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GXG

Mulsanne Group Holding Limited

慕尚集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1817)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

Financial Highlights

- Total revenue for the six months ended 30 June 2019 amounted to RMB1,686.1 million, representing an increase of 10.6% or RMB161.9 million as compared to RMB1,524.2 million for the same period in 2018.
- Net profit for the six months ended 30 June 2019 amounted to RMB88.2 million, representing a decrease of 17.9% or RMB19.2 million as compared to RMB107.4 million for the same period in 2018.
- The Group took initiatives to adjust its store network in the first half of 2019, in order to address the increase in rental and labor costs associated with the relocation of shopping areas, and to upgrade its channel distribution. As a result, the total number of stores decreased to 2,139 as at 30 June 2019 from 2,250 at the end of 2018.

The board (the “**Board**”) of directors (the “**Directors**”) of Mulsanne Group Holding Limited (the “**Company**”) is pleased to announce the interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2019 (the “**Period**”) together with the comparative figures for the same period in 2018 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June

	Notes	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
REVENUE	5	1,686,099	1,524,171
Cost of sales		<u>(847,993)</u>	<u>(674,455)</u>
Gross profit		838,106	849,716
Other income and gains	5	16,719	29,558
Selling and distribution expenses		(542,022)	(544,426)
Administrative expenses		(117,022)	(118,573)
Other expenses		(3,702)	(849)
Finance costs	7	(45,750)	(45,281)
Share of losses of associates		<u>(50)</u>	<u>–</u>
PROFIT BEFORE TAX	6	146,279	170,145
Income tax expense	8	<u>(58,107)</u>	<u>(62,773)</u>
PROFIT FOR THE PERIOD		<u>88,172</u>	<u>107,372</u>
Attributable to:			
Owners of the parent		89,670	110,491
Non-controlling interests		<u>(1,498)</u>	<u>(3,119)</u>
		<u>88,172</u>	<u>107,372</u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the period	10	<u>RMB0.11 cent</u>	<u>RMB0.15 cent</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	<u>88,172</u>	<u>107,372</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	47	3,958
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements into presentation currency	<u>(4,892)</u>	<u>(11,073)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>(4,845)</u>	<u>(7,115)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>83,327</u></u>	<u><u>100,257</u></u>
Attributable to:		
Owners of the parent	84,825	103,376
Non-controlling interests	<u>(1,498)</u>	<u>(3,119)</u>
	<u><u>83,327</u></u>	<u><u>100,257</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	160,740	171,525
Advance payments for property, plant and equipment		11,580	5,512
Right-of-use assets	<i>3(a)</i>	271,927	–
Prepaid land lease payments		–	22,315
Other intangible assets	<i>12</i>	13,225	10,339
Investments in associates		–	50
Deferred tax assets		83,936	94,955
		<hr/>	<hr/>
Total non-current assets		541,408	304,696
CURRENT ASSETS			
Inventories	<i>13</i>	808,418	966,162
Right of return assets		64,956	109,731
Trade and notes receivables	<i>14</i>	817,084	830,823
Prepayments, other receivables and other assets	<i>15</i>	441,222	259,469
Derivative financial instruments	<i>19</i>	12,443	18,514
Due from related parties	<i>23(c)(i)</i>	241	84
Pledged short-term deposits	<i>16</i>	409,208	33,995
Cash and cash equivalents	<i>16</i>	366,775	653,502
		<hr/>	<hr/>
Total current assets		2,920,347	2,872,280
CURRENT LIABILITIES			
Trade and notes payables	<i>17</i>	373,887	782,980
Other payables and accruals	<i>18</i>	264,610	359,881
Lease liabilities	<i>3(a)</i>	132,452	–
Refund liabilities		153,341	264,197
Contract liabilities		135,160	40,735
Interest-bearing bank and other borrowings	<i>20</i>	250,000	290,933
Tax payable		44,807	103,679
Due to related parties	<i>23(c)(ii)</i>	10,155	31,633
		<hr/>	<hr/>
Total current liabilities		1,364,412	1,874,038
NET CURRENT ASSETS		<hr/> 1,555,935	<hr/> 998,242
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 2,097,343	<hr/> 1,302,938

	<i>Notes</i>	As at 30 June 2019 (Unaudited) RMB'000	As at 31 December 2018 (Audited) <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	<i>20</i>	1,055,471	1,204,627
Lease liabilities	<i>3(a)</i>	117,221	–
		<hr/>	<hr/>
Total non-current liabilities		1,172,692	1,204,627
		<hr/>	<hr/>
Net assets		924,651	98,311
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>21</i>	8,343	–
Reserves		919,087	99,592
		<hr/>	<hr/>
Non-controlling interests		927,430 (2,779)	99,592 (1,281)
		<hr/>	<hr/>
Total equity		924,651	98,311
		<hr/> <hr/>	<hr/> <hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the parent								Non-controlling interests	Total equity
	Share capital	Share Premium account	Merger reserves	Capital reserves	Statutory surplus reserves	Exchange fluctuation reserves	Accumulated losses	Total		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>		
At 1 January 2019	-	-	(205,542)	765,360	113,879	(6,951)	(567,154)	99,592	(1,281)	98,311
Profit for the period	-	-	-	-	-	-	89,670	89,670	(1,498)	88,172
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(4,845)	-	(4,845)	-	(4,845)
Total comprehensive income for the period	-	-	-	-	-	(4,845)	89,670	84,825	(1,498)	83,327
Issue of shares	1,758	769,292	-	-	-	-	-	771,050	-	771,050
Capitalization issue	6,585	(6,585)	-	-	-	-	-	-	-	-
Share issue expenses	-	(28,037)	-	-	-	-	-	(28,037)	-	(28,037)
At 30 June 2019 (Unaudited)	<u>8,343</u>	<u>734,670*</u>	<u>(205,542)*</u>	<u>765,360*</u>	<u>113,879*</u>	<u>(11,796)*</u>	<u>(477,484)*</u>	<u>927,430</u>	<u>(2,779)</u>	<u>924,651</u>

For the six months ended 30 June 2018

	Attributable to owners of the parent								Non-controlling interests	Total equity
	Share capital	Share Premium account	Merger reserves	Capital reserves	Statutory surplus reserves	Exchange fluctuation reserves	Accumulated losses	Total		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>		
At 1 January 2018	-	-	(205,542)	765,317	113,879	43,293	(947,247)	(230,300)	(197)	(230,497)
Profit for the period	-	-	-	-	-	-	110,491	110,491	(3,119)	107,372
Other comprehensive income for the period:										
Exchange differences related of foreign operations	-	-	-	-	-	(7,115)	-	(7,115)	-	(7,115)
Total comprehensive income for the period	-	-	-	-	-	(7,115)	110,491	103,376	(3,119)	100,257
Disposal of subsidiary	-	-	-	-	-	-	-	-	(12)	(12)
At 30 June 2018 (Unaudited)	<u>-</u>	<u>-</u>	<u>(205,542)</u>	<u>765,317</u>	<u>113,879</u>	<u>36,178</u>	<u>(836,756)</u>	<u>(126,924)</u>	<u>(3,328)</u>	<u>(130,252)</u>

