



KEEP GAP \ GRANT DIFFERENCE

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

KEEP  
GAP  
GRANT  
DIFFERENCE

2020 INTERIM REPORT

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KEEP  
GRANTING  
DIFFERENCE

# Corporate Introduction

We are a leading fashion menswear company based in China, which also covers sportswear market and other fashion segments. With our experience in the fashion industry, multi-brand development strategy 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. Since early 2020, YAtlas has shifted its business focus from athleisure apparel to high-end commuting smart menswear. 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. 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. WANG Jun

Mr. Ravinder Singh THAKRAN <sup>(1)</sup>

Mr. Chintamani Aniruddha BHAGAT <sup>(2)</sup>

### 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 (*FCIS, FCS*)

## 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

## 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](http://www.gxggroup.cn)

## LISTING DATE

27 May 2019

*Notes:*

(1) Mr. Ravinder Singh THAKRAN resigned as a non-executive Director on 22 May 2020.

(2) Mr. Chintamani Aniruddha BHAGAT was appointed as a non-executive Director on 2 July 2020.

# Management Discussion and Analysis

## Business Overview and Outlook

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

- Proactively expand new and innovative online sales channels, such as online live streaming channels and WeChat Mini Programs, while continuously enhancing the Group's competitive edge in traditional online channels such as Tmall, Taobao and Vipshop, to better adapt to the accelerated change of customers' shopping behaviour from offline channels to online channels during and after the COVID-19 pandemic;
- Close offline stores that are under-performing or incurring losses to optimize the structure of offline sales channels, and position offline stores as the channel to display brand image, enhance customer experience and attract offline customers to online sales channels to further integrate online channels with offline ones;
- Develop new product portfolio and brand metric through multi-brand strategy in order to further improve operational efficiency;
- Attract more followers by introducing continuous innovative marketing measures, and enhance members' experience through new retail technology and advantages; and
- Further develop its leading supply chain system, improve its ability to serve its customers, and satisfy customers' needs by providing products and services in high quality.

## Revenue

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

For the six months ended 30 June 2020 (the "**Period**"), the total sales revenue recorded was RMB1,087.5 million, representing a decrease of 35.5%, or RMB598.6 million, from RMB1,686.1 million for the same period in 2019. Such decrease was primarily because the Group's revenue from offline retail channels suffered a significant decrease as a result of the COVID-19 pandemic in early 2020.

# Management Discussion and Analysis

## Revenue by brand

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

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

Yatlas's revenue for the Period decreased by 53.2%, or RMB17.7 million, as compared to that for the same period in 2019, mainly due to the Group's adjustment of brand positioning by reducing the number of stores to enhance store efficiency. Due to an increase in e-commerce sales, all of the sales of 2XU and other brands increased during the Period.

## Revenue by sales channel

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

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

## Management Discussion and Analysis

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

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

### Number of stores by brand

	30 June 2020		31 December 2019	
	<i>Number of stores</i>	<i>%</i>	<i>Number of stores</i>	<i>%</i>
GXX	1,014	68.7	1,118	64.4
gxx jeans	263	17.8	336	19.3
gxx.kids	174	11.8	249	14.3
Yatlas	20	1.4	29	1.7
Others	5	0.3	5	0.3
<b>Total</b>	<b>1,476</b>	<b>100.0</b>	<b>1,737</b>	<b>100.0</b>

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

### Number of stores by channel

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

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

### Gross profit and gross profit margin

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

# Management Discussion and Analysis

## Gross profit and gross profit margin by brand

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

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

## Gross profit and gross profit margin by sales channel

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



## Management Discussion and Analysis

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

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

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

### Other income and gains

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

### Selling and distribution expenses

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

### Administrative expenses

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

### Other expenses

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

### Finance costs

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

## Loss before tax

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

## Income tax credit

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

## Loss for the period

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

## Operating cash flows

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

## Capital expenditures

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

## Financial position

The Group generally funds its operations with bank borrowings. As at 30 June 2020, the Group had bank borrowings of RMB1,642.4 million. Bank borrowings were denominated in RMB and U.S. dollars as at 31 December 2019 and 30 June 2020. As at 30 June 2020, bank borrowings of RMB553.4 million were fixed-rate borrowings (31 December 2019: RMB68.2 million). For details, see note 19 of the "Notes to Interim Condensed Consolidated Financial Information".

