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**KWUNG'S HOLDINGS LIMITED**  
**曠世控股有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 1925)**

**ANNOUNCEMENT OF RESULTS FOR  
THE SIX MONTHS ENDED 30 JUNE 2020**

The Board hereby announces the unaudited interim results of the Group for the six months ended 30 June 2020.

	<b>Six months ended 30 June</b>		<b>Change</b>
	<b>2020</b>	<b>2019</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	
Revenue	<b>159,662</b>	216,256	(26.2%)
Gross profit	<b>44,063</b>	53,589	(17.8%)
Gross profit margin	<b>27.6%</b>	24.8%	
Total comprehensive income attributable to owners of the Company	<b>4,414</b>	7,630	(42.1%)
Earnings per share (basic and diluted) (expressed in RMB cents)	<b>1.1 cents</b>	2.5 cents	(56.2%)
Dividend declared in respect of the period	–	–	N/A

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Group is a prominent original design manufacturer and supplier of home decoration products, comprising candles, home fragrance and home accessories. The Group's principal products are candles, home fragrance and home accessories. The Group's products are sold to customers situated in more than 20 countries and regions, including France, United Kingdom, the Netherlands, Germany, Canada and Australia where candles and home fragrance are widely used in ordinary people's daily life.

The global outbreak of a novel coronavirus ("COVID-19") since January 2020 has affected many countries, including but not limited to, the PRC and European countries such as France, United Kingdom, Netherlands and Germany, where our customers are located. A series of precautionary and control measures have been adopted and continued to be in place across the PRC and other countries, including certain level of restrictions and controls on travelling and traffic arrangements, quarantine restrictions, heightening of hygiene and epidemic prevention requirements in factories and offices and reducing social activities, etc..

During the six months ended 30 June 2020, the outbreak of COVID-19 has temporarily affected the demand for our products from our customers. We have been in close communication with our customers, especially the ones from European countries, from time to time, and some of them requested for postponement of the shipment of our products. In addition, there has been some cancellation of purchase orders from our customers. Accordingly, the Directors believe that the impact from COVID-19 on the Group's financial performance has been reflected in our interim results for the six months ended 30 June 2020.

Despite the drop in the Group's revenue and net profit for the six months ended 30 June 2020, we are still optimistic about the Group's performance in the foreseeable future. We maintain a good communication and relationship with our existing customers, and we understand that our customers will resume those suspended purchase orders once the COVID-19 situation becomes stable, particularly for our European market. In addition, the Group has established an online showroom earlier this year where large variety of products are displayed for customers to remotely select and the sales team can then react instantly through the online platform to provide further information such as products specification and price quotes. The online showroom has been very helpful for the Group's business in the midst of restrictions on social activities such as trade fair and exhibition events.

During the six months ended 30 June 2020, the Group continued to strengthen its channel operation capabilities and intensify its brand promotion efforts while maintaining the key customer channels, targeting to develop our own direct sales channel. The number of retail stores has increased to 19, and store sales revenue has been increased by 9.9 times as compared with the corresponding period in the last year. Online sales performance has also improved, as shown by the increase in revenue from online sales by 3.6 times as compared with the corresponding period in the last year. The expansion of overseas branded sales channels has also achieved certain results. Revenue from overseas branded sales increased

from accounting for approximately 1.3% of the total overseas sales in the corresponding period in the last year to approximately 1.7% of the total overseas sale this year. Going forward, we will continue to promote the brand expansion strategy, optimise the product layout, accelerate the establishment of sales channels, and continuously improve the market coverage.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue mainly arises from the export sales of the Group's candles products, home fragrance products and home accessories during the six months ended 30 June 2020. It decreased by approximately RMB56.6 million or 26.2% to approximately RMB159.7 million for the six months ended 30 June 2020 from approximately RMB216.3 million for the six months ended 30 June 2019.

We recorded a decrease in revenue for all products of the Group. The decrease in the revenue was mainly due to decrease in sales volume as a result of the postponement of purchase orders by customers mainly in European countries suffering from the global outbreak of COVID-19 since January 2020.