* These reserve accounts comprise the consolidated reserves of RMB919,087,000 in the consolidated statement of financial position as at 30 June 2019.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June

	<i>Notes</i>	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		146,279	170,145
Adjustments for:			
Impairment of trade and other receivables	<i>6</i>	683	3,629
Write-down of inventories to net realisable value	<i>6</i>	30,683	32,941
Depreciation of property, plant and equipment	<i>11</i>	62,585	52,845
Depreciation of right-of-use assets/recognition of prepaid land lease payments	<i>6</i>	65,299	334
Amortisation of other intangible assets	<i>12</i>	2,588	1,041
(Gain)/loss on disposal of items of property, plant and equipment, net	<i>6</i>	(74)	928
Foreign exchange differences, net	<i>6</i>	(844)	681
Finance costs	<i>7</i>	45,750	45,281
Share of losses of associates		50	–
Gain on disposal of a subsidiary		–	(3,205)
Investment income from financial assets at fair value through profit or loss	<i>5</i>	–	(656)
Fair value loss/(gain) on derivative financial instruments – transactions not qualifying as hedges	<i>6</i>	3,539	(2,347)
		356,538	301,617
(Increase)/decrease in trade and notes receivables		(94,429)	194,674
Increase in prepayments, other receivables and other assets		(169,433)	(143,168)
Increase in amounts due from related parties		(157)	(14)
Decrease/(increase) in inventories		127,061	(67,517)
Decrease in right of return assets		44,775	100,688
Increase in amounts due from directors		–	(87)
Decrease in trade and notes payables		(409,093)	(297,637)
Decrease in other payables and accruals		(115,757)	(123,549)
Decrease in refund liabilities		(110,856)	(218,186)
Increase in contract liabilities		94,425	79,426
Decrease in an amount due to a director		–	(15)
(Decrease)/increase in amounts due to related parties		(135)	228
Decrease/(increase) in pledged short-term deposits		20,770	(393)
		(256,291)	(173,933)
Cash used in operations		(105,960)	(203,651)
Income tax paid		(105,960)	(203,651)
		(362,251)	(377,584)
Net cash flows used in operating activities		(362,251)	(377,584)

	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(72,455)	(61,120)
Purchases of other intangible assets	(8,473)	(329)
Payments for financial assets at fair value through profit or loss	–	(40,000)
Proceeds from disposal of financial assets at fair value through profit or loss	–	89,908
Disposal of a subsidiary	–	(3,236)
Investment income from derivative financial instruments		
– transactions not qualifying as hedges	2,480	373
Increase in short-term pledged deposits	(395,983)	–
Proceeds from disposal of items of property, plant and equipment and prepaid land lease payments	235	46,988
	<u>(474,196)</u>	<u>32,584</u>
Net cash flows (used in)/from investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank and other borrowings	250,000	302,000
Proceeds from issue of shares	771,050	–
Share issue expense	(320)	–
Repayment of bank and other borrowings	(336,860)	(142,936)
Decrease in amounts due to related parties	(20,190)	–
Payment for deferred listing expenses	(2,644)	(4,545)
Payment for lease liabilities	(64,577)	–
Decrease in amounts due from directors	–	8,643
Interest paid	(45,200)	(40,972)
	<u>551,259</u>	<u>122,190</u>
Net cash flows from financing activities		
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Effect of foreign exchange rate changes, net	(1,539)	4,797
Cash and cash equivalents at beginning of period	653,502	593,910
	<u>366,775</u>	<u>375,897</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
	<u>366,775</u>	<u>375,897</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>366,775</u>	<u>375,897</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the reporting period, the Company's subsidiaries were principally engaged in the design, marketing and sale of apparel products.

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 May 2019.

The controlling shareholders of the Company are Great World Glory Pte. Ltd. and L Capital Asia 2 Pte. Ltd., which were both incorporated in Singapore with limited liability.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. 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 2018.

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") effective as of 1 January 2019.

Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
IFRS 16	<i>Leases</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 *Leases*, Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* and IFRIC 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

(a) Adoption of IFRS 16

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various properties of shopping malls, standalone stores and warehouses. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for elective exemption for leases of short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedient when applying IFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) (Unaudited) RMB'000
Assets	
Increase in right-of-use assets	290,213
Decrease in prepaid land lease payments	(22,315)
Decrease in prepayments, other receivables and other assets	(661)
	<hr/>
Increase in total assets	267,237
	<hr/> <hr/>
Liabilities	
Increase in lease liabilities	267,237
	<hr/>
Increase in total liabilities	267,237
	<hr/> <hr/>

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	(Unaudited) RMB'000
Operating lease commitments as at 31 December 2018	319,280
Weighted average incremental borrowing rate as at 1 January 2019	<u>4.75%</u>
Discounted operating lease commitments at 1 January 2019	308,902
Less: Commitments relating to short-term leases	<u>(41,665)</u>
Lease liabilities as at 1 January 2019	<u><u>267,237</u></u>

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control of the Group and affects its ability to exercise the option to renew.

The leases of shopping malls, standalone stores and warehouses have a non-cancellable period (i.e., three to five years) and the Group has a policy of continuously evaluating the performance of shopping malls and standalone stores and the capacity of warehouses based on the business strategy of the Group as well as the external conditions and all other relevant factors that may have impact on the renewal options. Thus, the Group did not include the renewal period as part of the lease term for these leases.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets			Lease liabilities
	Land use rights	Office rental	Total	
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2019	22,976	267,237	290,213	267,237
Additions	–	47,013	47,013	47,013
Depreciation charge	(330)	(64,969)	(65,299)	–
Interest expense	–	–	–	4,071
Payments	–	–	–	(68,648)
As at 30 June 2019	22,646	249,281	271,927	249,673

- (b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information.
- (c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

The Group is mainly engaged in sale of apparel products. Additionally, the Group also sells other products to partnership stores and distributors, such as decorations for stores and packaging materials for products. The Group manages its main business of sale of apparel products by sales channel. There are two operating segments of sale of apparel products: offline channels and online channels. Offline channels refer to offline network of retail outlets including self-owned stores and partnership stores, and offline network of distributors, and online channels refer to online retail platforms, such as Tmall, Taobao and JD.com.

The Group's chief operating decision maker is the chief executive officer, who reviews revenue and results of offline channels of sale of apparel products, online channels of sale of apparel products and sale of other products separately for the purpose of making decisions about resource allocation and assessment of segment performance. Segment result is evaluated based on gross profit. No analysis of the Group's assets and liabilities by operating segment is disclosed as it is not regularly provided to the chief operating decision maker for review.

