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 2020

Financial Highlights

- Total revenue for the six months ended 30 June 2020 amounted to RMB1,087.5 million, representing a decrease of 35.5%, or RMB598.6 million, as compared to RMB1,686.1 million for the same period in 2019.

- Net loss for the six months ended 30 June 2020 amounted to RMB132.5 million, representing a decrease of RMB220.7 million as compared to a net profit of RMB88.2 million for the same period in 2019.

- Catering to consumers' online shopping desire, the Group continued to expand its online business, which maintained a healthy growth in online sales with a growth rate of 17.7% from the six months ended 30 June 2019 to the same period in 2020 as compared to a growth rate of 14.9% from the six months ended 30 June 2018 to the same period in 2019. Online sales accounted for 60.8% of the Group's total revenue for the Period as compared to 33.4% for the same period in 2019.

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 2020 (the "**Period**") together with the comparative figures for the same period in 2019 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June

	Notes	**2020** **(Unaudited)** ***RMB'000***	2019 (Unaudited) *RMB'000*
REVENUE	*5*	**1,087,538**	1,686,099
Cost of sales		**(666,519)**	(847,993)
Gross profit		**421,019**	838,106
Other income and gains	*5*	**10,147**	16,719
Selling and distribution expenses		**(410,144)**	(542,022)
Administrative expenses		**(128,616)**	(117,022)
Other expenses		**(12,902)**	(3,702)
Finance costs	*7*	**(29,957)**	(45,750)
Share of losses of associates		**–**	(50)
(LOSS)/PROFIT BEFORE TAX	*6*	**(150,453)**	146,279
Income tax credit/(expense)	*8*	**17,905**	(58,107)
(LOSS)/PROFIT FOR THE PERIOD		**(132,548)**	88,172
Attributable to:			
Owners of the parent		**(132,878)**	89,670
Non-controlling interests		**330**	(1,498)
		(132,548)	88,172
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*10*	**RMB(13.99) cents**	RMB11.38 cents

	2020 (Unaudited) *RMB'000*	2019 (Unaudited) *RMB'000*
(LOSS)/PROFIT FOR THE PERIOD	**(132,548)**	88,172
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,912)**	47
Other comprehensive loss 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	**(9,956)**	(4,892)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(11,868)**	(4,845)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(144,416)**	83,327
Attributable to:		
Owners of the parent	**(144,746)**	84,825
Non-controlling interests	**330**	(1,498)
	(144,416)	83,327

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2020

	Notes	**30 June 2020 (Unaudited)** ***RMB'000***	31 December 2019 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**145,403**	146,981
Right-of-use assets		**204,781**	273,642
Other intangible assets		**12,414**	10,758
Investments in associates		**8,000**	–
Deferred tax assets		**138,492**	119,823
Total non-current assets		**509,090**	551,204
CURRENT ASSETS			
Inventories		**795,889**	1,070,922
Right of return assets		**22,890**	63,791
Trade and notes receivables	*11*	**806,646**	1,032,574
Prepayments, other receivables and other assets		**381,222**	330,813
Due from a related party		**233**	230
Pledged short-term deposits		**55,550**	29,566
Cash and cash equivalents		**924,391**	820,788
Total current assets		**2,986,821**	3,348,684
CURRENT LIABILITIES			
Trade and notes payables	*12*	**399,583**	886,193
Other payables and accruals		**194,590**	249,359
Refund liabilities		**90,326**	183,212
Contract liabilities		**57,744**	57,133
Interest-bearing bank and other borrowings	*13*	**620,429**	134,240
Lease liabilities		**95,549**	131,127
Tax payable		**41,354**	109,414
Due to a related party		**128**	126
Total current liabilities		**1,499,703**	1,750,804
NET CURRENT ASSETS		**1,487,118**	1,597,880
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,996,208**	2,149,084

	Note	30 June 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,996,208**	2,149,084
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*13*	**1,021,921**	1,006,002
Lease liabilities		**80,465**	101,940
Deferred tax liabilities		**1,813**	4,717
Total non-current liabilities		**1,104,199**	1,112,659
Net assets		**892,009**	1,036,425
EQUITY			
Equity attributable to owners of the parent			
Share capital		**8,343**	8,343
Reserves		**885,109**	1,029,855
		893,452	1,038,198
Non-controlling interests		**(1,443)**	(1,773)
Total equity		**892,009**	1,036,425