### **Gross profit and gross profit margin**

The Group's gross profit decreased by approximately RMB9.5 million or 17.8% to approximately RMB44.1 million for the six months ended 30 June 2020 from approximately RMB53.6 million for the six months ended 30 June 2019. Such decrease in the gross profit was mainly due to the drop in the Group's sales volume for the six months ended 30 June 2020.

The Group recorded a slight increase in gross profit margin despite a drop in sales volume for the six months ended 30 June 2020. The gross profit margin increased to approximately 27.6% for the six months ended 30 June 2020 from approximately 24.8% for the six months ended 30 June 2019. Such increase was mainly contributed by the appreciation of United States dollars against RMB during the six months ended 30 June 2020, which resulted in an increase in revenue from purchase orders denominated in United States dollars but brought minimal impact in the production costs of the Group since the majority of the Group's suppliers are local enterprises in PRC and the Group was billed in RMB.

### **Other income**

The Group's other income represents income from government grants in PRC. It increased by approximately RMB3.0 million or 340.8% to approximately RMB3.9 million for the six months ended 30 June 2020 from approximately RMB0.9 million for the six months ended 30 June 2019. The increase in other income during the current period was mainly contributed by the grant from the local government in PRC to support the Group against COVID-19.

## **Administrative expenses**

The Group's administrative expenses mainly comprise payroll costs for the management team and supporting staff, expenses incurred in relation to the Listing, costs of raw materials consumed for research and development purpose, depreciation expenses in relation to the Group's office buildings and office equipment and cost of utilities for office use.

There was a slight increase in administrative expenses of approximately RMB0.2 million or approximately 0.6% to approximately RMB25.3 million for the six months ended 30 June 2020 from approximately RMB25.2 million for the six months ended 30 June 2019. The change in the Group's administrative expenses for the six months ended 30 June 2020 was mainly due to the net effects of the following: (i) additional depreciation expenses in relation to the new production facilities in Yinzhou district, Ningbo City, Zhejiang Province, PRC (the "New Production Facilities"); (ii) additional employee benefit expenses for the administrative team of the New Production Facilities; and (iii) smaller expenses incurred in relation to the Listing.

## **Selling and marketing expenses**

The Group's selling and marketing expenses mainly comprise payroll costs for staff in the sales departments, sample inspection and delivery costs, commissions to agents, advertising and promotion expenses and operating costs for the Group's retail stores.

There was an increase in selling and marketing expenses of approximately RMB3.7 million or 125.8% to approximately RMB6.7 million for the six months ended 30 June 2020 from approximately RMB3.0 million for the six months ended 30 June 2019. Increase in the Group's selling and marketing expenses for the current period was mainly due to additional advertising costs incurred to promote the online direct sales channel, costs incurred to establish the online showroom in response to the outbreak of COVID-19 and also operating costs for the newly set up self-operated retail stores.

## **Other gains and losses**

The Group's other gains and losses mainly comprise net foreign exchange differences and net losses on forward contracts.

Forward contracts for foreign currencies, mainly RMB against United States dollars, are arranged over the years to manage the foreign currency exposure arising from purchase orders from overseas customers, which are mainly denominated in United States dollars. Depreciation of United States dollars against RMB would have negative impact to the Group's revenue amounts while the gain from the forward contracts arranged would offset such impact, and vice versa. Given the extent of appreciation of United States dollars against RMB during the six months ended 30 June 2020 reduced as compared to the corresponding period in the last year and also the maturity of certain forward contracts during the six months ended 30 June 2020, the net fair losses on forward contracts incurred during the six months ended 30 June 2020 decreased as compared to the corresponding period in the last year.

## **Finance income and finance costs**

The Group's finance income represents the interest income earned from financial institutions and the Group's finance costs comprising interest charged on a short-term bank loan and also the interest expense component on the operating lease arrangement in relation to the Group's leased production facilities.

There is a decrease in the Group's finance costs by approximately RMB0.2 million or 43.8% to approximately RMB0.2 million for the six months ended 30 June 2020 from approximately RMB0.4 million for the six months ended 30 June 2019. Such decrease was mainly because there was no short-term bank borrowing arranged during the six months ended 30 June 2020 while there was a short-term bank borrowing of RMB20 million arranged during the six months ended 30 June 2019.

