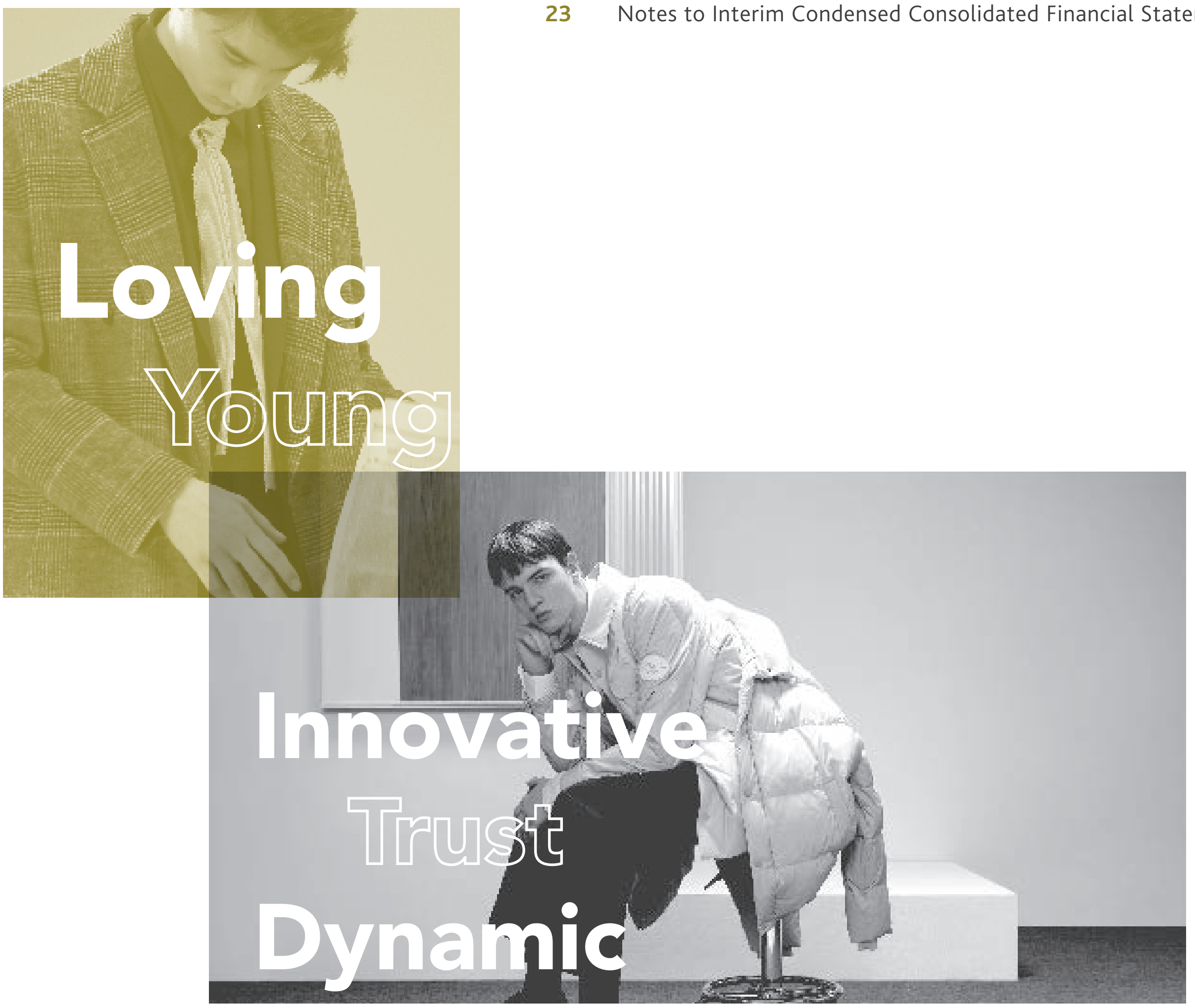
GXG

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

2019 INTERIM REPORT

Contents



Corporate Introduction

We are a leading fashion menswear company based in China, which also covers sportswear market and other fashion segments. According to China Insights Consultancy ("**CIC**"), we accounted for approximately 3.3% of the fashion menswear market share and were ranked second in China in 2018 in terms of total retail revenue. Furthermore, the online market has become a new major battlefield for fashion menswear companies in China. We were ranked first in China in 2018 in terms of total online retail revenue according to CIC.