Segment information by sales channels:

	Six months ended 30 June 2019 (Unaudited)			
	Apparel products			
	Offline channels	Online channels	Other products	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue				
External customers	<u>1,118,238</u>	<u>562,367</u>	<u>5,494</u>	<u>1,686,099</u>
Total revenue	<u><u>1,118,238</u></u>	<u><u>562,367</u></u>	<u><u>5,494</u></u>	<u><u>1,686,099</u></u>
Segment results	<u>585,771</u>	<u>251,885</u>	<u>450</u>	<u>838,106</u>
Other income and gains				16,719
Selling and distribution expenses				(542,022)
Administrative expenses				(117,022)
Other expenses				(3,702)
Finance costs				(45,750)
Share of losses of associates				<u>(50)</u>
Profit before tax				<u><u>146,279</u></u>

	Six months ended 30 June 2018 (Unaudited)			
	Apparel products			Total RMB' 000
	Offline channels RMB' 000	Online channels RMB' 000	Other products RMB' 000	
Segment revenue				
External customers	1,028,735	489,639	5,797	1,524,171
Total revenue	1,028,735	489,639	5,797	1,524,171
Segment results	605,250	243,905	561	849,716
Other income and gains				29,558
Selling and distribution expenses				(544,426)
Administrative expenses				(118,573)
Other expenses				(849)
Finance costs				(45,281)
Profit before tax				170,145

Geographic information

(a) Revenue from external customers

	Six months ended 30 June	
	2019 (Unaudited) RMB' 000	2018 (Unaudited) RMB' 000
Mainland China	1,682,252	1,520,040
Macau, China	3,847	4,131
Total	1,686,099	1,524,171

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

(b) Non-current assets

	30 June 2019 (Unaudited) RMB' 000	31 December 2018 (Audited) RMB' 000
Mainland China	450,720	206,938
Macau, China	6,752	2,753
Total	457,472	209,691

The non-current asset information above is based on the locations of the assets and excludes investments in associates and deferred tax assets.

Information about major customers

For the six months ended 30 June 2019, revenue from one customer (six months ended 30 June 2018: Nil) accounted for more than 10% of the Group's total revenue individually.

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Customer A	217,044	–

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<u>Revenue from contracts with customers</u>		
Sale of apparel products		
Online channels	562,367	489,639
Offline channels		
Self-owned stores	482,249	556,694
Partnership stores	168,994	176,469
Distributor stores	466,995	295,572
Sale of other products	5,494	5,797
Total	1,686,099	1,524,171

Disaggregated revenue information for revenue from contracts with customers

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Timing of revenue recognition		
Goods transferred at a point in time	1,686,099	1,524,171

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<u>Other income and gains</u>		
Interest income	2,197	823
Penalty charges received from distributors	643	592
Rental income	1,265	1,205
Foreign exchange gains, net	844	–
Government grants	10,710	19,956
Gain on disposal of a subsidiary	–	3,205
Investment income from financial assets at fair value through profit or loss	–	656
Fair value gain on derivative financial instruments – transactions not qualifying as hedges	–	2,347
Gain on disposal of items of property, plant and equipment	74	–
Others	986	774
	<u>16,719</u>	<u>29,558</u>

6. PROFIT BEFORE TAX

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

	<i>Notes</i>	Six months ended 30 June	
		2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Cost of inventories sold		817,310	641,514
Depreciation of property, plant and equipment	11	62,585	52,845
Depreciation of right-of-use assets/recognition of prepaid land lease payments		65,299	334
Amortisation of other intangible assets	12	2,588	1,041
Impairment of trade receivables	14		
– Provision for the period		2,226	3,556
– Reversal of provision for the period		(1,379)	–
Impairment of other receivables	15		
– Provision for the period		114	73
– Reversal of provision for the period		(278)	–
Write-down of inventories to the net realisable value		30,683	32,941
Minimum lease payments under operating leases of buildings		–	89,576
Expense related to short-term leases		30,679	–
Auditor's remuneration		683	525
Listing expenses		18,769	7,327
(Gain)/loss on disposal of items of property, plant and equipment, net	5	(74)	928
Fair value loss/(gain) on derivative financial instruments – transactions not qualifying as hedges		3,539	(2,347)
Foreign exchange differences, net	5	(844)	681
		<u>58,285</u>	<u>100,304</u>
Employee benefit expenses (excluding directors' and chief executive's remuneration):			
Wages and salaries		54,935	95,052
Pension scheme contributions		3,350	5,252
		<u>58,285</u>	<u>100,304</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Interest on bank loans	41,679	44,637
Interest on loans from a related party	–	644
Interest on lease liabilities	4,071	–
	<u>45,750</u>	<u>45,281</u>

8. INCOME TAX

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.

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in this jurisdiction.

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 8.25% on the estimated assessable profits up to an amount of HK\$2,000,000 and at the rate of 16.5% on any part of estimated assessable profits arising in Hong Kong during the period over HK\$2,000,000.

Pursuant to the relevant tax law of the Administrative Especial de Macau, Macau profits tax has been provided at the rate of 12% on the estimated assessable profits arising in Macau.

The provision for Mainland China corporate income tax is based on the statutory rate of 25% of the assessable profits of the subsidiaries of the Group in the People's Republic of China ("PRC") as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Current tax:		
Charge for the period	47,088	71,209
Deferred tax	11,019	(8,436)
	<u>58,107</u>	<u>62,773</u>
Total tax charge for the period	<u><u>58,107</u></u>	<u><u>62,773</u></u>

11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Carrying amount at beginning of period/year	171,525	166,866
Additions	62,138	120,054
Depreciation provided during the period/year	(62,585)	(113,333)
Exchange realignment	(4)	109
Disposals	(10,334)	(2,171)
	<u>160,740</u>	<u>171,525</u>

12. OTHER INTANGIBLE ASSETS

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Carrying amount at beginning of period/year	10,339	6,233
Additions	5,488	6,280
Amortisation provided during the period/year	(2,588)	(2,366)
Exchange realignment	(14)	192
	<u>13,225</u>	<u>10,339</u>

13. INVENTORIES

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Raw materials	17,766	9,085
Decorations	16,746	24,793
Finished goods	773,906	932,284
	<u>808,418</u>	<u>966,162</u>

14. TRADE AND NOTES RECEIVABLES

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Trade receivables	835,931	740,022
Notes receivable	–	108,801
	835,931	848,823
Less: Impairment of trade receivables	(18,847)	(18,000)
	817,084	830,823

The Group's trading terms with its customers (other than retail customers) are mainly on credit as well as advances. The credit period is generally one month to three months. The Group seeks to maintain strict control over its outstanding receivables and 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. Trade receivables are non-interest-bearing.

As at 31 December 2018, notes receivable of RMB1,480,000 whose fair values approximate to their carrying values were classified as financial assets at fair value through other comprehensive income under IFRS 9 and the remaining notes receivable were measured at amortised cost. The fair value changes of these notes receivable at fair value through other comprehensive income were insignificant during the period.