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

# Management Discussion and Analysis

## Gearing ratio

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

## Significant investments held

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

## Funding and treasury policy

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

## Material investments, acquisitions and future plans for major investment

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

## Exposure to fluctuations in exchange rates

The Group operates mainly in China with most of its transactions settled in Renminbi. However, the Group is exposed to foreign exchange risk arising mainly from debt denominated in the U.S. dollars. During the Period, the Group did not use any financial instrument for hedging purpose.

## Pledge of assets

As at 30 June 2020, the Group's US\$226 million bank loans are secured by:

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

## Contingent liabilities

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

## Events after the Period

- i. The Group's business performance during the Period was affected by the outbreak of COVID-19 in early 2020. The Group has been closely monitoring the development and the impact of COVID-19 since then and taken appropriate responses in a timely manner so as to mitigate the impact on the Group's business. The Group's sales have gradually started to recover as the situation in China gradually improves. Up to the date of this report, the Group was still in the process of assessing the impact of the COVID-19 pandemic on the Group's performance for the second half of 2020 and was unable to estimate the quantitative impacts to the Group.
- ii. On 2 July 2020, one of the Company's subsidiaries, Ningbo Chisage Mulsanne Holding Co., Ltd., as tenant, entered into a lease agreement (the "**Lease Agreement**") with Ningbo Wenmo Garment Co., Ltd., a company controlled by a director of the Company (the "**Director**"), as landlord, in relation to the lease of certain premises located at the west of Haiying Road, Binhai Industrial Park, Xiangshan, Ningbo, PRC, with gross floor area of approximately 57,000 square metres (the "**Premises**"). The Lease Agreement shall be for a term of ten years commencing from 1 November 2020 and expiring on 31 October 2030. Based on the preliminary assessment by the management of the Company according to the available information, the Premises will be recognised as a right-of-use asset of approximately RMB62,790,000.
- iii. The Company entered into a joint venture agreement (the "**JV Agreement**") with Million Success Resources Limited ("**Million Success**") with effect from 2 December 2019 to establish a joint venture company in the PRC. On 30 July 2020, the Company received a letter (the "**Letter**") from the PRC legal advisers to Million Success asserting, among other things, termination of the JV Agreement, breach of the JV Agreement by the Company and a claim for liquidated damages of RMB50,000,000. The Company does not accept any allegations made in the Letter, and intends to rigorously defend its rights under the JV Agreement and any proceedings that may be brought by Million Success. For details, please refer to the announcements of the Company dated 31 July 2020 and 14 August 2020.

## Human resources

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

# Other Information

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

As at 30 June 2020, 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 <sup>(3)</sup>
Mr. YU Yong <sup>(2)</sup>	Company	Interest in controlled corporation	213,750,000 (L)	22.50%
Mr. YANG Herong <sup>(2)</sup>	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 of the Company.
- (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 2020, the Company had 950,000,000 ordinary shares in issue.