With our experience in the fashion industry, multi-brand development and execution capabilities, we have expanded our brands to capture future market opportunities. Our founders first launched our flagship GXG branded products in 2007, and we catered to different menswear styles by introducing gxg jeans in 2010 and brought our GXG series design philosophy into kidswear market by launching gxg.kids in 2012. With a view to expanding into the fast-growing sportswear and performance gear industry, we introduced Yatlas in 2014 to offer athleisure apparel and 2XU in 2017 to offer performance sportswear. Each of our brands has a uniquely defined design identity and encompasses a range of products, offered in a variety of fits, fabrics, finishes, styles and price points intended to appeal a broad spectrum of customers.

We adopt an integrated omni-channel business model that capitalises on online and offline strengths, delivers a seamless and consistent customer experience, and increases efficiency in terms of inventory management, supply chain management, product selection and logistics. With our deep understanding of customers, we have adopted a customer-centred model to offer our customers a one-stop shopping experience. For both our online and offline channels, we provide a similar product range and unified pricing, shared inventories, as well as flexible and efficient logistics support. Moreover, by analysing the big data generated from both online channels and offline retail stores through our product lifecycle management system, we can capture the precise level of demand and quickly react to the latest market trends by adjusting our production and inventory plan, which is highly helpful for our inventory control and supply chain management. According to CIC, new retail has become a major trend of the apparel industry in China in recent years, and our Group is a leader in new retail integration among the major fashion apparel brands in China which have adopted the new retail business model with innovative initiatives.

Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. YU Yong *(Chief Executive Officer)*

Non-Executive Directors

Mr. HUANG Hanji *(Chairman)*
Mr. YANG Herong
Mr. LIN Lin
Mr. ONG Yew Thiong, Gilbert (1)
Mr. WANG Jun (2)
Mr. Ravinder Singh THAKRAN

Independent Non-Executive Directors

Mr. GU Jiong
Mr. YUAN Tao
Mr. Paolo BODO

AUDIT COMMITTEE

Mr. GU Jiong *(Chairman)*
Mr. YUAN Tao
Mr. Paolo BODO

REMUNERATION COMMITTEE

Mr. GU Jiong *(Chairman)*
Mr. YUAN Tao
Mr. Paolo BODO
Mr. YANG Herong
Mr. LIN Lin

NOMINATION COMMITTEE

Mr. HUANG Hanji *(Chairman)*
Mr. GU Jiong
Mr. YUAN Tao

JOINT COMPANY SECRETARIES

Mr. DING Dade
Ms. NG Sau Mei *(ACIS, ACS)*

AUTHORISED REPRESENTATIVES

Mr. YU Yong
Ms. NG Sau Mei

AUDITOR

Ernst & Young

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS

No. 111, Shanshan Road
Wangchun Industrial Park
Haishu District
Ningbo, Zhejiang Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F., Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

THE CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKS

China Construction Bank Corporation
Industrial and Commercial Bank of China Limited

STOCK CODE

1817

COMPANY'S WEBSITE

www.gxggroup.cn

LISTING DATE

27 May 2019

Notes:

(1) Mr. ONG Yew Thiong, Gilbert resigned as a non-executive Director on 27 August 2019.

(2) Mr. WANG Jun was appointed as a non-executive Director on 27 August 2019.

Management Discussion and Analysis

Business Overview and Outlook

As the growth of China's economy and consumption decelerates and the number of commercial entities and innovative 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 implementing the following growth strategies:

- 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 operational efficiency;
- Seek collaboration opportunities with popular apparel brands in order to launch more attractive jointly-developed products;
- 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.

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 "**Period**"), 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 Group 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
gxg jeans	**302,228**	**17.9**	326,799	21.4
gxg.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

For the Period, sales revenue from main brands, namely GXG and gxg jeans, declined slightly by 1.4%, or RMB13.6 million, and 7.5%, or RMB24.6 million, respectively, as compared to that for the same period in 2018. The major reasons include (i) the earlier occurrence of the Chinese New Year in 2019 on 5 February compared to 16 February in 2018, as the Group typically records lower sales figures 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 the Group believes may have negatively impacted its offline sales in this region, one of the Group's major regional markets. Sales revenue from gxg.kids for the Period increased by 120.2%, or RMB200.9 million, as compared to the same period in 2018, mainly due to an one-time buyout from an offline national distributor. Accordingly, for 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% year-over-year and (ii) gxg jeans brand from 21.4% to 17.9% year-over-year, and an increase in the sales proportion of gxg.kids brand from 11.0% to 21.8% year-over-year.

