

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liabilities whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



L U X X U

GROUP LIMITED

Luxxu Group Limited

勵時集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1327)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2021 amounted to approximately RMB70.7 million (2020: approximately RMB62.9 million), representing an increase of approximately 12.4% as compared with the preceding year.
- Gross profit for the year ended 31 December 2021 was approximately RMB8.4 million (2020: approximately RMB2.2 million), representing an increase of approximately 281.8% as compared with the preceding year.
- Net loss for the year ended 31 December 2021 was approximately RMB43.9 million (2020: approximately RMB146.2 million).
- No dividend was proposed by the Board for the year ended 31 December 2021.

The board (the “Board”) of directors (the “Directors”) of Luxxu Group Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2021 together with the comparative figures for the corresponding period in 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	5	70,657	62,868
Cost of sales		<u>(62,307)</u>	<u>(60,717)</u>
Gross profit		8,350	2,151
Other income and gain	6	43	244
Change in fair value of financial assets at fair value through profit or loss		4,427	(3,259)
Provision for inventories		(31,150)	(36,301)
Selling and distribution expenses		(14,700)	(26,677)
Administrative expenses		(13,918)	(19,858)
Reversal of (allowance for) expected credit losses, net			
– trade receivables		5,839	(22,005)
– other receivables		6,789	(36,909)
Impairment of goodwill		(3,100)	–
Share-based payment expenses		(4,646)	(2,520)
Finance costs	7	<u>(1,793)</u>	<u>(1,108)</u>
Loss before tax	9	(43,859)	(146,242)
Income tax expense	8	<u>–</u>	<u>–</u>
Loss for the year		<u>(43,859)</u>	<u>(146,242)</u>
Other comprehensive expense:			
<i>Item that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translating foreign operations		<u>(5,837)</u>	<u>(28,847)</u>
Other comprehensive expense for the year, net of tax		<u>(5,837)</u>	<u>(28,847)</u>
Total comprehensive expense for the year attributable to owners of the Company		<u>(49,696)</u>	<u>(175,089)</u>
Loss per share attributable to owners of the Company			
Basic and diluted (<i>RMB cents</i>)	11	<u>(9.33)</u>	<u>(39.23)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	As at 31 December 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
Assets			
Non-current assets			
Property, plant and equipment		21,233	21,734
Right-of-use assets		7,478	–
Rental deposits		1,541	–
Goodwill		–	3,100
		<u>30,252</u>	<u>24,834</u>
Current assets			
Inventories		37,895	52,228
Trade receivables	12	45,445	46,324
Financial asset at fair value through profit or loss		11,541	6,072
Deposits, prepayments and other receivables		56,082	71,644
Cash and cash equivalents		10,134	5,339
		<u>161,097</u>	<u>181,607</u>
Liabilities			
Current liabilities			
Lease liabilities		3,009	–
Accruals and other payables		5,232	1,584
Bond payable		5,132	–
Income tax payable		245	248
		<u>13,618</u>	<u>1,832</u>
Net current assets		<u>147,479</u>	<u>179,775</u>
Total assets less current liabilities		<u>177,731</u>	<u>204,609</u>
Non-current liabilities			
Bond payable		18,920	15,398
Lease liabilities		4,437	–
		<u>23,357</u>	<u>15,398</u>
NET ASSETS		<u>154,374</u>	<u>189,211</u>
Equity			
Share capital	13	45,286	35,126
Reserves		109,088	154,085
TOTAL EQUITY		<u>154,374</u>	<u>189,211</u>

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a public limited company incorporated in the Cayman Islands on 3 December 2012 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. Its shares are listed on The Stock Exchange of Hong Kong Limited. The Company has been registered as a non-Hong Kong company under Part 16 of the Hong Kong Companies Ordinance (Cap. 622) since 10 June 2013. Its shares were initially listed on Main Board of The Stock Exchange Hong Kong Limited.

The Company's registered office is located at Cricket Square, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 2302, 23/F., New World Tower I, 18 Queen's Road Central, Central, Hong Kong.

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Hong Kong dollars. For the purpose of presenting the consolidated financial statements, the Group adopted Renminbi ("RMB") as its presentation currency. All financial information presented in RMB has been rounded to the nearest thousand.

The Company is an investment company. The Group is principally engaged in the manufacture and sales of own-branded watches and jewellery, including but not limited to diamond watches, tourbillion watches and luxury jewellery accessories, OEM watches and third-party watches.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

3.1 New and Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, Interest rate benchmark reform – phase 2
HKFRS 7, HKFRS 4 and HKFRS 16

In addition, the Group has early applied Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021, which is effective for annual periods beginning on or after 1 April 2021.