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June

	Notes	**2020** **(Unaudited)** ***RMB'000***	2019 (Unaudited) *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(150,453)**	146,279
Adjustments for:			
Impairment of trade and other receivables	*6*	**30,451**	683
Impairment of property, plant and equipment	*6*	**1,214**	–
(Reversal of write-down)/write-down of inventories to net realisable value	*6*	**(5,322)**	30,683
Depreciation of property, plant and equipment		**43,067**	62,585
Depreciation of right-of-use assets	*6*	**81,628**	65,299
Amortisation of other intangible assets		**1,318**	2,588
Loss/(gain) on disposal of items of property, plant and equipment, net	*6*	**3,425**	(74)
Foreign exchange differences, net	*6*	**1,614**	(844)
Finance costs	*7*	**29,957**	45,750
Gain on modifications of leases		**(900)**	–
Share of losses of associates		**–**	50
Investment income from time deposits	*5*	**(1,787)**	–
Fair value loss on derivative financial instruments – transactions not qualifying as hedges	*6*	**–**	3,539
		34,212	356,538
Decrease/(increase) in trade and notes receivables		**180,534**	(94,429)
Increase in prepayments, other receivables and other assets		**(51,394)**	(169,433)
Increase in amounts due from related parties		**(3)**	(157)
Decrease in inventories		**280,355**	127,061
Decrease in right of return assets		**40,901**	44,775
Decrease in trade and notes payables		**(486,610)**	(409,093)
Decrease in other payables and accruals		**(52,020)**	(115,757)
Decrease in refund liabilities		**(92,886)**	(110,856)
Increase in contract liabilities		**611**	94,425
Decrease in amounts due to related parties		**–**	(135)
(Increase)/decrease in pledged short-term deposits		**(25,984)**	20,770
Cash used in operations		**(172,284)**	(256,291)
Income tax paid		**(71,728)**	(105,960)
Net cash flows used in operating activities		**(244,012)**	(362,251)

	2020 (Unaudited) *RMB'000*	2019 (Unaudited) *RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(48,904)**	(72,455)
Purchases of other intangible assets	**(2,957)**	(8,473)
Purchase of a shareholding in an associate	**(8,000)**	–
Investment income from derivative financial instruments – transactions not qualifying as hedges	**–**	2,480
Increase in pledged short-term deposits	**–**	(395,983)
Proceeds from disposal of items of property, plant and equipment	**–**	235
Net cash flows used in investing activities	**(59,861)**	(474,196)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank and other borrowings	**550,000**	250,000
Proceeds from issue of shares	**–**	771,050
Share issue expenses	**–**	(320)
Repayment of bank and other borrowings	**(50,000)**	(336,860)
Decrease in amounts due to related parties	**–**	(20,190)
Payment for deferred listing expenses	**–**	(2,644)
Payment for lease liabilities	**(65,992)**	(64,577)
Interest paid	**(28,924)**	(45,200)
Net cash flows from financing activities	**405,084**	551,259
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**101,211**	(285,188)
Effect of foreign exchange rate changes, net	**2,392**	(1,539)
Cash and cash equivalents at beginning of period	**820,788**	653,502
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**924,391**	366,775
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**924,391**	366,775

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business in China is located at No. 111 Shanshan Road, Wangchun Industrial Park, Haishu District, Ningbo, Zhejiang Province, People's Republic of China (the "**PRC**").

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 2020 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 2019.

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention. 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 information are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

    During the period ended 30 June 2020, certain monthly and quarterly lease payments for the leases of the Group's retail stores have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB8,693,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

(d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any 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 Vipshop.

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 2020			
	Apparel products			
	Offline channels (Unaudited) ***RMB'000***	**Online channels (Unaudited)** ***RMB'000***	**Others (Unaudited)** ***RMB'000***	**Total (Unaudited)** ***RMB'000***
Segment revenue				
External customers	**413,920**	**661,674**	**11,944**	**1,087,538**
Total revenue	**413,920**	**661,674**	**11,944**	**1,087,538**
Segment results	**202,272**	**216,470**	**2,277**	**421,019**
Other income and gains				**10,147**
Selling and distribution expenses				**(410,144)**
Administrative expenses				**(128,616)**
Other expenses				**(12,902)**
Finance costs				**(29,957)**
Loss before tax				**(150,453)**

	Six months ended 30 June 2019			
	Apparel products			
	Offline channels (Unaudited) *RMB'000*	Online channels (Unaudited) *RMB'000*	Others (Unaudited) *RMB'000*	Total (Unaudited) *RMB'000*
Segment revenue				
External customers	1,118,238	562,367	5,494	1,686,099
Total revenue	1,118,238	562,367	5,494	1,686,099
Segment results	585,771	251,885	450	838,106
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				(50)
Profit before tax				146,279

