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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board of directors (the "**Board**") of Huicheng International Holdings Limited (formerly known as China Outfitters Holdings Limited, the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2024, together with the comparative figures for the previous period, as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2024	2023	
	RMB million	*RMB million*	*Changes*
REVENUE	**82.3**	113.7	(27.6%)
Gross profit	**49.7**	71.3	(30.3%)
Gross profit margin	***60.4%***	*62.7%*	*(2.3 p.p.t.)*
Operating loss	**(48.8)**	(49.4)	(1.2%)
Operating loss margin	***(59.3%)***	*(43.5%)*	*+15.8 p.p.t.*
Loss attributable to owners of the parent	**(42.4)**	(68.1)	(37.7%)
Basic loss per share – RMB cent	**(1.29)**	(2.07)	(37.7%)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	**2024** *RMB'000* **(Unaudited)**	2023 *RMB'000* (Unaudited)
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		**(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

Details of the dividend proposed and paid for the period are disclosed in note 10.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	**(42,680)**	(68,200)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
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
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
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 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**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		**23,957**	26,291
Other non-current assets		**9,702**	9,702
Other intangible assets		**31,405**	39,763
Deferred tax assets		**2,768**	2,768
Total non-current assets		**452,757**	418,047
CURRENT ASSETS			
Inventories	*12*	**116,367**	128,420
Properties under development	*13*	**204,465**	204,024
Trade receivables	*14*	**12,811**	23,711
Prepayments and other receivables		**81,110**	75,218
Financial assets at fair value through profit or loss	*15*	**11,883**	31,812
Structured bank deposits and deposits in financial institutes	*16*	**74**	217,013
Time deposits	*17*	**127,598**	–
Cash and cash equivalents	*17*	**283,640**	226,350
Total current assets		**837,948**	906,548
CURRENT LIABILITIES			
Trade payables	*18*	**17,372**	9,083
Other payables and accruals		**106,357**	49,977
Lease liabilities		**5,404**	4,069
Tax payable		**120,205**	120,190
Total current liabilities		**249,338**	183,319
NET CURRENT ASSETS		**588,610**	723,229
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,041,367**	1,141,276

	Notes	**30 June 2024** *RMB'000* **(Unaudited)**	31 December 2023 *RMB'000* (Audited)
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	*19*	**280,661**	280,661
Shares held for share award scheme		**(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

NOTES

1. CORPORATE AND GROUP 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 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, manufacturing, 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 announcement, 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 period ended 30 June 2024 (the "**Relevant Period**").

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the Relevant Period have 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	*Lease Liability in a Sale and Leaseback*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")*
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*

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.

(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.

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)**

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.

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)

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

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
	82,264	113,721

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

(b) Non-current assets

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

The non-current asset 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 Relevant Period.

5. REVENUE

An analysis of revenue is as follows:

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

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:		
Sale of apparel and accessories	**2,243**	5,017

(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

* This mainly represents the brand licensing income generated from third-party licensees for the Group's sublicensing of the Santa Barbara Polo & Racuqet Club ("**SBPRC**") 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):

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**15,461**	29,999
Depreciation of property, plant and equipment	**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*	**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**	**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

* 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 Relevant Period.

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 Relevant Period and the six months 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. DIVIDENDS

The Board does not recommend to declare any interim dividends for the Relevant Period.

The special 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 held on 17 May 2024 and were subsequently paid on 19 July 2024.

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

The calculation of basic loss per share is based on the loss for the Relevant Period 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 Relevant Period.

No adjustment has been made to the basic loss per share amounts presented for the Relevant Period 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 earnings 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)

	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. 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

13. 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.

14. 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 and bills 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 and bills receivable balances. Trade and bills receivables are non-interest-bearing.

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

15. 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.

16. STRUCTURED BANK DEPOSITS AND DEPOSITS IN FINANCIAL INSTITUTES

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

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

17. 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.

18. 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.

19. SHARE CAPITAL

	30 June 2024 *RMB'000* **(Unaudited)**	31 December 2023 *RMB'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

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.

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.

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		Revenue	
	RMB million	***% of total 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		Revenue	
	RMB million	***% of total 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%

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.

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).

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

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.

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:

	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.

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:

	As at 30 June 2024			As at 31 December 2023		
Brands	**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 Bailian (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 2023, 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.

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.

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.

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.

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).

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).

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 (the "**Model Code**") as set out in Appendix C3 to the Listing Rules. All directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and the Code of Conduct for the Relevant Period.

CORPORATE GOVERNANCE

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 Relevant Period, 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 ("**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.

PURCHASE, REDEMPTION OR SALE OF SHARES OF THE COMPANY

During the Relevant Period, 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.

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 Relevant Period. It has also reviewed the said unaudited interim condensed consolidated financial statements in conjunction with the Company's external auditors.

REVIEW OF THE INTERIM RESULTS ANNOUNCEMENT BY AUDITORS

The unaudited interim results of the Group for the Relevant Period have been reviewed by the Group's auditors, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Preformed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Company at *www.hcihl.com* and Hong Kong Exchanges and Clearing Limited at *www.hkexnews.hk*. The interim report for the Relevant Period containing all the information required by Appendix D2 to the Listing Rules will be available on the same websites in due course.

APPRECIATION

Dedicated and loyal employees are our most valuable asset. I would like to take this opportunity to thank our colleagues on behalf of the Board for their contribution and support, and our management and staff members of the Group for their hard work and loyal service throughout the challenging period. 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

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Yongli, Mr. Sun David Lee and Ms. Huang Xiaoyun; the non-executive director is Mr. Wang Wei; and the independent non-executive directors are Mr. Kwong Wilson Wai Sun, Mr. Yeung Chi Wai and Mr. Ho Ka Wang.