## **Income tax expenses**

The Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

There was a decrease in the Group's income tax expense by approximately RMB0.4 million or 20.5% to approximately RMB1.5 million for the six months ended 30 June 2020 from approximately RMB1.8 million for the six months ended 30 June 2019. Such decrease was mainly due to the decrease in profit before tax of the Group's PRC subsidiaries for the six months ended 30 June 2020.

The overall effective tax rate of the Group increased from approximately 19.5% for the six months ended 30 June 2019 to approximately 25.4% for the six months ended 30 June 2020. Such increase was mainly because the expenses incurred in Hong Kong, which were not deductible for tax purpose, attributed to a larger portion of the Group's total expenses as compared to the corresponding period in the last year.

## **Property, plant and equipment**

The Group's property, plant and equipment mainly comprise net carrying amounts of the office building, production plants, machinery and the corresponding capitalised renovation costs. There was a slight decrease in the net carrying amounts of the Group's property, plant and equipment by approximately RMB1.3 million during the six months ended 30 June 2020 which was mainly due to the net effects of the costs incurred for the set up and the renovation of the New Production Facilities and the depreciation charge for the six months ended 30 June 2020.

## **Right-of-use assets**

The Group's right-of-use assets comprise net carrying amounts of the prepaid land use rights for the lands used by the Group's office building and production plants, and also the net carrying amounts of the properties leased by the Group.

There was a decrease in the net carrying amounts of the Group's right-of-use assets by approximately RMB2.9 million during the six months ended 30 June 2020 mainly due to the amortisation charge for the period.

## **Inventories**

The Group's inventory balance comprises raw materials, work in progress and finished goods for the Group's candle products, home fragrance products and home accessories products. There was an increase in the Group's inventory balance by approximately RMB6.8 million or 16.0% to approximately RMB49.5 million as at 30 June 2020 from approximately RMB42.7 million as at 31 December 2019 which was mainly due to the increased stock level of raw materials for upcoming production plans in the third quarter of 2020.

## **Trade receivables**

Trade receivables balance as at 30 June 2020 mainly represented the outstanding balance from the Group's overseas customers. There was a decrease in trade receivables balance before allowance for impairment of approximately RMB3.5 million or 5.4% from approximately RMB65.9 million as at 31 December 2019 to approximately RMB62.3 million as at 30 June 2020. The decrease in the Group's trade receivables balance was mainly due to the postponement or cancellation of some purchase orders by overseas customers as a result of the outbreak of COVID-19.

Most of the Group's trade receivables balance were aged within 180 days. The Group experienced limited bad debt issues over the years and a small provision for impairment of trade receivables of approximately RMB1.3 million was recorded as at 30 June 2020, which is calculated based on the expected credit loss percentage for the aged trade receivables balance.

## **Prepayments, deposits and other receivables**

The balance of prepayments, deposits and other receivables comprises mainly advances to suppliers, deferred costs in relation to the Listing and recoverable value-added tax.

There was a decrease in the balance of approximately RMB4.0 million or 14.4% to approximately RMB23.6 million as at 30 June 2020 from approximately RMB27.6 million as at 31 December 2019, which was mainly due to the capitalisation of the deferred costs relating to the Listing to the Company's share premium account upon Listing.

### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss as at 30 June 2020 represented a short-term low risk financial instrument arranged with a commercial bank in the PRC during the six months ended 30 June 2020.

### **Cash and cash equivalents**

The balance of cash and cash equivalents as at 30 June 2020 comprised cash deposited into financial institutions in the PRC and Hong Kong.

There was an increase in the balance of approximately RMB70.4 million or 103.8% to approximately RMB138.3 million as at 30 June 2020 from approximately RMB67.8 million as at 31 December 2019. Such increase in balance was mainly because of the combined effects of unutilised portion of the net proceeds raised from the Listing in the first quarter of 2020 and the utilisation of RMB30 million for the subscription of financial instrument from a commercial bank in the PRC.

### **Trade and other payables**

The balance of trade and other payables comprises mainly payables to suppliers of raw materials, amounts due to related parties and payroll payables to the Group's employees.

There was a decrease in the balance of approximately RMB10.0 million or 21.4% to approximately RMB36.8 million as at 30 June 2020 from approximately RMB46.8 million as at 31 December 2019, which was mainly due to settlement of the yearly bonus to employees during the six months ended 30 June 2020.