Among the Group's sportswear brands, Yatlas's revenue for the Period decreased by 13.7%, or RMB5.3 million, as compared to that for the same period in 2018, 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			
	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

In May 2019, the Group transferred all offline channels of kidswear to a distributor, aiming to take advantage of the distributor's local experience and knowledge to increase the Group's share in the kidswear market in China. As a result of the conversion in kidswear from self-owned stores and partnership stores to distributor stores, sales from self-owned stores for the Period decreased by 13.4%, or RMB74.5 million, to RMB482.2 million, and sales from partnership stores for the Period decreased by 4.2%, or RMB7.5 million, to RMB169.0 million, while sales from distributor stores increased by 58.0% for the Period, or RMB171.4 million, to RMB467.0 million.

Online channel sales for the Period 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 with 33.4%, followed by self-owned stores with 28.6% and distributor stores with 27.7%.

Management Discussion and Analysis

Number of stores by brand

	30 June 2019 Number of stores	%	31 December 2018 Number of stores	%
GXG series				
GXG	**1,192**	**55.7**	1,216	54.0
gxg jeans	**463**	**21.6**	505	22.4
gxg.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 during the Period by closing its offline stores that 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 Number of stores	%	31 December 2018 Number 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 distributor's local experience and knowledge to increase the Group's share in the kidswear market in China.

Gross Profit and Gross Profit Margin

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% for the six months ended 30 June 2018 to 49.7% for the Period.

Gross profit and gross profit margin by brand

	Six months ended 30 June			
	2019		2018	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
	RMB'000	***%***	*RMB'000*	*%*
GXG series				
GXG	**511,106**	**53.3**	567,062	58.3
gxg jeans	**147,388**	**48.8**	169,879	52.0
gxg.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

During the Period, in order to reduce inventory and recoup funds while maintaining the price levels of in-season products, 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	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
	RMB'000	***%***	*RMB'000*	*%*
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 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, which included the offering of 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 in 2018. 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 the sales channel change for kidswear from self-owned stores and partnership stores to distributor stores in May 2019. The large amount of inventory that was transferred as a result of the sales channel change was priced at a lower price as compared to that offered by 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, which included the offering of higher discount rates on e-commerce platforms in order to maintain its influence on those 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 the disposal of an invested subsidiary.

Selling and Distribution Expenses

Total selling and distribution expenses for the Period remained relatively stable at RMB542.0 million as compared to RMB544.4 million for the same period in 2018. Selling 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, mainly due to the decrease in the proportion of sales from self-owned stores.

Administrative Expenses

Total administrative expenses for the Period remained relatively stable at RMB117.0 million as compared to 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 decrease in administrative expenses was mainly due to a change in the Group's employee bonus policy and a decrease in the number of employees.

Other Expenses

The Group's other expenses for the Period amounted to RMB3.7 million, representing an increase of 362.5%, or RMB2.9 million, from RMB0.8 million for the same period in 2018, mainly due to an increase in fair value loss on derivative financial instruments.

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. The income tax expense for the Period consisted of RMB47.1 million in current income tax expense and RMB11.0 million in deferred income tax expense.

Profit for the Period

As a result of the foregoing factors, profit for the Period was RMB88.2 million, representing a decrease of 17.9%, or RMB19.2 million, as compared with RMB107.4 million for the same period in 2018.

Operating Cash Flows

Net operating cash outflow for the Period was RMB362.3 million, representing a decrease of 4.1%, or RMB15.3 million, as compared to RMB377.6 million for the same period in 2018. The outflow was primarily due to (i) a decrease in trade and notes payables of RMB409.1 million and (ii) an increase in prepayments, other receivables and other assets of RMB169.4 million, partially offset by a decrease in inventories of RMB127.1 million.

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 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 made for the renovation of the Group's headquarters office building and the expenses made for the trademark use rights of products that were jointly developed by the Group and certain well-known brands.

Financial Position

The Group generally funds its operations with bank borrowings and the RMB771.1 million raised from listing its shares during the Period. As at 30 June 2019, the Group had bank borrowings of RMB1,305.5 million. Bank borrowings were denominated in RMB and U.S. dollars as at 31 December 2018 and 30 June 2019. As at 30 June 2019, bank borrowings of RMB250,000,000 are fixed-rate borrowings (31 December 2018: RMB107,321,000). For details, see Note 20 of the "Notes to Interim Condensed Consolidated Financial Statements."