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

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Within 3 months	498,919	595,125
3 to 6 months	109,791	70,656
6 to 12 months	196,957	28,849
1 to 2 years	29,416	44,372
Over 2 years	848	1,020
	835,931	740,022

As at 30 June 2019, included in the Group's trade receivables were amounts due from the Group's related parties of RMB850,000 (31 December 2018: RMB13,153,000) which were repayable on credit terms similar to those offered to the major customers of the Group.

As at 31 December 2018, the Group discounted certain notes receivable (the "Discounted Notes") with carrying amounts in aggregate of RMB107,321,000. The Discounted Notes have a maturity from one to five months as at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Discounted Notes have a right of recourse against the Group if the PRC banks or the counterparties default. The Group recognised the proceeds received from the discount of the Discounted Notes with an amount of RMB107,321,000 (note 20), because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Notes.

15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Other receivables	276,117	191,578
Prepaid expenses	57,179	44,828
Prepayments	81,452	15,011
Prepaid land lease payments	–	661
Tax recoverable	28,263	2,056
Prepaid listing expenses	–	7,614
Others	–	1,374
	443,011	263,122
Less: Impairment of other receivables	(1,789)	(3,653)
	441,222	259,469

16. CASH AND CASH EQUIVALENTS AND PLEDGED SHORT-TERM DEPOSITS

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Cash and bank balances	366,775	653,502
Pledged short-term deposits	409,208	33,995
	775,983	687,497
Less: Pledged short-term deposits:		
Pledged for bills payable	(13,225)	(33,995)
Pledged for time deposits	(395,983)	–
Cash and cash equivalents	366,775	653,502
Denominated in RMB	301,843	567,727
Denominated in US\$	46,194	83,190
Denominated in HK\$	17,443	594
Denominated in MOP	1,295	1,991
Cash and cash equivalents	366,775	653,502

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remittance of funds out of Mainland China is subject to exchange restrictions imposed by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. As at 30 June 2019, short-term deposits of RMB13,225,000 (31 December 2018: RMB33,995,000) were pledged for notes payable with a maturity from two to four months. The remaining RMB395,983,000 (31 December 2018: Nil) represented bank deposits carrying a fixed interest rate of 0.22% (31 December 2018: Nil) per annum, which were also pledged and could not be redeemed until the maturity date. The bank balances and pledged short-term deposits are deposited with creditworthy banks with no recent history of default.

17. TRADE AND NOTES PAYABLES

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Trade payables	242,687	533,730
Notes payable	131,200	249,250
	<u>373,887</u>	<u>782,980</u>

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Within 3 months	206,485	509,643
3 to 6 months	23,317	19,403
6 to 12 months	5,579	3,310
1 to 2 years	7,114	463
Over 2 years	192	911
	<u>242,687</u>	<u>533,730</u>

As at 30 June 2019, included in the trade and notes payables were trade payables of RMB278,000 (31 December 2018: RMB5,078,000) due to the Group's related parties which were repayable within 120 days, which represented credit terms similar to those offered by the related parties to their major customers.

The trade payables are non-interest-bearing and are normally settled on 120-day terms.

18. OTHER PAYABLES AND ACCRUALS

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Accrued payroll	56,876	76,949
Other payables	128,165	126,525
Taxes payable other than corporate income tax	4,744	100,381
Accrued expenses	73,163	54,367
Interest payables	1,662	1,659
	<u>264,610</u>	<u>359,881</u>

Other payables are non-interest-bearing and repayable on demand.

As at 30 June 2019, included in the other payables and accruals were other payables of RMB1,423,000 (31 December 2018: RMB6,479,000) due to the Group's related parties.

19. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Foreign exchange option contracts	11,594	13,465
Interest rate option contracts	849	5,049
	<u>12,443</u>	<u>18,514</u>

The Company has entered into various foreign exchange option contracts and interest rate option contracts to manage its exchange rate exposures and interest rate exposures. These derivatives are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging derivatives amounting to a loss of RMB3,539,000 and a gain of RMB2,347,000 were included in the consolidated statement of profit or loss for the six months ended 30 June 2019 and 30 June 2018, respectively.

20. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<u>As at 30 June 2019 (Unaudited)</u>			<u>As at 31 December 2018 (Audited)</u>		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Current portion of long-term bank loans – secured US\$226,000,000 bank loans	1-month LIBOR plus 3.25%	Within 2019	–	1-month LIBOR plus 3.25%	Within 2019	183,612
Bank loans – unsecured	4.35%	2019-2020	250,000	–	–	–
Discounted notes receivable (<i>note 14</i>)	–	–	–	–	Within 2019	107,321
			<u>250,000</u>			<u>290,933</u>
Non-current						
Bank loans – secured US\$226,000,000 bank loans	1-month LIBOR plus 3.25%	2020- 2022	1,055,471	1-month LIBOR plus 3.25%	2020- 2022	1,204,627
			<u>1,305,471</u>			<u>1,495,560</u>
				30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000	

Analysed into:

Bank loans repayable:

Within one year or on demand	250,000	290,933
In the second year	67,097	217,152
In the third to fifth years, inclusive	988,374	987,475
	<u>1,305,471</u>	<u>1,495,560</u>

Notes:

- (a) The US\$226,000,000 bank loans are secured by:
- i. mortgages and fixed charges over the Company's equity interests in its subsidiaries Joy Sonic Limited and Alpha Sonic Ltd; and
 - ii. mortgages and fixed charges over Joy Sonic Limited's equity interests in its subsidiaries Ningbo Chisage Mulsanne Holding Co., Ltd. and Yatlas (Shanghai) Brand Management Co., Ltd..
- (b) Except for the US\$226,000,000 bank loans which are denominated in United States dollars, all borrowings are in RMB.

21. SHARE CAPITAL

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Authorised:		
10,000,000,000 (31 December 2018:10,000,000,000) ordinary shares	88,181	88,181
Issued and fully paid:		
950,000,000 (31 December 2018: 1,560) ordinary shares	8,343	–

A summary of movements in the Company's share capital is as follows:

	Number of ordinary shares in issue	Share capital RMB'000
At 1 January 2018	2	–
Share sub-division on 27 August 2018 (<i>note a</i>)	1,998	–
Shares repurchased and cancelled on 7 November 2018 (<i>note b</i>)	(2,000)	–
New issues on 7 November 2018 (<i>note b</i>)	1,560	–
At 31 December 2018 and 1 January 2019	1,560	–
New issues on 26 April 2019 (<i>note c</i>)	198,440	2
Capitalisation issue (<i>note c</i>)	749,800,000	6,585
New issues on 27 May 2019 (<i>note d</i>)	200,000,000	1,756
At 30 June 2019	950,000,000	8,343

Notes:

- (a) On 27 August 2018, all the issued and unissued shares of the Company with par value of US\$1 each was subdivided into 1,000 shares of US\$0.001 each. Accordingly, following the completion of the subdivision, our authorised share capital was altered to US\$50,000, divided into 50,000,000 shares of US\$0.001 each with an issued share capital of US\$2 divided into 2,000 shares in issue.
- (b) On 7 November 2018, the Company passed resolutions to the effect that (i) the authorised share capital of the Company was increased (from US\$50,000 divided into 50,000,000 shares of US\$0.001 each) by HK\$100,000,000 by the creation of 10,000,000,000 shares of a par value of HK\$0.01 each; (ii) following such increase, 1,560 shares of HK\$0.01 each were allotted and issued fully paid to the existing shareholders, pro rata to their then interests in the issued share capital of the Company; (iii) following such issue of shares, the Company repurchased the 2,000 existing issued shares of US\$0.001 each in the capital of the Company in issue immediately prior to the issue of shares mentioned above at a price of US\$0.001, following which such 2,000 shares of par value of US\$0.001 each were cancelled; and (iv) following such repurchase, the authorised but unissued share capital of the Company was diminished by the cancellation of all the 50,000,000 unissued shares of US\$0.001 each in the authorised share capital of the Company. Accordingly, following the completion of the steps outlined above, the Company had an authorised share capital of HK\$100,000,000 divided into 10,000,000,000 shares.
- (c) On 26 April 2019, an amount of HK\$2,000 standing to the credit of the Company's share premium account was capitalised by the issue fully paid of 198,440 shares at par value of HK\$0.01 each to the shareholders in proportion to their then existing holding of shares.

Pursuant to an ordinary resolution passed on 26 April 2019, 749,800,000 shares of HK\$0.01 each were allotted and issued, credited as fully paid at par, by way of capitalisation from the share premium account to the holders of shares whose names appeared on the register of members of the Company at the close of business on 26 April 2019 in proportion to their respective shareholdings. This allotment and capitalisation issue were conditional on the share premium account being credited as a result of the issue of new shares to the public in connection with the Company's initial public offering as detailed in note (d) below.

- (d) In connection with the Company's initial public offering, 200,000,000 ordinary shares of HK\$0.01 each were issued at a price of HK\$4.39 per share for a total cash consideration, before expenses, of approximately HK\$878,000,000 (equivalent to RMB771,050,000). Dealings in these shares on the Stock Exchange commenced on 27 May 2019.

22. COMMITMENTS

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

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Contracted, but not provided for:		
Land and buildings	—	5,750

23. RELATED PARTY TRANSACTIONS

Details of the Group's principal related parties are as follows:

Name	Relationship
Glory Cayman Holding Limited (“ Glory Cayman ”)	An entity controlled by a controlling shareholder
Glorious Cayman Ltd. (“ Glorious Cayman ”)	An entity controlled by a controlling shareholder
Ningbo Chisage Wenmo Branding Management Co., Ltd. (“ Chisage Wenmo ”)	An entity controlled by a director
Ningbo Chisage Wenmo E-Commerce Co., Ltd. (“ Wenmo E-Commerce ”)	An entity controlled by a director
Zhejiang Chisage Holding Group Co., Ltd. (“ Chisage Holding ”)	An entity controlled by a director
Ningbo Songhe Apparel Co., Ltd. (“ Songhe Apparel ”)	An entity controlled by a director
Ningbo Chisage Apparel Co., Ltd. (“ Ningbo Chisage Apparel ”)	An entity controlled by a director
Huaian Chisage Industrial Co., Ltd. (“ Huaian Chisage Apparel ”)	An entity controlled by a director
Ningbo Zhenrong Branding Management Co., Ltd. (“ Zhenrong Branding Management ”)	An entity controlled by ZHU Zhaoguo
Ningbo HeHe Import and Export Co., Ltd. (“ HeHe Import and Export ”)	An entity controlled by a director
Ningbo Zhong-Zhe GXG Co., Ltd. (“ Zhong-Zhe GXG ”)	An entity controlled by a director
Joy Asia International Limited (“ Joy Asia ”)	An entity controlled by a director
Boyin Investment Co., Ltd. (“ Boyin Investment ”)	An entity controlled by a director
YU Yong	Director of the Group
YANG Herong	Director of the Group
TU Guangjun	Key management of a subsidiary
LI Shujun	Director of a subsidiary
ZHU Zhaoguo	Ultimate shareholder of the Company

- (a) In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties during the six months ended 30 June 2019 and 2018:

	<i>Notes</i>	Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
Sales of products to:			
Zhenrong Branding Management	<i>(i)</i>	18,989	25,916
Purchases of products from:			
Huaian Chisage Apparel	<i>(ii)</i>	13,113	9,305
Ningbo Chisage Apparel	<i>(ii)</i>	39,399	49,885
Agency fee to :			
HeHe Import and Export	<i>(iii)</i>	–	86
Rental fees to:			
Songhe Apparel	<i>(iv)</i>	2,447	2,447
Zhong-Zhe GXG	<i>(iv)</i>	–	738
Chisage Holding	<i>(iv)</i>	3,457	3,457
Rental fees from:			
Chisage Wenmo	<i>(v)</i>	1,060	1,060
Wenmo E-Commerce	<i>(v)</i>	145	145
Management service fees to:			
Zhenrong Branding Management	<i>(vi)</i>	425	1,151
Repayment of loans to:			
Joy Asia	<i>(vii)</i>	20,190	–
Repayment of interests to:			
Joy Asia	<i>(vii)</i>	1,192	–
Interests to:			
Joy Asia	<i>(vii)</i>	–	644

Notes:

- (i) The sales to related parties were made according to the published prices and conditions offered to the major customers of the Group.
- (ii) The purchases from related parties were made according to the published prices and conditions offered by the related parties to their major customers.
- (iii) Agency fee happened when HeHe Import and Export purchase goods from Glorious Cayman and sell to Joy Sonic.
- (iv) The rental fees were paid for the lease of the warehouses and office from related parties. The rental fees were charged pursuant to the terms of the agreements signed between the Company and the related parties.

- (v) The rental fees were received for the lease of the warehouses to related parties. The rental fees were charged pursuant to the terms of the agreements signed between the Company and the related parties.
- (vi) The management fees were paid for the management of self-owned stores provided by related parties. The management fees were charged pursuant to the terms as agreed between the Group and the related party.
- (vii) The loans from Joy Asia were used as temporary working capital. The loans are unsecured with an interest at 5% per annum and were repaid in January 2019.

(b) Commitments with related parties

On 1 January 2017, a subsidiary of the Group entered into a six-year agreement ending 31 December 2022 with Zhong-Zhe GXG, a company controlled by YANG Herong, for the lease of the office. This agreement was terminated in March 2018. The amount of total rental fee to Zhong-Zhe GXG for the reporting period is included in note 23(a) above.