The application of the amendment to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.2 New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following relevant new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and related Amendments ²
Amendments to HKFRS 3	Reference to Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a repayment on Demand Clause ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

³ Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that, the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

4. OPERATING SEGMENT

Information reported internally to the chief operating decision makers for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group currently operates in one business segment in manufacturing, trading and retailing business of watches.

A single management team reports to the chief operating decision makers who comprehensively manages the entire business. Accordingly, the Group does not have separate reportable segments.

Revenue from major products

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Branded watches	65,861	53,372
Third-party watches	4,796	9,496
	<u>70,657</u>	<u>62,868</u>

Geographical information

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Asia (excluding PRC)	62,424	49,998
The PRC	5,171	5,601
Europe	3,062	7,269
	<u>70,657</u>	<u>62,868</u>

The Group's non-current assets (excluding goodwill) are mainly located in the PRC and Hong Kong.

Information about major customers

No individual customer contributed over 10% of total revenue of the Group during the years ended 31 December 2021 and 2020.

5. REVENUE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Contract with customers within the scope of HKFRS 15 Recognised at a point in time:		
Branded watches	65,861	53,372
Third-party watches	4,796	9,496
	<u>70,657</u>	<u>62,868</u>

6. OTHER INCOME AND GAIN

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Government grants (<i>Note</i>)	–	232
Bank interest income	1	–
Others	42	12
	<u>43</u>	<u>244</u>

Note:

During the year ended 31 December 2020, the Group recognised government grants of RMB232,000 in respect of Covid-19-related subsidies, all of which relates to Employment Support Scheme provided by the Hong Kong government. Government grants in respect of the Covid-19-related subsidies were recognised at the time the Group fulfilled the relevant granting criteria.

7. FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Finance charges on bonds	1,596	1,108
Finance charges on lease liabilities	197	–
	<u>1,793</u>	<u>1,108</u>

8. INCOME TAX EXPENSE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Hong Kong profits tax	–	–

9. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Salaries and other benefits	6,695	8,088
Retirement benefit schemes contribution	35	73
Share-based payment expenses	3,089	1,260
	<u>9,819</u>	<u>9,421</u>
Total employee expenses		
	<u>9,819</u>	<u>9,421</u>
Advertising expenses	14,700	17,205
Auditors' remuneration	514	533
Cost of inventories recognised as cost of sales	62,307	60,717
Depreciation of property, plant and equipment	6,984	4,804
Depreciation of right-of-use assets	1,831	–
	<u>1,831</u>	<u>–</u>

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Loss		
Loss for the year attributable to owners of the Company and loss for the purpose of basic and diluted loss per share	<u>(43,859)</u>	<u>(146,242)</u>
	2021	2020
Weighted average number of shares		
Weight average number of ordinary shares for the purpose of basic and diluted loss per share	<u>469,883,441</u>	<u>372,794,754</u>

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the impact of the exercise of the Company's share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

12. TRADE RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	74,645	102,900
Less: Allowance for expected credit losses	<u>(29,200)</u>	<u>(56,576)</u>
	<u>45,445</u>	<u>46,324</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally ranged from 0 to 180 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. The following is an aged analysis of trade receivables, net of allowance, presented based on the invoice date at the end of the reporting period:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0 to 30 days	3,233	1,819
31 to 60 days	4,287	858
61 to 90 days	2,801	1,785
91 to 180 days	9,128	5,442
Over 180 days	<u>25,996</u>	<u>36,420</u>
	<u>45,445</u>	<u>46,324</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At beginning of year	56,576	35,038
(Reversal of) impairment losses	(5,839)	22,005
Amount written off as uncollectible	(20,891)	–
Exchange realignments	<u>(646)</u>	<u>(467)</u>
At end of year	<u>29,200</u>	<u>56,576</u>

13. SHARE CAPITAL

	2021	2020
	HK\$'000	HK\$'000
Authorised:		
1,300,000,000 ordinary shares of HK\$0.1 each	<u>130,000</u>	<u>130,000</u>
	2021	2020
	RMB'000	RMB'000
Issued and fully paid:		
539,136,000 ordinary shares of HK\$0.1 each		
(2020: 414,720,000 ordinary shares of HK\$0.1 each)	<u>45,286</u>	<u>35,126</u>

The movements in authorised and issued share capital of the Company during the year were as follows:

	Authorised shares		Issued shares	
	No. of shares	Total HK\$	No. of shares	Total HK\$
As at 1 January 2020	13,000,000,000	130,000,000	3,456,000,000	34,560,000
Share consolidation (<i>Note (a)</i>)	(11,700,000,000)	–	(3,110,400,000)	–
Issue of new share	–	–	69,120,000	6,912,000
At 31 December 2020 and 1 January 2021	<u>1,300,000,000</u>	<u>130,000,000</u>	<u>414,720,000</u>	<u>41,472,000</u>
Share option exercised (<i>Note (b)</i>)	–	–	34,560,000	3,456,000
Issue of new share (<i>Note (c)</i>)	–	–	<u>89,856,000</u>	<u>8,985,600</u>
At 31 December 2021	<u>1,300,000,000</u>	<u>130,000,000</u>	<u>539,136,000</u>	<u>53,913,600</u>

Notes:

- (a) Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 27 March 2020 (“EGM”), the shareholders of the Company (“Shareholders”) have approved the consolidation of every ten shares of HK\$0.01 each into one consolidated share of HK\$0.1 each (“Consolidated Share(s)”) in the issued and unissued share capital of the Company with effect from 31 March 2020 (“Share Consolidation”).
- (b) The subscription rights attaching to 34,560,000 share options were exercised at the subscription price of HK\$0.1084 per share, resulting in the issue of 34,560,000 shares for a total cash consideration, before expenses, of approximately HK\$3,746,000 (equivalent to approximately RMB3,059,000). An amount of approximately RMB1,577,000 was transferred from the share option reserve to share premium upon the exercise of the share options.

- (c) On 5 August 2021, the Company entered into a placing agreement with a placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best effort basis, up to 89,856,000 placing shares at the placing price of HK\$0.10 per placing share to not less than six placees who are professional, institutional, or other investors that are third parties independent of the Company and its connected persons. On 18 August 2021, the placing agreement have been fulfilled and completion of the placing took place, resulting in the issue of 89,856,000 shares for a total consideration, before expenses, of approximately HK\$8,986,000 (equivalent to approximately RMB7,338,000). Please refer to the announcements dated 5 August and 18 August 2021 for details.

14. EVENTS AFTER THE REPORTING PERIOD

Since January 2020, the outbreak on Novel Coronavirus (“COVID-19”) has impacted the global business environment. Up to the date of these financial statements, the result of COVID-19 has significantly decreased the Group’s revenue. Pending the development and spread of COVID-19 subsequent to the date of the financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial statements. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

BUSINESS REVIEW, OUTLOOK AND FUTURE PROSPECTS

In 2021, the Group continued to focus on its business operations which (i) cooperate with different industry experts to design and sales of prestige and high-end watches and accessories, including but not limited to diamond tourbillon watches and luxury jewellery watches; (ii) design, production and assembly of watches for our OEM customers; and (iii) manufacture and sales of our own brands watches.

Although due to the prolonged Sino-US trade dispute and the outbreak of coronavirus, the sales for the year ended 31 December 2021 has been increased due to the recovery from the outbreak of coronavirus. According to the statistics from The Census and Statistics Department, retail sales of the jewellery, watches and clocks, and valuable gifts category in Hong Kong has increased approximately 27.3% for year ended 31 December 2021 respectively, when comparing with 2020.

Going forward, the Group aimed to offer premium quality products to customers and will continue to strengthen our core competitiveness by improving our watch and jewellery design and development capabilities by upholding the design and artistic knowledge of the design team and recruitment of additional talents. In view of the Sino-US trade dispute mentioned above, the cooling economy in the PRC and also the outbreak of the coronavirus in Hong Kong and the PRC, the Group expects 2022 will still be a challenging year. The Group will closely monitor the market response and remix the business and product portfolio to suit the market needs, including but not limited to design, manufacture and sales of prestige and high-end watches and jewelleryes and stay competitive.

Although there is a cooling economy in the PRC, in view of (i) the growing middle-class, (ii) increase of disposal income, in particular among Chinese women; and (iii) the rising women's job participation rate, the Group still believe that there is a strong force behind the consumption of prestige and high-end watches and luxury jewelleryes and accessories in long run. The Group should allocate more resources and effort to strengthen our design team and consider crossover design with some famous designer so that the Group can offer fashionable and affordable watches and jewelleryes suitable for wearing in workplace.

Looking beyond the near-term uncertainties, the Group remains committed to seeking and seizing new opportunities, and is well-prepared to shine in the future.