Geographic information

(a) *Revenue from external customers*

	Six months ended 30 June	
	2020 (Unaudited) *RMB'000*	2019 (Unaudited) *RMB'000*
Mainland China	**1,086,580**	1,682,252
Macau	**958**	3,847
Total	**1,087,538**	1,686,099

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

(b) *Non-current assets*

	30 June 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
Mainland China	**359,480**	423,890
Macau	**2,089**	6,043
Hong Kong	**1,029**	1,448
Total	**362,598**	431,381

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 2020, revenue from one customer (six months ended 30 June 2019: one) accounted for more than 10% of the Group's total revenue individually.

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Customer A	**138,748**	217,044

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of apparel products		
Online channels	**661,674**	562,367
Offline channels		
Self-owned stores	**265,037**	482,249
Partnership stores	**68,661**	168,994
Distributor stores	**80,222**	466,995
Sale of other products	**3,098**	5,494
Consignment services	**8,846**	–
Total	**1,087,538**	1,686,099

Disaggregated revenue information for revenue from contracts with customers

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Timing of revenue recognition		
Goods transferred at a point in time	**1,078,692**	1,686,099
Services transferred at a point in time	**8,846**	–
Total revenue from contracts with customers	**1,087,538**	1,686,099

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**3,175**	2,197
Investment income from time deposits	**1,787**	–
Penalty charges received from distributors	**1,776**	643
Government grants	**1,108**	10,710
Gain on modifications of leases	**900**	–
Sale of raw materials	**386**	–
Rental income	**–**	1,265
Foreign exchange gains, net	**–**	844
Gain on disposal of items of property, plant and equipment	**–**	74
Others	**1,015**	986
	10,147	16,719

6. (LOSS)/PROFIT BEFORE TAX

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

		Six months ended 30 June	
	Note	**2020**	2019
		(Unaudited)	(Unaudited)
		RMB'000	*RMB'000*
Cost of inventories sold		**664,353**	817,310
Cost of services provided		**7,488**	–
Cost of raw materials sold		**6,185**	–
Depreciation of property, plant and equipment		**43,067**	62,585
Impairment of items of property, plant and equipment		**1,214**	–
Depreciation of right-of-use assets		**81,628**	65,299
Amortisation of other intangible assets		**1,318**	2,588
Impairment of trade receivables		**30,587**	847
Reversal of impairment of other receivables		**(136)**	(164)
(Reversal of write-down)/write-down of inventories to the net realisable value		**(5,322)**	30,683
Lease payments not included in the measurement of lease liabilities		**9,981**	30,679
Auditor's remuneration		**780**	683
Listing expenses		**–**	18,769
Loss/(gain) on disposal of items of property, plant and equipment, net	*5*	**3,425**	(74)
Fair value loss on derivative financial instruments – transactions not qualifying as hedges		**–**	3,539
Foreign exchange differences, net	*5*	**1,614**	(844)
Employee benefit expenses (excluding directors' and chief executive's remuneration):			
Wages and salaries		**48,850**	54,935
Pension scheme contributions		**1,898**	3,350
		50,748	58,285

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans	**22,320**	41,679
Interest on lease liabilities	**5,156**	4,071
	27,476	45,750
Interest on discounted letter of credit	**2,481**	–
	29,957	45,750

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 Hong Kong Special Administrative Region, Hong Kong profits tax is provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for the Hong Kong subsidiary, Joy Sonic Limited, which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2019: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%).

Pursuant to the relevant tax law of the Administrative Especial de Macau, Macau profits tax is 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 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	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax:		
Charge for the period	**3,668**	47,088
Deferred tax	**(21,573)**	11,019
Total tax (credit)/charge for the period	**(17,905)**	58,107

9. DIVIDENDS

The board of directors did not declare the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 950,000,000 in issue during the period (six months ended 30 June 2019: 787,777,778, on the assumption that the subdivision of shares and the capitalisation issue had been completed on 1 January 2019).

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020 and 2019.