The Group's cash and cash equivalents and pledged deposits totalled RMB776.0 million as at 30 June 2019, representing an increase of 12.9%, or RMB88.5 million, from RMB687.5 million at the end of 2018. Cash and cash equivalents as at 30 June 2019 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 as at 30 June 2019 were RMB409.2 million, among which 3.2% was denominated in RMB and 96.8% in Hong Kong dollars.

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 2019, the Groups gearing ratio was 37.7%.

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 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 section headed "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 for 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 RMB. However, the Group is exposed to foreign exchange risk arising mainly from debt denominated in the U.S. dollars. The Group uses derivative financial instruments, including foreign exchange option contracts and interest rate option contracts, to mitigate foreign currency risks.

Pledge of Assets

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

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 and bonus, for the Period was RMB56.8 million as compared to RMB99.8 million during the same period in 2018. The total cost of staff for the Period represents 3.4% of the Group's revenue as compared to 6.5% during the same period in 2018. The significant decrease was mainly because (i) the Group adjusted its store employment method and outsourced more employees and (ii) the Group adjusted the employee bonus policy for certain employees.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") were as follows:

Name of Director	Company/ Name of Group company	Nature of interest	Number of shares	Approximate percentage of shareholding(3)
Mr. YU Yong(2)	Company	Interest in controlled corporation	213,750,000 (L)	22.50%
Mr. YANG Herong(2)	Company	Interest in controlled corporation	213,750,000 (L)	22.50%

Notes:

(1) The letter "L" denotes the person's long position in such shares.

(2) Each of Mr. YU Yong and Mr. YANG Herong is entitled to exercise or control the exercise of one-third of the voting power at general meetings of Madison International Limited (which holds the entire equity interest in GXG Trading Limited), and is therefore deemed to be interested in the shares of the Company in which GXG Trading Limited is interested.

(3) As at 30 June 2019, the Company had 950,000,000 ordinary shares in issue.

Save as disclosed above, as at 30 June 2019, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, the following persons (other than the Directors or the chief executive of the Company) have interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO or which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Nature of interest	Number of shares	Approximate percentage of interest(4)
Great World Glory Pte. Ltd.(2)	Beneficial owner	363,579,785 (L)	38.27%
L Capital Asia 2 Pte. Ltd.(2)	Interest in controlled corporation	363,579,785 (L)	38.27%
L Capital Asia 2 Sing LP(2)	Interest in controlled corporation	363,579,785 (L)	38.27%
L Capital Asia 2 LP(2)	Interest in controlled corporation	363,579,785 (L)	38.27%
L Capital Asia 2 Sing GP Pte. Ltd.(2)	Interest in controlled corporation	363,579,785 (L)	38.27%
L Capital Asia 2 GP(2)	Interest in controlled corporation	363,579,785 (L)	38.27%
L Catterton Asia Advisors(2)	Interest in controlled corporation	363,579,785 (L)	38.27%
L Catterton Asia Holdings Limited(2)	Interest in controlled corporation	363,579,785 (L)	38.27%
L Catterton Management Limited(2)	Interest in controlled corporation	363,579,785 (L)	38.27%
Catterton Holdings, LLC(2)	Interest in controlled corporation	363,579,785 (L)	38.27%
L Catterton, L.P.(2)	Interest in controlled corporation	363,579,785 (L)	38.27%
L Catterton GP, LLC(2)	Interest in controlled corporation	363,579,785 (L)	38.27%
Mr. J. Michael Chu(2)	Interest in controlled corporation	363,579,785 (L)	38.27%
Mr. Scott A. Dahnke(2)	Interest in controlled corporation	363,579,785 (L)	38.27%
Crescent Glory Singapore Pte. Ltd.(3)	Beneficial owner	134,474,715 (L)	14.15%
Crescent Capital Investments Ltd.(3)	Interest in controlled corporation	134,474,715 (L)	14.15%
Crescent GP Ltd.(3)	Interest in controlled corporation	134,474,715 (L)	14.15%
Mr. David McKee Hand(3)	Interest in controlled corporation	134,474,715 (L)	14.15%
GXG Trading Limited	Beneficial owner	213,750,000 (L)	22.50%
Madison International Limited	Interest in controlled corporation	213,750,000 (L)	22.50%

Notes:

(1) The letter "L" denotes the person's long position in such shares.