On 1 January 2016, a subsidiary of the Group entered into an agreement with Songhe Apparel, a company controlled by YANG Herong, for the lease of the office. The amount of total rental fee to Songhe Apparel for the reporting period is included in note 23(a) above. This lease agreement is renewed on an annual basis.

On 1 January 2017, a subsidiary of the Group entered into an agreement ending 31 December 2019 with Chisage Wenmo and Wenmo E-Commerce, companies controlled by a director, for the lease of the warehouses. The amount of total rental fee from Chisage Wenmo and Wenmo E-Commerce for the reporting period is included in note 23(a) above. The Group expects the total rental fees from Chisage Wenmo and Wenmo E-Commerce in 2019 to be approximately RMB2,410,000.

On 1 January 2018, a subsidiary of the Group entered into an agreement ending 31 December 2020 with Chisage Holding, a company controlled by a director, for the lease of the warehouses. The amount of total rental fee to Chisage Holding for the reporting period is included in note 23(a) above. The Group expects the total rental fee to Chisage Holding in 2019 to be approximately RMB6,599,000.

(c) Outstanding balances with related parties:

(i) Due from related parties

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Glory Cayman	14	14
Glorious Cayman	227	70
	241	84

(ii) *Due to related parties*

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Boyin Investment	10,000	10,000
Joy Asia	–	21,383
Glory Cayman	155	250
	<u>10,155</u>	<u>31,633</u>

The balances with related parties are unsecured, interest-free and repayable on demand except for the amount due to Joy Asia which was interest-bearing at a rate of 5% per annum and was repaid in January 2019.

(d) **Compensation of key management personnel of the Group:**

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Short term employee benefits	2,775	3,835
Pension scheme contributions	55	55
	<u>2,830</u>	<u>3,890</u>

24. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

30 June 2019 (Unaudited)

	Financial assets at fair value through profit or loss RMB'000	At amortised cost RMB'000	Total RMB'000
Derivative financial instruments	12,443	–	12,443
Trade and notes receivables	–	817,084	817,084
Financial assets included in prepayments, other receivables and other assets	–	274,328	274,328
Due from related parties	–	241	241
Pledged short-term deposits	–	409,208	409,208
Cash and cash equivalents	–	366,775	366,775
	<u>12,443</u>	<u>1,867,636</u>	<u>1,880,079</u>

31 December 2018 (Audited)

	Financial assets at fair value through profit or loss <i>RMB'000</i>	Financial assets at fair value through other comprehensive income <i>RMB'000</i>	At amortised cost <i>RMB'000</i>	Total <i>RMB'000</i>
Derivative financial instruments	18,514	–	–	18,514
Trade and notes receivables	–	1,480	829,343	830,823
Financial assets included in prepayments, other receivables and other assets	–	–	187,925	187,925
Due from related parties	–	–	84	84
Pledged short-term deposits	–	–	33,995	33,995
Cash and cash equivalents	–	–	653,502	653,502
	<u>18,514</u>	<u>1,480</u>	<u>1,704,849</u>	<u>1,724,843</u>

Financial liabilities at amortised cost

	30 June 2019 (Unaudited) <i>RMB'000</i>	31 December 2018 (Audited) <i>RMB'000</i>
Trade and notes payables	373,887	782,980
Financial liabilities included in other payables and accruals	202,990	182,551
Interest-bearing bank and other borrowings	1,305,471	1,495,560
Due to related parties	10,155	31,633
Lease liabilities	249,673	–
	<u>2,142,176</u>	<u>2,492,724</u>

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 30 June 2019 and 31 December 2018, the fair values of the Group's financial assets or financial liabilities approximated to their respective carrying amounts.

Management has determined that the carrying amounts of cash and cash equivalents, pledged short-term deposits, trade and notes receivables, financial assets included in prepayments, other receivables and other assets, trade and notes payables, other payables and accruals, amounts due from/to related parties, the current portion of interest-bearing bank and other borrowings and lease liabilities, reasonably approximate to their fair values because these financial instruments are mostly short-term in nature.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The Directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

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

The Group enters into derivative financial instruments with bank. Derivative financial instruments, including foreign exchange options contracts and interest rate options contracts are measured using valuation techniques, such as the Black-Scholes option pricing model. The model incorporates various market observable inputs such as the risk-free interest rate, implied volatility of the exchange rate and spot prices. The carrying amounts of foreign exchange option contracts and interest rate option contracts are the same as their fair values as disclosed in note 19 to the interim condensed consolidated financial information.

The fair values of the notes receivable classified as financial assets at fair value through other comprehensive income under IFRS 9 as at 31 December 2018 have been calculated by discounting the expected future cash flows, which are the par values of the notes receivable. In addition, the notes receivable will mature within six months, thus their fair values approximate to their carrying values.

The fair values of the non-current portion of interest-bearing bank borrowings and lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings and lease liabilities as at the end of the reporting period was assessed to be insignificant.

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2019 (Unaudited)

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Derivative financial instruments	—	12,443	—	12,443

As at 31 December 2018 (Audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Derivative financial instruments	–	18,514	–	18,514
Notes receivable	–	1,480	–	1,480
	–	19,994	–	19,994

The Group did not have any financial liabilities measured at fair value as at 30 June 2019 (31 December 2018: Nil).

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2018: Nil).

26. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the Board on 27 August 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The Group derived its revenue primarily from sales of its products through its self-owned stores, distributors, partners and online channels to end customers. The Group's revenue is stated as the net invoiced value of goods sold, after allowances for returns and trade discounts.

For the six months ended 30 June 2019, the total sales revenue recorded was RMB1,686.1 million, representing an increase of 10.6% or RMB161.9 million from RMB1,524.2 million for the same period in 2018. Benefiting from the development of new retail business model, the Group's e-commerce business continued to grow during this Period. The Company also made efforts in further boosting cross-over marketing activities, which helped enhance customers' stickiness.

Revenue by brand

	Six months ended 30 June			
	2019		2018	
	RMB'000	%	RMB'000	%
GXG series				
GXG	959,383	56.9	973,010	63.9
gxc jeans	302,228	17.9	326,799	21.4
gxc.kids	368,006	21.8	167,115	11.0
Sportswear				
Yatlas	33,311	2.0	38,588	2.5
2XU	6,114	0.4	4,362	0.3
Others	17,057	1.0	14,297	0.9
Total revenue	1,686,099	100.0	1,524,171	100.0

Sales revenue from main brands, namely GXG and gxc jeans, declined slightly by 1.4%, or RMB13.6 million, and 7.5%, or RMB24.6 million, respectively, mainly because (i) the earlier occurrence of the Chinese New Year in 2019 on February 5 compared to February 16 in 2018, as lower sales figures were typically recorded after the Chinese New Year, and (ii) more rainy days in east China during the two months ended 28 February 2019 with 30 average raining days in Hangzhou, Hefei, Nanjing, Ningbo and Shanghai of east China compared to 19 average raining days during the same period in 2018, which is believed to have imposed negative impact on the Group's offline sales in this region, one of the Group's major regional markets. Sales revenue from gxc.kids increased by 120.2%, or RMB200.9 million, as compared to the same period last year, mainly due to an one-time buyout from an offline national distributor. Accordingly, among the Group's GXG series, the above changes resulted in the reduction in sales proportion of (i) GXG brand from 63.9% to 56.9% and (ii) gxc jeans brand from 21.4% to 17.9%, and an increase in the sales proportion of gxc.kids brand from 11.0% to 21.8%. Among the Group's sportswear brands, Yatlas's revenue decreased by 13.7%, or RMB5.3 million, due to the Group's adjustment of brand positioning by reducing the number of stores to enhance store efficiency. Due to an increase in e-commerce sales, all the sales of 2XU and other brands increased.