The calculations of basic (loss)/earnings per share are based on:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation	**(132,878)**	89,670

	Number of shares Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	**950,000,000**	787,777,778

11. TRADE AND NOTES RECEIVABLES

	30 June 2020	31 December 2019
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Trade receivables	**904,232**	1,030,706
Notes receivable	**3,383**	72,250
	907,615	1,102,956
Impairment of trade receivables	**(100,969)**	(70,382)
	806,646	1,032,574

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, extending up to one year for major customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As at 30 June 2020, included in the Group's trade receivables are amounts due from the Group's related parties of RMB88,000 (31 December 2019: RMB623,000) which are repayable on credit terms similar to those offered to the major customers of the Group.

As at 30 June 2020, notes receivable of nil (31 December 2019: RMB4,000,000) whose fair values approximate to their carrying values are 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 2020	31 December 2019
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Within 3 months	**196,436**	463,182
3 to 6 months	**82,227**	243,035
6 to 12 months	**435,955**	183,283
1 to 2 years	**172,603**	135,496
Over 2 years	**17,011**	5,710
	904,232	1,030,706

As at 30 June 2020, the Group discounted certain notes receivable (the "**Discounted Notes**") with carrying amounts in aggregate of RMB53,383,000 (31 December 2019: RMB68,190,000). 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.

As at 30 June 2020, the Group recognised the proceeds received from the discount of the Discounted Notes with an amount of RMB53,383,000 (31 December 2019: RMB68,190,000) (note 13), because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Notes.

12. TRADE AND NOTES PAYABLES

	30 June 2020	31 December 2019
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Trade payables	**251,333**	631,663
Notes payable	**148,250**	254,530
	399,583	886,193

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 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
Within 3 months	**178,999**	606,574
3 to 6 months	**29,618**	17,999
6 to 12 months	**41,634**	3,663
1 to 2 years	**935**	2,804
Over 2 years	**147**	623
	251,333	631,663

As at 30 June 2020, included in the trade and notes payables are trade payables of RMB882,000 (31 December 2019: RMB17,124,000) due to the Group's related parties which were repayable within 120 days, which represents 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.

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 June 2020 (unaudited)			As at 31 December 2019 (audited)		
	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 2021**	**67,046**	1-month LIBOR plus 2.50%	Within 2020	66,050
Bank loans – secured	**3.80%-4.05%**	**Within 2021**	**300,000**	–	–	–
Discounted notes receivable *(note 11)*	**–**	**Within 2021**	**53,383**	–	Within 2020	68,190
Discounted letter of credit	**2.48%-2.53%**	**Within 2021**	**200,000**	–	–	–
			620,429			134,240
Non-current						
Bank loans – secured US$226,000,000 bank loans	**1-month LIBOR plus 3.25%**	**2021-2022**	**1,021,921**	1-month LIBOR plus 2.50%	2021-2022	1,006,002
			1,642,350			1,140,242

	30 June 2020	31 December 2019
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**620,429**	134,240
In the second year	**254,075**	250,367
In the third to fifth years, inclusive	**767,846**	755,635
	1,642,350	1,140,242

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview and Outlook

In early 2020, China's apparel industry suffered a significant blow as a result of the novel coronavirus ("**COVID-19**") pandemic. The Group's business for the first half of 2020, particularly its offline retail channels, was also affected. However, as the Chinese government has put in place a number of policies to support its citizens and businesses, the Group believes that the public's spending power will gradually pick back up and that its performance for the rest of the year will recover. Moreover, benefiting from its multi-brand strategy and its strength in online sales channel to well adapt to the accelerated change of customer shopping behavior from offline to online during and after the COVID-19 pandemic, 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 implementing the following growth strategies:

- Proactively expand new and innovative online sales channels, such as online live streaming channels and WeChat Mini Programs, while continuously enhancing the Group's competitive edge in traditional online channels such as Tmall, Taobao and Vipshop, to better adapt to the accelerated change of customers' shopping behaviour from offline channels to online channels during and after the COVID-19 pandemic;

- Close offline stores that are under-performing or incurring losses to optimize the structure of offline sales channels, and position offline stores as the channel to display brand image, enhance customer experience and attract offline customers to online sales channels to further integrate online channels with offline ones;

- Develop new product portfolio and brand metric through multi-brand strategy in order to further integrate online sales channels with offline sales channels and improve operational efficiency;

- Attract more followers by introducing continuous innovative marketing measures, and enhance members' experience through new retail technology and advantages; and

- Further develop its leading supply chain system, improve its ability to serve its customers, and satisfy customers' needs by providing products and services in high quality.

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 Period, the total sales revenue recorded was RMB1,087.5 million, representing a decrease of 35.5%, or RMB598.6 million, from RMB1,686.1 million for the same period in 2019. Such decrease was primarily because the Group's revenue from offline retail channels suffered a significant decrease as a result of the COVID-19 pandemic in early 2020.