(2) Each of L Capital Asia 2 Pte. Ltd. (as the controlling shareholder of Great World Glory Pte. Ltd.), L Capital Asia 2 Sing LP and L Capital Asia 2 LP (as the limited partners of L Capital Asia 2 Pte. Ltd.), L Capital Asia 2 Sing GP Pte. Ltd. and L Capital Asia 2 GP (as the general partners of L Capital Asia 2 Sing LP and L Capital Asia 2 LP, respectively), L Catterton Asia Advisors (as the sole shareholder of L Capital Asia 2 Sing GP Pte. Ltd. and L Capital Asia 2 GP), L Catterton Asia Holdings Limited (as the sole shareholder of L Catterton Asia Advisors), L Catterton Management Limited (as the sole shareholder of L Catterton Asia Holdings Limited), Catterton Holdings, LLC (as the controlling shareholder of L Catterton Management Limited), L Catterton, L.P. (as the sole shareholder of Catterton Holdings, LLC), L Catterton GP, LLC (as the general partner of L Catterton, L.P.) and Mr. J. Michael Chu and Mr. Scott A. Dahnke (as managing members of L Catterton GP, LLC) is deemed to be interested in the shares. Mr. J. Michael Chu and Mr. Scott A. Dahnke disclaim beneficial ownership of the shares.

(3) Each of Crescent Capital Investments Ltd. (as the sole voting shareholder of Crescent Glory Singapore Pte. Ltd.), Crescent GP Ltd. (as the controlling shareholder of Crescent Capital Investments Ltd.) and Mr. David McKee Hand (as the controlling shareholder of Crescent GP Ltd.) are deemed to be interested in the shares. Mr. David McKee Hand disclaims beneficial ownership of the shares.

(4) As at 30 June 2019, the Company had 950,000,000 ordinary shares in issue.

Save as disclosed above, as at 30 June 2019, no person (other than the Directors or the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO or which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

RESTRICTED SHARE UNIT SCHEME

On 26 April 2019, the restricted share unit ("**RSU**") scheme of the Company (the "**RSU Scheme**") was approved and adopted by the board of Directors of the Company (the "**Board**"). The purpose of the RSU Scheme is to incentivise executives for their contribution to the Group, to motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

Persons eligible to receive the RSUs under the RSU Scheme are existing or past employees, Directors (whether executive or non-executive, but excluding independent non-executive Directors), consultants or officers of the Company or any of its subsidiaries. The basis of eligibility of any selected person for the grant of RSUs shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group or such other factors as the Board may deem appropriate.

The RSU Scheme is valid and effective for a period of ten years, commencing from 27 May 2019 or until it is terminated pursuant to the RSU Scheme, whichever is earlier. As at 30 June 2019, the remaining life of the RSU Scheme is approximately nine years and ten months.

The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall be such number of shares of the Company held or to be held by the Trustee (as defined below) for the purpose of the RSU Scheme from time to time.

The Board can determine the vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the letter granting such RSUs. Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, the Board shall send a vesting notice (the "**Vesting Notice**") to each of the relevant RSU participants. The Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of shares of the Company (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those shares) involved. The Company has appointed The Core Trust Company Limited as the trustee (the "**Trustee**") to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme.

Further details of the principal terms of the RSU Scheme are set out in the section headed "Statutory and General Information – D. Share Incentive Scheme" in Appendix IV to the Prospectus. During the period from 27 May 2019 (the "**Listing Date**") up to 30 June 2019 (the "**Relevant Period**"), no RSU has been granted or agreed to be granted under the RSU Scheme, nor has any RSU been cancelled.

USE OF PROCEEDS FROM THE LISTING

The Company was listed on the Main Board of the Stock Exchange on the Listing Date and issued 200,000,000 new ordinary shares with nominal value of HK$0.01 each. 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 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 existing indebtedness and reduce financial expenses	317	317	317
To expand brand and product portfolio by pursuing brand acquisitions or strategic alliances	106	–	–
To upgrade offline retail stores to smart stores	70	–	–
To purchase land and establish self-owned advanced smart logistics centre	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 utilised within the next 30 months.

INTERIM DIVIDEND

The Board did not recommend 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 Listing Rules as its own code of corporate governance. During 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 BY DIRECTORS

The Company has adopted 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.