FINANCIAL REVIEW

Revenue

Our revenue increased by approximately RMB7.8 million or approximately 12.4% from approximately RMB62.9 million for the year ended 31 December 2020 to approximately RMB70.7 million for the year ended 31 December 2021. The increase in revenue was mainly attributable to (i) increase of sales demand watches due to the recovery from outbreak of coronavirus; and (ii) the increase in average selling price for the year ended 31 December 2021.

Cost of sales

Our cost of sales increased by approximately RMB1.6 million or approximately 2.6% from approximately RMB60.7 million for the year ended 31 December 2020 to approximately RMB62.3 million for the year ended 31 December 2021. The increase was in line with the increase in revenue.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB6.2 million or approximately 281.8% from approximately RMB2.2 million for the year ended 31 December 2020 to approximately RMB8.4 million for the year ended 31 December 2021 which was in line with the increase in the average selling price for the year ended 31 December 2021. Our overall gross profit margin increased from approximately 3.4% for the year ended 31 December 2020 to approximately 11.8% for the year ended 31 December 2021. The increase was mainly attributable to the increase in average selling price during the year ended 31 December 2021.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately RMB12.0 million or approximately 44.9% from approximately RMB26.7 million for the year ended 31 December 2020 to approximately RMB14.7 million for the year ended 31 December 2021. The decrease was mainly attributable to decrease in marketing activities due to the tighten of the social distancing measures.

Administrative expenses

Our administrative expenses decreased by approximately RMB6.0 million or approximately 30.2% from approximately RMB19.9 million for the year ended 31 December 2020 to approximately RMB13.9 million for the year ended 31 December 2021.

Allowance for expected credit losses on other receivables

After the completion of the disposal of subsidiaries in 2017, the Company has closely monitored the payment from the purchaser (the “Purchaser”) and status of the outstanding amount. During the year ended 31 December 2020, the management of the Group (the “Management”) observed the Purchaser had delayed certain payments. Management communicated and met with the

Purchaser and understood the Purchaser faced temporary financial difficulties in view of the poor economy in the PRC since the outbreak of COVID-19. Nevertheless, the Purchaser was able to arrange payments to the Group subsequent to discussions with Management.

Near the end of 2020, the Purchaser informed Management that in view of the financial difficulty brought upon by the outbreak of COVID-19, the Purchaser can only further settle HK\$2.5 million in 2021 and the remaining shall be deferred to the following year, subject to the recovery of the Purchaser's financial difficulties. The Group does not agree with the proposal of the Purchaser and issued a letter of demand to the Purchaser in February 2021. Since the issuance of the demand letter, the Purchaser paid HK\$2.5 million of the Group. During the year ended 31 December 2021, the Company instructed the PRC lawyer to take legal actions against the Purchaser.

Management will continue to use their best effort to further negotiate with the Purchaser for the repayment plan of the remaining consideration and if no positive results arise, the Group shall seek for legal opinion to arrange further legal actions in order to recover the remaining amount if necessary.

Loss before taxation

As a result of the foregoing, our loss before taxation decreased by approximately RMB102.3 million to approximately RMB43.9 million for the year ended 31 December 2021 as against a loss before taxation of approximately RMB146.2 million for the year ended 31 December 2020.

Taxation

No income tax expense for the year ended 31 December 2021 and 2020.

Loss for the year

As a result of the foregoing, we recorded a loss for the year of approximately RMB43.9 million for the year ended 31 December 2021 as against a loss for the year of approximately RMB146.2 million for the year ended 31 December 2020.

FINANCIAL POSITION

The Group funded its liquidity and capital requirements primarily through cash inflows from operating activities.

As at 31 December 2021, the Group's total cash and bank balances were approximately RMB10.1 million (31 December 2020: approximately RMB5.3 million), most of which are held in HKD. The current ratio (defined as current assets divided by current liabilities) of the Group decreased from 99.1 times as at 31 December 2020 to 11.8 times as at 31 December 2021. The gearing ratio (defined as total interest-bearing borrowings divided by shareholders' equity) of the Group increased from 8.1% as at 31 December 2020 to approximately 15.6% as at 31 December 2021 as there was issuance of bond note by the Group during the year ended 31 December 2021.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not carry out any material acquisition nor disposal of any subsidiaries for the year ended 31 December 2021.