Save as disclosed above, as at 30 June 2020, 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 2020, 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 <sup>(4)</sup>
Great World Glory Pte. Ltd. <sup>(2)</sup>	Beneficial owner	363,579,785 (L)	38.27%
L Capital Asia 2 Pte. Ltd. <sup>(2)</sup>	Interest in controlled corporation	363,579,785 (L)	38.27%
L Capital Asia 2 Sing LP <sup>(2)</sup>	Interest in controlled corporation	363,579,785 (L)	38.27%
L Capital Asia 2 LP <sup>(2)</sup>	Interest in controlled corporation	363,579,785 (L)	38.27%
L Capital Asia 2 Sing GP Pte. Ltd. <sup>(2)</sup>	Interest in controlled corporation	363,579,785 (L)	38.27%
L Capital Asia 2 GP <sup>(2)</sup>	Interest in controlled corporation	363,579,785 (L)	38.27%
L Catterton Asia Advisors <sup>(2)</sup>	Interest in controlled corporation	363,579,785 (L)	38.27%
L Catterton Asia Holdings Limited <sup>(2)</sup>	Interest in controlled corporation	363,579,785 (L)	38.27%
L Catterton Management Limited <sup>(2)</sup>	Interest in controlled corporation	363,579,785 (L)	38.27%
Catterton Holdings, LLC <sup>(2)</sup>	Interest in controlled corporation	363,579,785 (L)	38.27%
L Catterton, L.P. <sup>(2)</sup>	Interest in controlled corporation	363,579,785 (L)	38.27%
L Catterton GP, LLC <sup>(2)</sup>	Interest in controlled corporation	363,579,785 (L)	38.27%
Mr. J. Michael Chu <sup>(2)</sup>	Interest in controlled corporation	363,579,785 (L)	38.27%
Mr. Scott A. Dahnke <sup>(2)</sup>	Interest in controlled corporation	363,579,785 (L)	38.27%
Crescent Glory Singapore Pte. Ltd. <sup>(3)</sup>	Beneficial owner	134,474,715 (L)	14.15%
Crescent Capital Investments Ltd. <sup>(3)</sup>	Interest in controlled corporation	134,474,715 (L)	14.15%
Crescent GP Ltd. <sup>(3)</sup>	Interest in controlled corporation	134,474,715 (L)	14.15%
Mr. David McKee Hand <sup>(3)</sup>	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%

## Other Information

### Notes:

- (1) The letter "L" denotes the person's long position in such shares of the Company.
- (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 2020, the Company had 950,000,000 ordinary shares in issue.

Save as disclosed above, as at 30 June 2020, 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 (the "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 2020, the remaining life of the RSU Scheme is approximately eight 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 Company may (i) allot and issue shares of the Company to the Trustee to be held by the Trustee and which will be used to satisfy the RSUs upon exercise and/or (ii) direct and procure the Trustee to receive existing shares of the Company from any Shareholder or purchase existing shares of the Company (either on-market or off-market) to satisfy the RSUs upon exercise.

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 six months ended 30 June 2020, 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 27 May 2019 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 2020, the proceeds amounting to a total of RMB353.2 million (equivalent to approximately HK\$417.7 million) have been used. These proceeds have been used for the purposes as stated in the Prospectus and the announcement of the Company dated 22 May 2019 (the “**Price Reduction Announcement**”) as follows:

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

As at 30 June 2020, the remaining proceeds of approximately RMB351.7 million (equivalent to approximately HK\$385.0 million) will continue to be used in accordance with the purposes as set out in the Prospectus and the Price Reduction Announcement and are expected to be fully utilised within the next 24 months.

### INTERIM DIVIDEND

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



## Other Information

### 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 six months ended 30 June 2020, the Company has complied with all applicable code provisions under the Corporate Governance Code. The Company will continue to review and monitor the corporate governance practices to ensure the compliance with the Corporate Governance Code.

### MODEL CODE FOR SECURITIES TRANSACTIONS 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 he has complied with the required standards set out in the Model Code throughout the six months ended 30 June 2020 and up to the date of this report.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2020.

### AUDIT COMMITTEE

The Company has established 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 has jointly reviewed with the Board the unaudited interim results for the six months ended 30 June 2020 of the Group.

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

Mr. Ravinder Singh THAKRAN resigned as a non-executive Director on 22 May 2020. Mr. Chintamani Aniruddha BHAGAT was appointed as a non-executive Director on 2 July 2020.

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 Company’s 2019 annual report.

# Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June

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

# Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June

	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>(LOSS)/PROFIT FOR THE PERIOD</b>	<b>(132,548)</b>	88,172
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(1,912)	47
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements into presentation currency	(9,956)	(4,892)
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<b>(11,868)</b>	(4,845)
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>	<b>(144,416)</b>	83,327
Attributable to:		
Owners of the parent	(144,746)	84,825
Non-controlling interests	330	(1,498)
	<b>(144,416)</b>	83,327

# Interim Condensed Consolidated Statement of Financial Position

30 June 2020

	<i>Notes</i>	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	145,403	146,981
Right-of-use assets		204,781	273,642
Other intangible assets	12	12,414	10,758
Investments in associates		8,000	–
Deferred tax assets		138,492	119,823
Total non-current assets		<b>509,090</b>	551,204
<b>CURRENT ASSETS</b>			
Inventories	13	795,889	1,070,922
Right of return assets		22,890	63,791
Trade and notes receivables	14	806,646	1,032,574
Prepayments, other receivables and other assets	15	381,222	330,813
Due from a related party	21(b)(i)	233	230
Pledged short-term deposits	16	55,550	29,566
Cash and cash equivalents	16	924,391	820,788
Total current assets		<b>2,986,821</b>	3,348,684
<b>CURRENT LIABILITIES</b>			
Trade and notes payables	17	399,583	886,193
Other payables and accruals	18	194,590	249,359
Refund liabilities		90,326	183,212
Contract liabilities		57,744	57,133
Interest-bearing bank and other borrowings	19	620,429	134,240
Lease liabilities		95,549	131,127
Tax payable		41,354	109,414
Due to a related party	21(b)(ii)	128	126
Total current liabilities		<b>1,499,703</b>	1,750,804
<b>NET CURRENT ASSETS</b>		<b>1,487,118</b>	1,597,880
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,996,208</b>	2,149,084

# Interim Condensed Consolidated Statement of Financial Position

30 June 2020

	<i>Note</i>	<b>30 June 2020 (Unaudited) RMB'000</b>	31 December 2019 (Audited) RMB'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,996,208</b>	2,149,084
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	19	1,021,921	1,006,002
Lease liabilities		80,465	101,940
Deferred tax liabilities		1,813	4,717
Total non-current liabilities		<b>1,104,199</b>	1,112,659
Net assets		<b>892,009</b>	1,036,425
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		8,343	8,343
Reserves		885,109	1,029,855
		<b>893,452</b>	1,038,198
Non-controlling interests		<b>(1,443)</b>	(1,773)
Total equity		<b>892,009</b>	1,036,425

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the parent							Total	Non-controlling interests	Total equity
	Share capital	Share premium account	Merger reserve	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Accumulated losses			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020 (audited)	8,343	734,670	(205,542)	762,473	135,504	(18,018)	(379,232)	1,038,198	(1,773)	1,036,425
Loss for the period	-	-	-	-	-	-	(132,878)	(132,878)	330	(132,548)
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	(11,868)	-	(11,868)	-	(11,868)
Total comprehensive loss for the period	-	-	-	-	-	(11,868)	(132,878)	(144,746)	330	(144,416)
At 30 June 2020 (unaudited)	8,343	734,670*	(205,542)*	762,473*	135,504*	(29,886)*	(512,110)*	893,452	(1,443)	892,009

For the six months ended 30 June 2019

	Attributable to owners of the parent							Total	Non-controlling interests	Total equity
	Share capital	Share premium account	Merger reserve	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Accumulated losses			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019 (audited)	-	-	(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 loss 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 to the then shareholders	2	(2)	-	-	-	-	-	-	-	-
Capitalisation issue	6,585	(6,585)	-	-	-	-	-	-	-	-
Issue of shares for the initial public offering	1,756	769,294	-	-	-	-	-	771,050	-	771,050
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

\* These reserve accounts comprise the consolidated reserves of RMB885,109,000 in the consolidated statement of financial position as at 30 June 2020.