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 an audit committee with written terms of reference. As at the date of this report, the audit committee of the Company 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 and the Board have jointly reviewed the unaudited interim results of the Group for the Period.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

Mr. ONG Yew Thiong, Gilbert resigned as a non-executive Director on 27 August 2019. Mr. WANG Jun was appointed as a non-executive Director on 27 August 2019.

Save as disclosed above, there is no change in the Directors' biographical details which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the publication of the Prospectus.

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		**(847,993)**	(674,455)
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		**(50)**	–
PROFIT BEFORE TAX	*6*	**146,279**	170,145
Income tax expense	*8*	**(58,107)**	(62,773)
PROFIT FOR THE PERIOD		**88,172**	107,372
Attributable to:			
Owners of the parent		**89,670**	110,491
Non-controlling interests		**(1,498)**	(3,119)
		88,172	107,372
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the period	*10*	**RMB0.11 cent**	RMB0.15 cent

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	**88,172**	107,372
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	**(4,892)**	(11,073)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(4,845)**	(7,115)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**83,327**	100,257
Attributable to:		
Owners of the parent	**84,825**	103,376
Non-controlling interests	**(1,498)**	(3,119)
	83,327	100,257

Condensed Consolidated Statement of Financial Position

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

Condensed Consolidated Statement of Financial Position

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the parent									
	Share capital *RMB'000*	Share Premium account *RMB'000*	Merger reserves *RMB'000*	Capital reserves *RMB'000*	Statutory surplus reserves *RMB'000*	Exchange fluctuation reserves *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
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
Capitalisation issue	6,585	(6,585)	–	–	–	–	–	–	–	–
Share issue expenses	–	(28,037)	–	–	–	–	–	(28,037)	–	(28,037)
At 30 June 2019 (Unaudited)	8,343	734,670*	(205,542)*	765,360*	113,879*	(11,796)*	(477,484)*	927,430	(2,779)	924,651

For the six months ended 30 June 2018

	Attributable to owners of the parent									
	Share capital *RMB'000*	Share Premium account *RMB'000*	Merger reserves *RMB'000*	Capital reserves *RMB'000*	Statutory surplus reserves *RMB'000*	Exchange fluctuation reserves *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
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)	–	–	(205,542)	765,317	113,879	36,178	(836,756)	(126,924)	(3,328)	(130,252)

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June

	Notes	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	*6*	**683**	3,629
Write-down of inventories to net realisable value	*6*	**30,683**	32,941
Depreciation of property, plant and equipment	*11*	**62,585**	52,845
Depreciation of right-of-use assets/recognition of prepaid land lease payments	*6*	**65,299**	334
Amortisation of other intangible assets	*12*	**2,588**	1,041
(Gain)/loss on disposal of items of property, plant and equipment, net	*6*	**(74)**	928
Foreign exchange differences, net	*6*	**(844)**	681
Finance costs	*7*	**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	*5*	**–**	(656)
Fair value loss/(gain) on derivative financial instruments – transactions not qualifying as hedges	*6*	**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)
Cash used in operations		**(256,291)**	(173,933)
Income tax paid		**(105,960)**	(203,651)
Net cash flows used in operating activities		**(362,251)**	(377,584)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June

	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
Net cash flows (used in)/from investing activities	**(474,196)**	32,584
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)
Net cash flows from financing activities	**551,259**	122,190
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(285,188)**	(222,810)
Effect of foreign exchange rate changes, net	**(1,539)**	4,797
Cash and cash equivalents at beginning of period	**653,502**	593,910
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**366,775**	375,897
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**366,775**	375,897

Notes to Interim Condensed Consolidated Financial Statements

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) Adoption of IFRS 16 (continued)

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) Adoption of IFRS 16 (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition (continued)

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)**
Increase in total assets	**267,237**
Liabilities	
Increase in lease liabilities	**267,237**
Increase in total liabilities	**267,237**

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	4.75%
Discounted operating lease commitments at 1 January 2019	308,902
Less: Commitments relating to short-term leases	(41,665)
Lease liabilities as at 1 January 2019	267,237

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) Adoption of IFRS 16 (continued)

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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) Adoption of IFRS 16 (continued)

Summary of new accounting policies (Continued)

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			
	Land use rights *RMB'000*	Office rental *RMB'000*	Total *RMB'000*	Lease liabilities *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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(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.