Revenue by brand

	Six months ended 30 June			
	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
GXG	**766,339**	**70.5**	959,383	56.9
gxg jeans	**192,874**	**17.7**	302,228	17.9
gxg.kids	**74,230**	**6.8**	368,006	21.8
Yatlas	**15,603**	**1.4**	33,311	2.0
2XU	**7,949**	**0.7**	6,114	0.4
Others	**30,543**	**2.9**	17,057	1.0
Total revenue	**1,087,538**	**100.0**	1,686,099	100.0

For the Period, sales revenue from main brands, namely GXG, gxg jeans and gxg.kids, declined by 20.1%, or RMB193.0 million, 36.2%, or RMB109.4 million, and 79.8%, or RMB293.8 million, respectively, as compared to that for the same period in 2019. Such decreases were primarily due to (i) a significant decrease in the number of offline stores as a result of the Group's closure of offline stores that were under-performing or incurring losses, and (ii) a relatively higher discount rates provided for the promotion of products among all brands in order to better respond to the significant impact of the COVID-19 pandemic.

Yatlas's revenue for the Period decreased by 53.2%, or RMB17.7 million, as compared to that for the same period in 2019, mainly 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 of the sales of 2XU and other brands increased during the Period.

Revenue by sales channel

	Six months ended 30 June			
	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
Sales of apparel products				
Offline channels				
Self-owned stores	**265,037**	**24.4**	482,249	28.6
Partnership stores	**68,661**	**6.3**	168,994	10.0
Distributor stores	**80,222**	**7.4**	466,995	27.7
Online channels	**661,674**	**60.8**	562,367	33.4
Sales of other products	**3,098**	**0.3**	5,494	0.3
Consignment services	**8,846**	**0.8**	–	–
Total revenue	**1,087,538**	**100.0**	1,686,099	100.0

Due to the closure of offline stores as a result of the significant impact of COVID-19 pandemic and an increase in the Group's subsidies to partnership stores and distributor stores, (i) sales from self-owned stores for the Period decreased by 45.0%, or RMB217.2 million, to RMB265.0 million; (ii) sales from partnership stores for the Period decreased by 59.4%, or RMB100.3 million, to RMB68.7 million; and (iii) sales from distributor stores for the Period decreased by 82.8%, or RMB386.8 million, to RMB80.2 million.

Online channel sales for the Period maintained rapid growth with an increase of 17.7%, or RMB99.3 million, to RMB661.7 million. Due to (i) the accelerated change of customer shopping behavior from offline to online, and (ii) the Group's enhanced promotion efforts through additional online sales channels, including online live streaming channels and WeChat Mini Programs, during the COVID-19 pandemic, online channel sales was ranked first with 60.8% in terms of revenue composition.

The Group recorded revenue from consignment services of RMB8.8 million in the Period. The Group started to provide consignment services to its distributor for gxg.kids in 2020, which were primarily in relation to the sales and promotion of low-margin off-season products held by such distributor through the Group's e-commerce platform.

Number of stores by brand

	30 June 2020		31 December 2019	
	Number of stores	***%***	*Number of stores*	*%*
GXG	**1,014**	**68.7**	1,118	64.4
gxg jeans	**263**	**17.8**	336	19.3
gxg.kids	**174**	**11.8**	249	14.3
Yatlas	**20**	**1.4**	29	1.7
Others	**5**	**0.3**	5	0.3
Total	**1,476**	**100.0**	1,737	100.0

During the Period, the Group closed offline stores that were under-performing or incurring losses in order to better adapt to the changed market environment under the COVID-19 pandemic. As a result, the total number of offline stores decreased to 1,476 as at 30 June 2020 from 1,737 at the end of 2019.

Number of stores by channel

	30 June 2020		31 December 2019	
	Number of stores	***%***	*Number of stores*	*%*
Self-owned stores	**371**	**25.1**	387	22.3
Partnership stores	**264**	**17.9**	345	19.9
Distributor stores	**841**	**57.0**	1,005	57.8
Total	**1,476**	**100.0**	1,737	100.0

Due to the relocation of shopping areas in offline channels, market factors such as the increase in store operating cost, the upgrade and consolidation of its offline channels and the significant impact of COVID-19 pandemic, the Group adjusted its store network during the Period by closing its offline stores that failed to reach designated sales targets, causing a decrease in the number of offline stores from 1,737 as at 31 December 2019 to 1,476 as at 30 June 2020.