### **Financial liabilities at fair value through profit or loss**

The balance of financial liabilities at fair value through profit or loss represented the fair value of the foreign currency forward agreements entered into with commercial banks in respect of the exchange rate of RMB against United States dollars. Appreciation of RMB against United States dollars would decrease the liability amount of the forward agreement and vice versa and such financial instruments are arranged to reduce the Group's exposure to the financial risk arising from the purchase orders from overseas customers which are mainly denominated in United States dollars.

The balance as at 30 June 2020 remained similar as compared to 31 December 2019 despite the general depreciation of RMB against United States dollars during the six months ended 30 June 2020, which was mainly because of the maturity of certain forward agreements during the period.

## **Lease liabilities**

The balance of lease liabilities represents the present value of future lease payments in respect of office premises and production plants leased by the Group.

There is a decrease in the balance of approximately RMB2.2 million to approximately RMB7.3 million as at 30 June 2020 from approximately RMB9.5 million as at 31 December 2019 as a result of the early termination of the lease arrangement for a warehouse and also settlement to the lessors during the six months ended 30 June 2020.

## FINANCIAL INFORMATION

### Interim condensed consolidated statement of comprehensive income

Six months ended 30 June 2020

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b> <b>(Unaudited)</b>	2019 <b>RMB'000</b> <b>(Audited)</b>
Revenue	3	<b>159,662</b>	216,256
Cost of sales		<b>(115,599)</b>	(162,667)
Gross profit		<b>44,063</b>	53,589
Administrative expenses		<b>(25,346)</b>	(25,185)
Selling and marketing expenses		<b>(6,698)</b>	(2,966)
Net impairment losses on financial assets		<b>(389)</b>	(804)
Other income		<b>3,892</b>	883
Other gains/(losses), net		<b>(9,788)</b>	(15,725)
Operating profit		<b>5,734</b>	9,792
Finance income		<b>263</b>	32
Finance costs		<b>(208)</b>	(370)
Finance costs, net		<b>55</b>	(338)
Profit before income tax		<b>5,789</b>	9,454
Income tax expenses	4	<b>(1,470)</b>	(1,848)
Profit for the period		<b>4,319</b>	7,606
Profit for the period attributable to:			
Owners of the Company		<b>4,357</b>	7,631
Non-controlling interests		<b>(38)</b>	(25)
Other comprehensive income			
Items that maybe reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		<b>71</b>	(1)
Total comprehensive income for the period		<b>4,390</b>	7,605
Total comprehensive income attributable to:			
Owners of the Company		<b>4,414</b>	7,630
Non-controlling interests		<b>(24)</b>	(25)
Earnings per share for profit attributable to owners of the Company – Basis and diluted (expressed in RMB cents)	6	<b>1.1 cents</b>	2.5 cents

## Consolidated statement of financial position

As at 30 June 2020

		<b>30 June</b>	31 December
		<b>2020</b>	2019
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>47,021</b>	48,278
Right-of-use assets		<b>13,847</b>	16,720
Intangible assets		<b>4,782</b>	3,504
Deferred income tax assets		<b>3,820</b>	3,043
		<hr/>	<hr/>
Total non-current assets		<b>69,470</b>	71,545
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		<b>49,514</b>	42,671
Trade receivables	7	<b>61,016</b>	64,920
Prepayments, deposits and other receivables		<b>23,607</b>	27,566
Financial assets at fair value through profit or loss		<b>30,000</b>	–
Cash and cash equivalents		<b>138,257</b>	67,843
		<hr/>	<hr/>
Total current assets		<b>302,394</b>	203,000
		<hr/>	<hr/>
<b>Total assets</b>		<b>371,864</b>	274,545
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	8	<b>359</b>	–
Share premium	8	<b>270,278</b>	163,681
Other reserves		<b>(34,499)</b>	(34,556)
Retained earnings		<b>73,314</b>	68,957
		<hr/>	<hr/>
		<b>309,452</b>	198,082
<b>Non-controlling interests</b>		<b>614</b>	638
		<hr/>	<hr/>
<b>Total equity</b>		<b>310,066</b>	198,720
		<hr/> <hr/>	<hr/> <hr/>

