losses, net**

The Group had other income of HKD4.0 million for the six months ended 30 June 2020 mainly comprising compensation for termination of lease contacts. The Group recorded net other losses of HKD4.6 million, compared with net other gains of HKD3.3 million for the six months ended 30 June 2019, mainly attributable to the exchange losses and net losses on disposal of property, plant and equipment.

## **Operating expenses**

Selling and marketing expenses decreased to HKD190.4 million for the six months ended 30 June 2020, or a 39.0% yoy drop, primarily as a result of (i) COVID-19 pandemic rent concessions received totaled HKD73.3 million; (ii) employee benefit expenses decreased by HKD33.2 million, or a yoy decrease of 35.8%, resulting from the decrease in the number of sales and marketing staff and the decrease in salary, sales commission and bonus payable to the staff; and (iii) operating lease expenses decreased by HKD10.6 million for the six months ended 30 June 2020, or a yoy decrease of 29.0%.

General and administrative expenses decreased to HKD50.5 million for the six months ended 30 June 2020, or a yoy drop of 10.0%, primarily due to the reduction in listing expenses of HKD8.8 million, or a yoy decrease of 94.8%.

## **Finance costs**

Net finance costs decreased to HKD10.7 million for the six months ended 30 June 2020, or a yoy drop of 31.1%.

## **Net Loss for the year**

Compared to the net profit of HKD31.3 million for the six months ended 30 June 2019, the Group recorded a net loss of HKD99.8 million for the six months ended 30 June 2020. The loss was attributable to the significant drop in sales revenue in the first half of 2020 as a result of the COVID-19 pandemic related impact described above.

## **SEASONALITY**

The Group's sales performance is subject to seasonal fluctuations and it normally generates higher revenue during winter season than summer season as winter apparel generally has a higher unit price than summer apparel. The Group records higher revenue in festive seasons such as Christmas and the month before Chinese New Year and the traditional peak season in Mainland China long holidays. Normally revenue recorded in the first half and the second half of the year are of equal weighting as they have similar festivals and holidays.

## **FINANCIAL**

### **Working capital structure**

The Group's net current assets amounted to HKD98.8 million as at 30 June 2020, representing an increase of HKD93.8 million from 31 December 2019. Such increase was primarily the result of a decrease in the amount due to related parties after the repayment of a HKD90.4 million loan from Mr. Fan.

### **Liquidity and financial management**

The Group strives to maintain a healthy financial position and liquidity for its normal operation, development needs and ad hoc events. As at 30 June 2020, the cash and cash equivalents were HKD244.4 million, representing an increase of HKD171.8 million comparing with that for 31 December 2019.

The Group's current ratio was 1.2 times as at 30 June 2020, compared to that of 1.0 times as at 31 December 2019. The increase in current ratio was mainly attributable to the decrease in the amount due to related parties. The gearing ratio of the Group, which is calculated as net debt divided by total capital was 58% as at 30 June 2020 compared to that of 74% as at 31 December 2019.

### **Pledge of assets**

As at 30 June 2020, a building with net book value of HKD61.7 million, restricted cash of HKD21.0 million and the investments in life insurance contract of HKD31.8 million were pledged for a first mortgage, credit loans and credit facilities of bank borrowings, respectively.

## **CAPITAL COMMITMENT**

The Group had no material capital commitment contracted, but not provided for as at 30 June 2020 (31 December 2019: Nil).

## **CONTINGENT LIABILITIES**

The Group did not have any material contingent liabilities as at 30 June 2020 (31 December 2019: Nil).

## **FOREIGN EXCHANGE RISK MANAGEMENT**

Merchandise purchased by the Group is mainly denominated in Euros, United States Dollars (USD) and Renminbi (RMB) whereas the retail operation is mainly exposed to RMB, Macanese pataca (MOP), New Taiwan Dollars (TWD) and Hong Kong Dollars (HKD). As the Group did not expect foreign currency fluctuations to materially impact its operation, it did not hedge foreign exchange fluctuation by forward contracts. The Group managed foreign exchange risk by reviewing its net foreign exchange exposures regularly and endeavored to shrink these exposures through reviewing the exchange rates with the suppliers and the brand owners periodically.