Gross profit and gross profit margin

The Group recorded a total gross profit of RMB421.0 million for the Period, representing a decrease of 49.8%, or RMB417.1 million, from RMB838.1 million for the same period in 2019. Gross profit margin decreased from 49.7% for the six months ended 30 June 2019 to 38.7% for the Period.

Gross profit and gross profit margin by brand

	Six months ended 30 June			
	2020		2019	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
	RMB'000	***%***	*RMB'000*	*%*
GXG	**304,245**	**39.7**	511,106	53.3
gxg jeans	**69,474**	**36.0**	147,388	48.8
gxg.kids	**33,892**	**45.7**	153,953	41.8
Yatlas	**2,731**	**17.5**	15,560	46.7
2XU	**3,523**	**44.3**	3,152	51.6
Others	**7,154**	**23.4**	6,947	40.7
Total gross profit	**421,019**	**38.7**	838,106	49.7

During the Period, in response to the significant impact of COVID-19 pandemic, the Group provided higher discount rates to promote products among all brands and higher subsidies to its distributors and partners, which caused a decline in the gross profit margin of most of its brands. Although the Group also provided subsidies to its distributor for gxg.kids during the Period, the gross profit margin of gxg.kids still increased to 45.7% from 41.8% for the same period in 2019. It was because in the six months ended 30 June 2019, the gross profit of gxg.kids was primarily a result of a one-time buyout from an offline national distributor, which entailed a relatively lower gross profit margin. As no such one-time buyout transactions were facilitated in the Period, the gross profit margin of gxg.kids returned to a normal level.

Gross profit and gross profit margin by sales channel

	Six months ended 30 June			
	2020		2019	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
	RMB'000	***%***	*RMB'000*	*%*
Sales of apparel products				
Offline channels				
Self-owned stores	**176,652**	**66.7**	314,877	65.3
Partnership stores	**18,323**	**26.7**	73,708	43.6
Distributor stores	**7,297**	**9.1**	197,186	42.2
Online channels	**216,470**	**32.7**	251,885	44.8
Sales of other products	**919**	**29.7**	450	8.2
Consignment services	**1,358**	**15.4**	–	–
Total gross profit	**421,019**	**38.7**	838,106	49.7

Gross profit of self-owned stores for the Period decreased by RMB138.2 million as compared to the same period in 2019, with gross profit margin remaining relatively stable at 66.7% for the Period as compared to 65.3% during the same period in 2019. The gross profit of partnership stores for the Period decreased by RMB55.4 million with gross profit margin decreased by 16.9 percentage points as compared to the same period in 2019. The gross profit of the distributor stores for the Period decreased by RMB189.9 million with gross profit margin decreased by 33.1 percentage points. The decreases in gross profit and gross profit margin of partnership stores and distributor stores during the Period were mainly due to the higher subsidies the Group provided to such stores in response to the significant impact of COVID-19 pandemic on the Group's offline retail channels.

Gross profit of online channels for the Period decreased by RMB35.4 million with gross profit margin decreased by 12.1 percentage points. This was due to the Group's active participation in promotional activities, which included the offering of higher discount rates on e-commerce platforms in order to maintain its influence on those platforms.

Gross profit of consignment services for the Period was RMB1.4 million with gross profit margin of 15.4%. The Group started to provide consignment services to its distributor for gxg.kids in 2020, which were primarily in relation to the sales and promotion of low-margin off-season products held by such distributor through the Group's e-commerce platform.

Other income and gains

Other income and gains for the Period were RMB10.1 million, representing a decrease of 39.5%, or RMB6.6 million, as compared to RMB16.7 million for the same period in 2019, mainly due to the decreases in government subsidies.

Selling and distribution expenses

Total selling and distribution expenses for the Period decreased by 24.3%, or RMB131.9 million, to RMB410.1 million as compared to RMB542.0 million for the same period in 2019. Selling and distribution expenses as a percentage of the Group's total revenue increased to 37.7% from 32.1% for the same period in 2019, mainly because the decrease in total revenue outpaced the decrease in selling and distribution expenses during the Period.

Administrative expenses

Total administrative expenses for the Period increased by 9.9%, or RMB11.6 million, to RMB128.6 million as compared to RMB117.0 million for the same period in 2019. Total administrative expenses as a percentage of the Group's total revenue increased to 11.8% from 6.9% for the same period in 2019. The increase in administrative expenses was mainly due to an increase in impairment of trade receivables and expenses resulted from other professional services.