		<b>30 June</b>	31 December
		<b>2020</b>	2019
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	9	<b>36,815</b>	46,815
Contract liabilities		<b>2,611</b>	4,054
Current income tax liabilities		<b>662</b>	950
Financial liabilities at fair value through profit or loss		<b>14,404</b>	14,472
Lease liabilities		<b>3,973</b>	3,863
		<hr/>	<hr/>
Total current liabilities		<b>58,465</b>	70,154
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Lease liabilities		<b>3,333</b>	5,671
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>61,798</b>	75,825
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>371,864</b>	274,545
		<hr/> <hr/>	<hr/> <hr/>

*Notes:*

**1. BASIS OF PREPARATION**

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by Hong Kong Institute of Certified Public Accountants.

**2. SIGNIFICANT ACCOUNTING POLICIES**

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 2019.

**3. REVENUE**

Revenue mainly comprises of proceeds from selling goods. An analysis of the Group's revenue by category for the six months ended 30 June 2019 and 30 June 2020 is as follows:

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Audited)
<b>Revenue from customers</b>		
Candles	110,256	139,888
Home fragrance	18,249	35,528
Home accessories	31,157	40,840
	<u>159,662</u>	<u>216,256</u>

**4. INCOME TAX EXPENSE**

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Audited)
Current income tax – PRC	2,247	4,043
Deferred income tax – PRC	(777)	(2,195)
	<u>1,470</u>	<u>1,848</u>

## 5. DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 June 2019 and 30 June 2020.

## 6. EARNINGS PER SHARE

### (a) Basic

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted number of ordinary shares deemed to be in issue during the six months ended 30 June 2019 and 30 June 2020, respectively. The weighted average number of ordinary shares had been retrospectively adjusted for the effects of capitalisation issue on 13 January 2020.

	Six months ended 30 June	
	2020 (Unaudited)	2019 (Audited)
Profit attributable to owners of the Company (expressed in RMB'000)	4,357	7,631
Weighted average number of ordinary shares in issue (expressed in thousand)	<u>395,831</u>	<u>300,000</u>
Basic earnings per share for profit attributable to the owners of the Company (expressed in RMB cents per share)	<u><u>1.1</u></u>	<u><u>2.5</u></u>

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

During the six months ended 30 June 2019 and 30 June 2020, the diluted earnings per share is equal to basic earnings per share, as there were no instruments outstanding that could have a dilutive effect on the Company's ordinary shares.

## 7. TRADE RECEIVABLES

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
	Trade receivables due from third parties	62,335
Less: allowance for impairment of trade receivables	<u>(1,319)</u>	<u>(957)</u>
Trade receivables – net	<u><u>61,016</u></u>	<u><u>64,920</u></u>

Trade receivables all arise from sales of goods.

As at 30 June 2020 and 31 December 2019, the ageing analysis of the trade receivables based on invoice date were as follows:

	<b>As at 30 June 2020 (Unaudited)</b>	As at 31 December 2019 (Audited)
Within 30 days	37,181	37,034
Over 30 days and within 180 days	21,791	26,799
Over 180 days and within one year	2,577	1,296
Over one year and within two years	528	708
Over two years and within three years	218	–
Over three years	40	40
	<b>62,335</b>	<b>65,877</b>

## 8. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares issued and fully paid:

	<b>Number of ordinary shares</b>	<b>Nominal value of share capital HK\$</b>	<b>Equivalent nominal value of share capital RMB</b>	<b>Share premium RMB'000</b>
At 1 January 2019, 30 June 2019 and 1 January 2020	70,000	70	61	163,681
New shares issued pursuant to the global offering ( <i>notes a and b</i> )	105,042,000	105,042	93,091	106,863
Share capitalisation ( <i>note c</i> )	299,930,000	299,930	265,615	(266)
At 30 June 2020	<b>405,042,000</b>	<b>405,042</b>	<b>358,767</b>	<b>270,278</b>