## **OUTLOOK**

The outbreak of the COVID-19 pandemic occurred in Mainland China, Macau, Hong Kong, and others since January 2020 and later spread globally, which, from the Directors' point of view, has and would further hurt the apparel retail market in Greater China.

As disclosed in our 2019 annual report, the Group's business could be adversely affected by the COVID-19 pandemic and/or other adverse public health developments in Greater China. Such events could severely disrupt the Group's business operations by having a negative impact on consumer sentiment, the macro-economic condition as well as the financial conditions of the stock markets.

While the Group is facing the most challenging time in 2020 since its start of business in 2005, the Directors believe that the impact of the COVID-19 pandemic would eventually come to an end. Greater China, in particular, Mainland China, will embark upon major pump-priming offer more stimuli after the COVID-19 pandemic has ended whereby the Directors expect that the economy in the second half of this year can be recovered gradually. To preserve its strengths to meet the post-COVID-19 pandemic growth, the Group has adopted a series of cost control measures to minimize its expenses such as negotiating with landlords for rent reduction and suppliers for more discount/more favourable terms and voluntary temporary salaries reduction starting from Executive Directors and senior management of the Group.



The Group is committed to implementing the following strategies to cope with the temporary gloom retail environment in Greater China and ride on the opportunity of subsequent recovery:

- To adopt progressive marketing approach for loyal customers by offering attractive package and arrangement of visit time to avoid crowded shopping;
- To defer the introduction of new brands and opening of retail stores to the second half of 2020 or end of the COVID-19 pandemic, whichever is the earlier;
- To accelerate the implementation of the Centralised Retail Management System to enhance its operational efficiency; and
- To strengthen its digital marketing and online sales through existing e-shopping platform and group chat via social media.

## **USE OF PROCEEDS**

The shares of the Company (“**Shares**”) were listed on the The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) on 13 January 2020 (“**Listing Date**”) and the net proceeds from the global offering of its Shares (“**Global Offering**”) amounted to HKD140.0 million.

As of 30 June 2020, the Company has used approximately 8.8% of the proceeds from the Global Offering and the net proceeds have been utilised in line with those set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 30 December 2019 (“**Prospectus**”).

The following sets forth a summary of the utilisation of the net proceeds from the Global Offering as of 30 June 2020:

- approximately 6.57% was used for expanding our retail stores
- approximately 0.80% was used for upgrading our existing retail stores
- approximately 0.57% was used for exploring new brands
- approximately 0.28% was used for the set up and implementation of our Centralised Retail Management System
- approximately 0.57% was used for strengthening of our online sales

## **OTHER INFORMATION**

### **Material acquisitions and disposals of subsidiaries, associates and joint ventures**

During the six months ended 30 June 2020, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

## **Employees and remuneration policies**

The Group adopts a competitive emolument policy to attract, retain and motivate high quality individuals. Remuneration packages are reviewed regularly to reflect the market practice and employees' performance. As at 30 June 2020, the Group employed around 1,450 employees (30 June 2019: 1,566 employees). The total staff costs for the six months ended 30 June 2020 was HKD92.0 million, a yoy decrease of 24.9%.

## **Events after the reporting period**

The following significant events took place subsequent to 30 June 2020:

On 15 July 2020, Fortune Fashion Limited (a direct wholly-owned subsidiary of the Company), Mr. Yip Tze Yee ("**Mr. Yip**") and Yuan Zhi Holdings Limited ("**JV Company**") entered into a JV agreement pursuant to which, subject to the terms and conditions of the JV agreement, (i) Fortune Fashion and Mr. Yip agreed to form the JV Company which will be owned as to 80% and 20% by Fortune Fashion and Mr. Yip respectively; (ii) Fortune Fashion agreed to pay RMB11.8 million (subject to adjustment) to Mr. Yip as initial set up fee of the SwissPro Business which will be run by the JV Company after the completion; and (iii) Fortune Fashion will contribute to the JV Company by way of a shareholder's loan of HKD50 million and Mr. Yip by way of injection of the SwissPro Assets to the JV Company or entity designated by Fortune Fashion.