Other expenses

The Group's other expenses for the Period increased by 248.6%, or RMB9.2 million, to RMB12.9 million as compared to RMB3.7 million for the same period in 2019, mainly due to an increase in the expenses for the disposal of property, plant and equipment and sales of raw materials.

Finance costs

Finance costs for the Period decreased by 34.5%, or RMB15.8 million, to RMB30.0 million as compared to RMB45.8 million for the same period in 2019. The decrease was mainly due to a decrease in interest on bank loans.

Loss before tax

The Group's loss before tax for the Period was RMB150.5 million, representing a decrease of RMB296.8 million, from a profit before tax of RMB146.3 million for the same period in 2019. The decrease was mainly due to the decrease in gross profit.

Income tax credit

Income tax credit for the Period was RMB17.9 million, representing a decrease of RMB76.0 million, as compared to the income tax expense of RMB58.1 million for the same period in 2019.

Loss for the period

As a result of the foregoing factors, loss for the Period was RMB132.5 million, representing a decrease of RMB220.7 million, as compared to a profit of RMB88.2 million for the same period in 2019.

Operating cash flows

Net operating cash outflow for the Period was RMB244.0 million, primarily due to (i) a decrease in trade and notes payables of RMB486.6 million, and (ii) a decrease in refund liabilities of RMB92.9 million. Such negative adjustments were partially offset by (i) a decrease in inventories of RMB280.4 million, and (ii) a decrease in trade and notes receivables of RMB180.5 million. The Group's net operating cash outflow for the Period decreased by RMB118.3 million as compared to a net operating cash outflow of RMB362.3 million for the same period in 2019, mainly due to its enhanced efforts in (i) promotion and sales of inventories, and (ii) payment collection with respect to trade receivables from customers.

Capital expenditures

The Group's capital expenditures include payments for logistic base construction, property, plant and equipment, intangible assets and the renovation of offices and self-owned stores. During the Period, the Group's capital expenditures amounted to RMB51.9 million, representing a decrease of 35.8%, or RMB29.0 million, from RMB80.9 million for the same period in 2019. The decrease was due to the higher expenses made for the renovation of the Group's headquarters office building in the first half of 2019.

Financial position

The Group generally funds its operations with bank borrowings. As at 30 June 2020, the Group had bank borrowings of RMB1,642.4 million. Bank borrowings were denominated in RMB and U.S. dollars as at 31 December 2019 and 30 June 2020. As at 30 June 2020, bank borrowings of RMB553.4 million were fixed-rate borrowings (31 December 2019: RMB68.2 million). For details, see note 13 of the "Notes to Interim Condensed Consolidated Financial Information".

The Group's cash and cash equivalents and pledged short-term deposits totalled RMB979.9 million as at 30 June 2020, representing an increase of 15.2%, or RMB129.5 million, from RMB850.4 million at the end of 2019. Cash and cash equivalents as at 30 June 2020 were RMB924.4 million, among which 78.7% was denominated in RMB, 21.1% in U.S. dollars, 0.1% in Hong Kong dollars, and 0.1% in MOP. Pledged short-term deposits as at 30 June 2020 were RMB55.6 million, all of which were denominated in RMB.

Gearing ratio

The Group's gearing ratio is calculated by dividing the Group's total borrowings by the Group's total assets. As at 30 June 2020, the Group's gearing ratio was 47.0% (29.2% as at 31 December 2019).

Significant investments held

For the Period, the Group did not hold any significant investments.

Funding and treasury policy

The Group adopts a stable approach on its finance and treasury policy, aiming to maintain an optimal financial position, the most economic finance costs, and minimal financial risks. The Group regularly reviews its funding requirements to maintain adequate financial resources in order to support its current business operations as well as its future investments and expansion plans.

Material investments, acquisitions and future plans for major investment

During the Period, the Group did not conduct any material investments, acquisitions or disposals. In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the prospectus of the Company dated 15 May 2019 (the "**Prospectus**"), the Group has no specific plan for major investment or acquisition of major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

Exposure to fluctuations in exchange rates

The Group operates mainly in China with most of its transactions settled in Renminbi. However, the Group is exposed to foreign exchange risk arising mainly from debt denominated in the U.S. dollars.

Pledge of assets

As at 30 June 2020, the Group's 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 2020, the Group had no significant contingent liabilities.