SIGNIFICANT INVESTMENTS IN LISTED SECURITIES

Name of investee	Percentage to the Group's audited total assets			Number of shares held by the Group		Percentage of shareholding held by the Group		Percentage of shareholding held by the Group	
	As at 1 January 2021	As at 31 December 2021	As at 31 December 2021	as at 1 January 2021	as at 1 January 2021	as at 31 December 2021	as at 31 December 2021	as at 31 December 2021	as at 31 December 2021
	RMB'000	RMB'000	%						%
Significant investments									
China Automotive Interior Decoration Holdings Limited ("China Automotive") (stock code: 48.HK) (note)	1,281	2,324	1.2	3,271,040	3.42%	3,271,040	1.96%		
Other listed securities	4,791	9,217	4.8						
Total	6,072	11,541	6.0						

Note:

China Automotive is principally engaged in the manufacture and sale of nonwoven fabric products used in automotive interior decoration parts and other parts, trading of rubber and food products. Based on China Automotive's unaudited interim result announcement for the six months ended 30 June 2021, revenue and loss of China Automotive was approximately RMB74,885,000 and RMB8,340,000 respectively.

The future performance of the listed securities may be influenced by the Hong Kong stock market. In this regard, the Group will continue to maintain a diversified investment portfolio and closely monitor the performance of its investments and the market trends to adjust its investment strategies.

Except the significant investments disclosed above, at 31 December 2021, there was no investment held by the Group the value of which was more than 5% of the total assets of the Group and no investment held by the Group contributed more than 10% of the realised or unrealised loss for the year ended 31 December 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had a total of 108 (2020: 109) employees. The total remuneration costs incurred by the Group for the financial year 2020 were approximately RMB12.2 million (2020: approximately RMB11.5 million). We review the performance of our employees annually and use the results of such review in our annual salary review and promotion appraisal, in order to attract and retain valuable employees.

DEBTS AND CHARGE ON ASSETS

As at 31 December 2021, none of the assets of the Group has been pledged to secure any banking facilities granted to the Group (2020: Nil).

FOREIGN CURRENCY RISK

The Group mainly operates in the PRC and Hong Kong and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB and United States dollars (“USD”). During the years ended 31 December 2021 and 2020, the Group has not entered into any hedging arrangements. However the management will continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 31 December 2021 and 2020.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2021 and 2020.

FINAL DIVIDENDS

The Board did not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

AUDIT COMMITTEE

The audit committee (the “Audit Committee”) consists of three members, all being independent non-executive Directors, namely, Mr. Yu Chon Man (Chairman), Ms. Duan Baili and Mr. Zhong Weili. The duties of the Audit Committee include, without limitation, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of the Group’s financial statements, annual report and accounts and half-year report, and reviewing significant financial reporting judgments contained therein; (c) reviewing the Group’s financial control, internal control and risk management systems; and (d) reviewing reports made by the corporate guarantee committee, a committee closely monitoring the Group’s activities for the provision of corporate guarantee and to enforce the prohibition on provision of corporate guarantee to any party other than member of the Group. The Group’s annual results for the year ended 31 December 2021 have been reviewed by the Audit Committee.

EVENT AFTER THE END OF THE REPORTING PERIOD

- (a) Since January 2020, the outbreak on Novel Coronavirus (“COVID-19”) has impacted the global business environment. Up to the date of these financial statements, COVID-19 has significant decrease in the Group’s revenue. Pending the development and spread of COVID-19 subsequent to the date of the financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial statements. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

SCOPE OF WORK OF EXTERNAL AUDITOR

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group’s auditors, McM (HK) CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by McM (HK) CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by McM (HK) CPA Limited on the preliminary announcement.

COMPLIANCE WITH CG CODE

The Board has reviewed the Company’s corporate governance practices and is satisfied that it has been adopted and complied with the code provisions (the “Code Provisions”) set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules throughout the year ended 31 December 2021 except for the following deviation:

Code provision A.6.7 of the Corporate Governance Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Due to other business engagement, the independent non-executive Director, Mr. Zhong Weili and Ms. Duan Baili, were unable to attend the annual general meeting of the Company which held on 29 June 2021. For deviations from code provision A.6.7 of the Corporate Governance Code, the Company Secretary had reminded the relevant independent non-executive Director to attend general meetings of the Company in future.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2021.

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities during the year ended 31 December 2021.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT

This results announcement is published on the Company’s website (www.luxxu.hk) and the website of the Stock Exchange (www.hkexnews.hk). The Company’s 2021 Annual Report containing all information required under the Listing Rules will be despatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board
Luxxu Group Limited
Yang Xi
Executive Director

Hong Kong, 29 March 2022

As at the date of this announcement, the Board comprises two executive Directors being Mr. See Ching Chuen and Mr. Yang Xi; and three independent non-executive Directors, being Mr. Yu Chon Man, Ms. Duan Baili and Mr. Zhong Weili.

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