The JV Company was incorporated in Hong Kong on 18 June 2020. Upon completion, it will be principally engaged in the sales, trading, management, planning and development of branded skincare and cosmetic products under the brand name "SwissPro" in the Greater China.

Please refer to Note 25 of the Notes to the Condensed Consolidated Financial Information and the Company's announcement dated 15 July 2020 for details.

## **Purchase, sale and redemption of listed securities**

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

## **DISCLOSURE OF INTERESTS**

### **Interests and short positions of directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations**

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register

required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) in Appendix 10 of the Rules Governing the Listing of Securities (“**Listing Rules**”) on the Stock Exchange were as follows:

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of Shares held/ interested</b>	<b>Approximately percentage of shareholding in the Company</b>
Mr. Fan Wing Ting (“ <b>Mr. Fan</b> ”) ( <i>Note 1</i> )	Interest in controlled corporation	300,000,000	75%

*Note:*

1. Mr. Fan owns the entire issued share capital of Gold Star Fashion Limited and he was deemed to be interested in the 300,000,000 Shares held by Gold Star Fashion Limited by virtue of the SFO.

#### **Interests and short positions of substantial shareholders in the shares and underlying shares of the Company**

So far as the Directors and chief executive of the Company are aware, as at 30 June 2020, the following shareholders of the Company had interests in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

<b>Shareholders</b>	<b>Capacity/ Nature of interest</b>	<b>Number of Shares held/ interested</b>	<b>Approximately percentage of shareholding in the Company</b>
Gold Star Fashion Limited ( <i>Note 1</i> )	Beneficial owner	300,000,000	75%
Ms. Cheng King Ling ( <i>Note 2</i> )	Interest of spouse	300,000,000	75%

*Notes:*

1. Mr. Fan owns the entire issued share capital of Gold Star Fashion Limited.
2. Ms. Cheng King Ling is the spouse of Mr. Fan. Therefore, she is deemed to be interested in all the Shares in which Mr. Fan has interest in under the SFO.

## **Share option scheme**

The Company has conditionally adopted a share option scheme (“**Share Option Scheme**”) pursuant to the written resolutions of the Company’s shareholders and Directors passed on 17 December 2019 which took effect upon the Listing Date. The principal terms of the Share Option Scheme are summarised in Appendix IV to the Prospectus.

The purpose of the Share Option Scheme is to provide an incentive or reward to any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including Directors) of the Company or any of its subsidiaries, and any suppliers, customers, consultants, agents and advisors, for their contribution or potential contribution to the Group.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 17 December 2019, and there is no outstanding share option as at 30 June 2020.

## **Model code for securities transactions by directors**

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code. The Company, having made specific enquiry of all the Directors, is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the six months ended 30 June 2020.

## **Interim dividend**

The Board does not recommend the declaration of an interim dividend for the six months ended 30 June 2020 (31 December 2019: HKD20,000,000).

## **Corporate governance code**

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Company so as to achieve effective accountability.

The Company has adopted the code provisions of the Corporate Governance Code and Corporate Governance Report (“**CG Code**”) as set out in Appendix 14 of the Listing Rules issued by Stock Exchange.

The Company has complied with the code provisions in the CG Code for the six months ended 30 June 2020. The Company is committed to the objective that the Board should include a balanced composition of Executive Directors and Independent Non-executive Directors so that there is a strong independent element on the Board which can effectively exercise independent judgement.

## **Audit committee**

The Audit Committee has reviewed with management the accounting principles and practices adopted, discussed risk management and internal controls and financial reporting matters including a general review of the unaudited interim financial results for the six months ended 30 June 2020.

By Order of the Board  
**Forward Fashion (International) Holdings Company Limited**  
**Fan Wing Ting**  
*Chairman*

Hong Kong, 28 August 2020

*As at the date of this announcement, the Board comprises Mr. Fan Wing Ting, Ms. Chen Xingyi, Mr. Kevin Trantallis, Mr. Fong Yat Ming and Ms. Fan Tammy as the Executive Directors, and Mr. Chau Kwok Keung, Mr. Yu Chun Kau and Mr. Cheung Chun Yue, Anthony as the Independent Non-executive Directors.*

*In case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.*