Revenue by sales channel

	Six months ended 30 June			
	2019		2018	
	RMB'000	%	RMB'000	%
Sales of apparel products				
Offline channels				
Self-owned stores	482,249	28.6	556,694	36.5
Partnership stores	168,994	10.0	176,469	11.6
Distributor stores	466,995	27.7	295,572	19.4
Online channels	562,367	33.4	489,639	32.1
Sales of other products	5,494	0.3	5,797	0.5
Total revenue	1,686,099	100.0	1,524,171	100.0

Sales from self-owned stores decreased by 13.4%, or RMB74.5 million, to RMB482.2 million, sales from partnership stores decreased by 4.2%, or RMB7.5 million, to RMB169.0 million, while sales from distributor stores increased by 58.0%, or RMB171.4 million, to RMB467.0 million. Online channel sales maintained rapid growth with an increase of 14.9%, or RMB72.8 million, to RMB562.4 million. As to the Group's revenue composition, online channel sales was ranked first of 33.4%, followed by self-owned stores of 28.6% and distributor stores of 27.7%.

Number of stores by brand

	30 June 2019		31 December 2018	
	Number of stores	%	Number of stores	%
GXG series				
GXG	1,192	55.7	1,216	54.0
gxc jeans	463	21.6	505	22.4
gxc.kids	433	20.2	454	20.2
Sportswear				
Yatlas	48	2.2	69	3.1
2XU	–	–	3	0.1
Others	3	0.1	3	0.1
Total	2,139	100	2,250	100

Due to the relocation of shopping areas in offline channels, market factors such as the increase in store operating cost, and the upgrade and consolidation of its offline channels, the Group adjusted its store network in the first half of 2019 by closing its offline stores which failed to reach designated sales targets. As a result, the total number of stores decreased to 2,139 as at 30 June 2019 from 2,250 at the end of 2018.

Number of stores by channel

	30 June 2019		30 June 2018	
	No. of stores	%	No. of stores	%
Self-owned stores	447	20.9	720	32.0
Partnership stores	426	19.9	532	23.6
Distributor stores	1,266	59.2	998	44.4
Total	2,139	100.0	2,250	100.0

During the Period, the number of distributor stores increased while the number of self-owned stores and partnership stores decreased mainly because the Group transferred all offline channels of kidswear to a distributor, aiming to take advantage of the agent's strengths and to increase the Group's share in kidswear market in China.

Gross Profit

The Group recorded a total gross profit of RMB838.1 million for the Period, representing a decrease of 1.4%, or RMB11.6 million, from RMB849.7 million for the same period in 2018. Gross profit margin decreased from 55.7% to 49.7% during the same period.

Gross profit and gross profit margin by brand

	Six months ended 30 June			
	2019		2018	
	Gross Profit <i>RMB'000</i>	Gross Profit Margin %	Gross Profit <i>RMB'000</i>	Gross Profit Margin %
GXG series				
GXG	511,106	53.3	567,062	58.3
gxc jeans	147,388	48.8	169,879	52.0
gxc.kids	153,953	41.8	84,826	50.8
Sportswear				
Yatlas	15,560	46.7	20,191	52.3
2XU	3,152	51.6	2,338	53.6
Others	6,947	40.7	5,420	37.9
Total Gross Profit	838,106	49.7	849,716	55.7

In order to reduce inventory and recoup funds, the Group has accelerated the promotional efforts of low-margin off-season products among all brands, which caused a slight decline in the overall gross profit margin of each brand.

Gross profit and gross profit margin by sales channel

	Six months ended 30 June			
	2019		2018	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %
Sales of apparel products				
Offline channels				
Self-owned stores	314,877	65.3	389,806	70.0
Partnership stores	73,708	43.6	79,070	44.8
Distributor stores	197,186	42.2	136,374	46.1
Online channels	251,885	44.8	243,905	49.8
Sales of other products	450	8.2	561	9.7
Total Gross Profit	838,106	49.7	849,716	55.7

Gross profit of self-owned stores for the Period decreased by RMB74.9 million as compared to the same period in 2018, with its gross profit margin decreasing to 65.3% for the Period, 4.7 percentage points lower than that of the same period in 2018. The decrease was due to increased promotional efforts offering higher discount rates in self-owned stores. The gross profit margin of partnership stores for the Period remained relatively stable at 43.6% as compared to 44.8% during the same period last year. The gross profit of the distributor stores for the Period increased by RMB60.8 million, while the gross profit margin decreased by 3.9 percentage points, mainly due to a channel change for kidswear in May 2019 with lower sales price for high-volume inventory as compared to that of ordinary distributors. Gross profit of online channels for the Period increased by RMB8.0 million. However, gross profit margin decreased by 5.0 percentage points. This was due to the Group's active participation in promotional activities by offering higher discount rates on e-commerce platforms in order to maintain its influence on e-commerce platforms.

Other income and gains

Other income and gains for the Period were RMB16.7 million, representing a decrease of 43.6%, or RMB12.9 million, as compared to RMB29.6 million for the same period in 2018, mainly due to the decreases in government subsidies and gains from disposal of invested subsidiaries.

Sales and distribution expenses and administrative expenses

Total sales and distribution expenses for the Period amounted to RMB542.0 million, representing a decrease of 0.4%, or RMB2.4 million, as compared to RMB544.4 million for the same period in 2018. Sales and distribution expenses as a percentage of the Group's total revenue decreased to 32.1% from 35.7% for the same period in 2018. Total administrative expenses for the Period amounted to RMB117.0 million, representing a decrease of 1.3%, or RMB1.6 million, from RMB118.6 million for the same period in 2018. Total administrative expenses as a percentage of the Group's total revenue decreased to 6.9% from 7.8% for the same period in 2018. The decreases in sales and distribution expenses and administrative expenses were mainly due to the increase in the proportion of sales from partnership stores and distributor stores.

Finance costs

Finance costs for the Period remained relatively stable at RMB45.8 million as compared to RMB45.3 million for the same period in 2018.

Profit before tax

The Group's profit before tax for the Period was RMB146.3 million, representing a decrease of 14.0%, or RMB23.8 million, from RMB170.1 million for the same period in 2018. The decrease was mainly due to the decreases in gross profit and other income and gains.