Events after the Period

i. The Group's business performance during the Period was affected by the outbreak of COVID-19 in early 2020. The Group has been closely monitoring the development and the impact of COVID-19 since then and taken appropriate responses in a timely manner so as to mitigate the impact on the Group's business. The Group's sales have gradually started to recover as the situation in China gradually improves. Up to the date of this announcement, the Group was still in the process of assessing the impact of the COVID-19 pandemic on the Group's performance for the second half of 2020 and was unable to estimate the quantitative impacts to the Group.

ii. On 2 July 2020, one of the Company's subsidiaries, Ningbo Chisage Mulsanne Holding Co., Ltd., as tenant, entered into a lease agreement (the "**Lease Agreement**") with Ningbo Wenmo Garment Co., Ltd., a company controlled by a Director, as landlord, in relation to the lease of certain premises located at the west of Haiying Road, Binhai Industrial Park, Xiangshan, Ningbo, PRC, with gross floor area of approximately 57,000 square metres (the "**Premises**"). The Lease Agreement shall be for a term of ten years commencing from 1 November 2020 and expiring on 31 October 2030. Based on the preliminary assessment by the management of the Company according to the available information, the Premises will be recognised as a right-of-use asset of approximately RMB62,790,000.

iii. The Company entered into a joint venture agreement (the "**JV Agreement**") with Million Success Resources Limited ("**Million Success**") with effect from 2 December 2019 to establish a joint venture company in the PRC. On 30 July 2020, the Company received a letter (the "**Letter**") from the PRC legal advisers to Million Success asserting, among other things, termination of the JV Agreement, breach of the JV Agreement by the Company and a claim for liquidated damages of RMB50,000,000. The Company does not accept any allegations made in the Letter, and intends to rigorously defend its rights under the JV Agreement and any proceedings that may be brought by Million Success. For details, please refer to the announcements of the Company dated 31 July 2020 and 14 August 2020.

Human resources

As at 30 June 2020, the number of employees of the Group was 797 as compared to 811 as at 31 December 2019. In order to attract, retain and develop the knowledge, skills and quality of employees, the Group places a strong emphasis on training and development. The Group provides training periodically across operational functions, including introductory training for new employees, technical training, professional and management training, team-building and communications training. The Group also offers competitive remuneration packages which include salaries, bonuses and other benefits. In general, the Group determines employee salaries based on each employee's qualifications, experience, position and seniority. The total cost of staff, including basic salary and wages, social insurance and bonus, for the Period was RMB50.9 million as compared to RMB56.8 million in the same period in 2019. The total cost of staff for the Period represents 4.7% of the Group's revenue as compared to 3.4% in the same period in 2019. The increase was mainly because the Group's cost of staff decreased slightly during the Period while the revenue suffered a significant decrease.

USE OF PROCEEDS FROM THE LISTING

The Company was listed on the Main Board of the Stock Exchange on 27 May 2019, 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 2020, the proceeds amounting to a total of RMB353.2 million (equivalent to approximately HK$417.7 million) have been used. These proceeds have been used for the purposes as stated in the Prospectus and the announcement of the Company dated 22 May 2019 (the "**Price Reduction Announcement**") as follows:

Item	**Approximate percentage of total amount**	**Planned use of proceeds** *(RMB million)*	**Actual amount used as at 30 June 2020** *(RMB million)*	**Unutilized amount as at 30 June 2020** *(RMB million)*
To repay the Group's existing indebtedness and reduce the Group's financial expenses	45%	317	317	–
To expand the Group's brand and product portfolio by pursuing brand acquisitions or strategic alliances	15%	106	8	98
To upgrade the Group's offline retail stores to smart stores	10%	70	2	68
To purchase land and establish the Group's self-owned advanced smart logistics centre	20%	141	1	140
To provide funding for working capital and other general corporate purposes	10%	71	25	46
Total	100%	705	353	352

As at 30 June 2020, the remaining proceeds of approximately RMB351.7 million (equivalent to approximately HK$385.0 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 24 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 of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance. During the six months ended 30 June 2020, 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 he has complied with the required standards set out in the Model Code throughout the six months ended 30 June 2020 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 six months ended 30 June 2020.

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 2020 of the Group.

PUBLICATION OF THE INTERIM RESULTS AND 2020 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 2020 interim report of the Company for the six months ended 30 June 2020 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,
28 August 2020

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. Chintamani Aniruddha BHAGAT as non-executive Directors; and Mr. GU Jiong, Mr. YUAN Tao and Mr. Paolo BODO as independent non-executive Directors.