4. OPERATING SEGMENT INFORMATION (continued)

Segment information by sales channels:

	Six months ended 30 June 2019 (Unaudited) Apparel products			
	Offline channels *RMB'000*	Online channels *RMB'000*	Other products *RMB'000*	Total *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**

	Six months ended 30 June 2018 (Unaudited) Apparel products			
	Offline channels *RMB'000*	Online channels *RMB'000*	Other products *RMB'000*	Total *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

4. OPERATING SEGMENT INFORMATION (continued)

Geographic information

(a) Revenue from external customers

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*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	31 December 2018
	(Unaudited)	(Audited)
	RMB'000	*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 **(Unaudited)** ***RMB'000***	2018 (Unaudited) *RMB'000*
Revenue from contracts with customers		
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 **(Unaudited)** ***RMB'000***	2018 (Unaudited) *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*
Other income and gains		
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
	16,719	29,558

6. PROFIT BEFORE TAX

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

		Six months ended 30 June	
	Notes	**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
Employee benefit expenses (excluding directors' and chief executive's remuneration):			
Wages and salaries		**54,935**	95,052
Pension scheme contributions		**3,350**	5,252
		58,285	100,304

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**	–
	45,750	45,281

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 Macau Special Administrative Region, 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 (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	
	2019 (Unaudited) ***RMB'000***	2018 (Unaudited) *RMB'000*
Current tax:		
Charge for the period	**47,088**	71,209
Deferred tax	**11,019**	(8,436)
Total tax charge for the period	**58,107**	62,773

9. DIVIDENDS

The Board did not declare the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 787,777,778 (six months ended 30 June 2018: 750,000,000) in issue during the period, on the assumption that the subdivision of shares and the capitalisation issue had been completed on 1 January 2018.

The calculation of basic earnings per share attributable to ordinary equity holders of the parent is based on the following data:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**89,670**	110,491

	Number of shares Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**787,777,778**	750,000,000

The Group did not have any dilutive potential ordinary shares during the period.

11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2019	31 December 2018
	(Unaudited)	(Audited)
	RMB'000	*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)
Carrying amount at end of period/year	**160,740**	171,525

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
Carrying amount at end of period/year	13,225	10,339

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
	808,418	966,162

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.

14. TRADE AND NOTES RECEIVABLES (continued)

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.

16. CASH AND CASH EQUIVALENTS AND PLEDGED SHORT-TERM DEPOSITS (continued)

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
	373,887	782,980

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
	242,687	533,730

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
	264,610	359,881

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
	12,443	18,514

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

	As at 30 June 2019 (Unaudited)			As at 31 December 2018 (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 2019	–	1-month LIBOR plus 3.25%	Within 2019	183,612
Bank loans – unsecured	4.35%	2019-2020	250,000	–	–	–
Discounted notes receivable *(note 14)*	–	–	–	–	Within 2019	107,321
			250,000			290,933
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
			1,305,471			1,495,560

	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
	1,305,471	1,495,560

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 *(note a)*	1,998	–
Shares repurchased and cancelled on 7 November 2018 *(note b)*	(2,000)	–
New issues on 7 November 2018 *(note b)*	1,560	–
At 31 December 2018 and 1 January 2019	1,560	–
New issues on 26 April 2019 *(note c)*	198,440	2
Capitalisation issue *(note c)*	749,800,000	6,585
New issues on 27 May 2019 *(note d)*	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.

21. SHARE CAPITAL (continued)

Notes: (continued)

(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

23. RELATED PARTY TRANSACTIONS (continued)

(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:

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

23. RELATED PARTY TRANSACTIONS (continued)

(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: (continued)

Notes: (continued)

(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.

23. RELATED PARTY TRANSACTIONS (continued)

(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
	10,155	31,633

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
Total compensation paid to key management personnel	**2,830**	3,890

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**
	12,443	**1,867,636**	**1,880,079**

31 December 2018 (Audited)

	Financial assets at fair value through profit or loss *RMB'000*	Financial assets at fair value through other comprehensive income *RMB'000*	At amortised cost *RMB'000*	Total *RMB'000*
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
	18,514	1,480	1,704,849	1,724,843

24. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

Financial liabilities at amortised cost

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
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**	–
	2,142,176	2,492,724

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.

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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			
	Quoted prices in active markets (Level 1) *RMB'000*	**Significant observable inputs (Level 2)** *RMB'000*	**Significant unobservable inputs (Level 3)** *RMB'000*	**Total** *RMB'000*
Derivative financial instruments	**–**	**12,443**	**–**	**12,443**

As at 31 December 2018 (Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *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.