Income tax expense

Income tax expense for the Period was RMB58.1 million, representing a decrease of 7.5%, or RMB4.7 million, as compared to RMB62.8 million for the same period in 2018, of which current income tax expense was RMB47.1 million and the deferred income tax expense was RMB11.0 million for the Period.

Operating cash flows

Net operating cash outflow for the Period remained stable at RMB362.3 million, representing a decrease of 4.1%, or RMB15.3 million, from RMB377.6 million for the same period in 2018.

Capital expenditures

The Group's capital expenditures include payments for intangible assets, renovation of office and self-owned stores. During the Period, the Group's capital expenditures were RMB80.9 million, representing an increase of 31.8%, or RMB19.5 million, from RMB61.4 million for the same period in 2018. The increase was due to the expenses for the renovation of the Group's headquarters office building and the expenses for trademark use rights for the crossovers between the Group and well-known cooperating brands.

Financial status

The Group generally funds its operations with bank borrowings and RMB771.1 million from listing of its shares during the Period.

The Group's cash and cash equivalents and pledged deposits totaled RMB776.0 million at the end of the Period, representing an increase of 12.9%, or RMB88.5 million, from RMB687.5 million at the end of 2018. Cash and cash equivalents were RMB366.8 million, among which 82.3% was denominated in RMB, 12.6% in U.S. dollars, 4.8% in Hong Kong dollars and 0.3% in MOP. Pledged deposits were RMB409.2 million, among which 3.2% was denominated in RMB and 96.8% in Hong Kong dollars.

Significant investment events

For the Period, the Group had no significant investment events.

Human Resources

As at 30 June 2019, the number of employees of the Group was 880 as compared to 935 as at 31 December 2018. The total cost of staff, including basic salary and wages, social insurance, bonus and share-based payment plan, for the Period was RMB56.8 million as compared to RMB99.8 million during the same period in 2018, representing 3.4% of its revenue from 6.5% during the same period in 2018. The significant decrease was mainly because the Group adjusted its store employment method and outsourced more employees.

Pledge of assets

The US\$226 million bank loans are secured by:

- i. mortgages and fixed charges over the Company's equity interests in its subsidiaries Joy Sonic Limited and Alpha Sonic Ltd; and
- ii. mortgages and fixed charges over Joy Sonic Limited's equity interests in its subsidiaries Ningbo Chisage Mulsanne Holding Co., Ltd. and YAtlas (Shanghai) Brand Management Co., Ltd..

Contingent liabilities

As at 30 June 2019, the Group had no significant contingent liabilities.

Events after the reporting period

As of the date of this interim results announcement, the Group does not have any material event after the Period.

Outlook and Prospects

As the growth of China economy and consumption decelerates, and the number of commercial entities and innovating business models in China increases, the second half of 2019 is expected to be challenging for the apparel industry. Meanwhile, the increasing demand in functional apparel and stylish products from customers pursuing lifestyle and innovation has created huge opportunities in the fashion industry. Benefiting from its multi-brands strategy and brand portfolio, the Group remains confident towards its future as a leading fashion company in China. To help develop the fashion apparel industry in China, the Group is committed to:

- develop new product portfolio and brand metric through multi-brands strategy, in order to further integrate online sales channels with offline sales channels and to improve our operational efficiency;
- attract more followers by introducing continuous innovative marketing measures, and to enhance members' experience through new retail technology and advantages; and
- further develop its leading supply chain system and to improve its ability to serve its customers, and to satisfy customers' needs by providing products and services in high quality.

Use of proceeds from the Listing

The Company was listed on the Main Board of the Stock Exchange on 27 May 2019 (the “**Listing Date**”), and issued 200,000,000 new shares. After deducting the underwriting fees, commissions and estimated expenses, the total net proceeds from the listing was approximately RMB704.9 million (equivalent to approximately HK\$802.7 million). As at 30 June 2019, the proceeds amounting to a total of RMB317.0 million (equivalent to approximately HK\$360.0 million) have been used. These proceeds have been used for the purposes as stated in the prospectus of the Company dated 15 May 2019 (the “**Prospectus**”) and the announcement of the Company dated 22 May 2019 (the “**Price Reduction Announcement**”) as follows:

Item	Planned use of proceeds (RMB million)	Actual amount used as at 30 June 2019 (RMB million)	Actual amount used for the six months ended 30 June 2019 (RMB million)
To repay our existing indebtedness and reduce our financial expenses	317	317	317
To expand our brand and product portfolio by pursuing brand acquisitions or strategic alliances	106	–	–
To upgrade our offline retail stores to smart stores	70	–	–
To purchase land and establish our self-owned advanced smart logistics center	141	–	–
To provide funding for working capital and other general corporate purposes	71	–	–
Total	705	317	317

As at 30 June 2019, the remaining proceeds of approximately RMB388.0 million (equivalent to approximately HK\$441.0 million) will continue to be used in accordance with the purposes as set out in the Prospectus and the Price Reduction Announcement and are expected to be fully utilized within the next 30 months.

Interim Dividend

The Board does not recommend the payment of any interim dividend for the Period.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and enhance its corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**Corporate Governance Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance. During the period from the Listing Date up to 30 June 2019 (the “**Relevant Period**”), the Company has complied with all applicable code provisions under the Corporate Governance Code. The Company will continue to review and monitor the corporate governance practices to ensure the compliance with the Corporate Governance Code.

Model Code for Securities Transactions for Directors

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 own code of conduct by the Directors. Upon specific enquiries made to all Directors, each of them has confirmed that they have complied with the required standards set out in the Model Code throughout the Relevant Period and up to the date of this announcement.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Relevant Period.

Audit Committee

The Company has established the audit committee with written terms of reference. As at the date of this announcement, the audit committee comprises three independent non-executive Directors, namely Mr. GU Jiong, Mr. YUAN Tao and Mr. Paolo BODO. Mr. GU Jiong is the chairman of the audit committee. The primary duties of the audit committee are to review the Company’s financial information, and oversee the Company’s financial reporting system, risk management and internal control systems.

The audit committee has jointly reviewed with the Board the unaudited interim results for the six months ended 30 June 2019 of the Group.

Publication of the Interim Results and 2019 Interim Report

This interim results announcement will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company’s website (www.gxggroup.cn). The 2019 interim report for the six months ended 30 June 2019 will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Mulsanne Group Holding Limited
HUANG Hanji
Chairman

Hong Kong,
27 August 2019

As at the date of this announcement, the Board comprises Mr. YU Yong as executive Director; Mr. HUANG Hanji, Mr. YANG Herong, Mr. LIN Lin, Mr. WANG Jun and Mr. Ravinder Singh THAKRAN as non-executive Directors; and Mr. GU Jiong, Mr. YUAN Tao and Mr. Paolo BODO as independent non-executive Directors.