*Notes:*

- (a) On 16 January 2020, the Shares were listed on the Stock Exchange. In connection with the Listing, 100,000,000 Shares (“Global Offering”) were issued at the offer price of HK\$1.28 each with gross proceeds of HK\$128,000,000 (approximately RMB113,356,000). During the six months ended 30 June 2020, approximately RMB89,000 was credited to the share capital account and approximately RMB101,065,000 net of expenses related to issuance of Shares of approximately RMB12,202,000 was credited to the share premium account.
- (b) On 5 February 2020, 5,042,000 over-allotment Shares were issued and allotted by the Company at HK\$1.28 each with proceeds of approximately HK\$6,454,000 (approximately RMB5,801,000). During the six months ended 30 June 2020, approximately RMB5,000 was credited to the share capital account and approximately RMB5,797,000 was credited to the share premium account.
- (c) Pursuant to the Global Offering, on 16 January 2020, the Company issued additional 299,930,000 Shares, credited as fully paid, to the then existing shareholders of the Company, by way of capitalisation of HK\$299,930 (approximately RMB266,000) standing to the credit of the Company’s share premium account.

## 9. TRADE AND OTHER PAYABLES

	<b>As at 30 June 2020 (Unaudited)</b>	As at 31 December 2019 (Audited)
Trade payables due to third parties	<b>24,122</b>	19,452
Other payables	<b>7,443</b>	12,719
Staff salaries and welfare payables	<b>4,506</b>	13,546
Accrued taxes other than income tax	<b>744</b>	1,098
	<hr/> <b>36,815</b> <hr/>	<hr/> 46,815 <hr/>

Ageing analysis of trade payables to third parties and related parties based on invoice date at the respective year end dates was as follows:

	<b>As at 30 June 2020 (Unaudited)</b>	As at 31 December 2019 (Audited)
Within one year	<b>23,123</b>	18,453
Over one year and within two years	<b>155</b>	311
Over two years	<b>844</b>	688
	<hr/> <b>24,122</b> <hr/>	<hr/> 19,452 <hr/>

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of the subsidiaries of the Company purchased, redeemed or sold the listed securities of the Company during the period from the Listing Date to 30 June 2020.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules (the "CG Code"). Save as disclosed below, the Company has complied with the CG Code throughout the period from the Listing Date to 30 June 2020.

Pursuant to code provision A.2.1 of the CG Code, the responsibilities between the chairman and the chief executive should be segregated and should not be performed by the same individual. However, we do not have a separate chairman and chief executive and Mr. JIN Jianxin ("Mr. JIN") currently performs these two roles. Throughout the Group's business history, Mr. JIN, being a founder of the Group and a controlling shareholder of the Company, has held the key leadership position of the Group and has been deeply involved in the formulation of corporate strategies and management of the business and operations of the Group since its establishment.

Taking into account the consistent leadership within the Group, the Board believes that it is in the best interests of the Group and the shareholders of the Company as a whole to have Mr. JIN taking up both roles for effective and efficient overall strategic planning and continuation of the implementation of such plans for the Group. The Board considers that the balance of power and authority under the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

## **DIVIDEND**

The Board resolved not to declare any interim dividend for the six months ended 30 June 2020.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the unaudited interim results of the Group for the six months ended 30 June 2020 including the accounting principles and practices adopted by the Group.

## DEFINITION

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Board”	the board of Directors
“China” or “PRC”	The People’s Republic of China and, except where the context requires and only for the purpose of this announcement, references to China do not include Taiwan, the Hong Kong Special Administrative Region of the People’s Republic of China or the Macao Special Administrative Region of the People’s Republic of China
“Company”	Kwung’s Holdings Limited
“Director(s)”	director(s) of the Company
“Group”, “our Group”, “we”, “our” or “us”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing”	listing of Shares on Main Board of the Stock Exchange
“Listing Date”	16 January 2020, the date of Listing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“RMB”	Renminbi Yuan, the lawful currency of the PRC
“Share(s)”	ordinary shares of HK\$0.001 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board  
**Kwung’s Holdings Limited**  
**JIN Jianxin**  
*Chairman*

Hong Kong, 31 August 2020

*As at the date of this announcement, the executive Directors are Mr. JIN Jianxin, Mr. RU Liming and Mr. TIAN Dong; the non-executive Director is Mr. SHAO Patrick; and the independent non-executive Directors are Mr. LAI Chun Yu, Mr. YANG Herong and Mr. ZHOU Kai.*