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June

	<i>Notes</i>	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/profit before tax		(150,453)	146,279
Adjustments for:			
Impairment of trade and other receivables	6	30,451	683
Impairment of property, plant and equipment (Reversal of write-down)/write-down of inventories to net realisable value	6	1,214	–
Depreciation of property, plant and equipment	6	(5,322)	30,683
Depreciation of property, plant and equipment	11	43,067	62,585
Depreciation of right-of-use assets	6	81,628	65,299
Amortisation of other intangible assets	12	1,318	2,588
Loss/(gain) on disposal of items of property, plant and equipment, net	6	3,425	(74)
Foreign exchange differences, net	6	1,614	(844)
Finance costs	7	29,957	45,750
Gain on modifications of leases		(900)	–
Share of losses of associates		–	50
Investment income from time deposits	5	(1,787)	–
Fair value loss on derivative financial instruments – transactions not qualifying as hedges	6	–	3,539
		<b>34,212</b>	<b>356,538</b>
Decrease/(increase) in trade and notes receivables		<b>180,534</b>	<b>(94,429)</b>
Increase in prepayments, other receivables and other assets		<b>(51,394)</b>	<b>(169,433)</b>
Increase in amounts due from related parties		<b>(3)</b>	<b>(157)</b>
Decrease in inventories		<b>280,355</b>	<b>127,061</b>
Decrease in right of return assets		<b>40,901</b>	<b>44,775</b>
Decrease in trade and notes payables		<b>(486,610)</b>	<b>(409,093)</b>
Decrease in other payables and accruals		<b>(52,020)</b>	<b>(115,757)</b>
Decrease in refund liabilities		<b>(92,886)</b>	<b>(110,856)</b>
Increase in contract liabilities		<b>611</b>	<b>94,425</b>
Decrease in amounts due to related parties		<b>–</b>	<b>(135)</b>
(Increase)/decrease in pledged short-term deposits		<b>(25,984)</b>	<b>20,770</b>
		<b>(172,284)</b>	<b>(256,291)</b>
Cash used in operations		<b>(71,728)</b>	<b>(105,960)</b>
Income tax paid			
Net cash flows used in operating activities		<b>(244,012)</b>	<b>(362,251)</b>

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June

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



# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

## 1. CORPORATE INFORMATION

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

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

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

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

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3  
Amendments to IFRS 9, IAS 39 and IFRS 7  
Amendment to IFRS 16  
Amendments to IAS 1 and IAS 8

*Definition of a Business*  
*Interest Rate Benchmark Reform*  
*Covid-19-Related Rent Concessions* (early adopted)  
*Definition of Material*

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

- (a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

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

# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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

## 4. OPERATING SEGMENT INFORMATION

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

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

Segment information by sales channels:

	Six months ended 30 June 2020			
	Apparel products			Total (Unaudited) RMB'000
	Offline channels (Unaudited) RMB'000	Online channels (Unaudited) RMB'000	Others (Unaudited) RMB'000	
<b>Segment revenue</b>				
External customers	413,920	661,674	11,944	1,087,538
Total revenue	413,920	661,674	11,944	1,087,538
<b>Segment results</b>	202,272	216,470	2,277	421,019
Other income and gains				10,147
Selling and distribution expenses				(410,144)
Administrative expenses				(128,616)
Other expenses				(12,902)
Finance costs				(29,957)
Loss before tax				(150,453)

# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

## 4. OPERATING SEGMENT INFORMATION (continued)

Segment information by sales channels: (continued)

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

### Geographic information

(a) Revenue from external customers

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

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

# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

## 4. OPERATING SEGMENT INFORMATION (continued)

Geographic information (continued)

(b) *Non-current assets*

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

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

### Information about major customers

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

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

# Notes to Interim Condensed Consolidated Financial Information

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## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

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

Disaggregated revenue information for revenue from contracts with customers

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

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

# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

## 6. (LOSS)/PROFIT BEFORE TAX

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

	Notes	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Cost of inventories sold		664,353	817,310
Cost of services provided		7,488	–
Cost of raw materials sold		6,185	–
Depreciation of property, plant and equipment	11	43,067	62,585
Impairment of items of property, plant and equipment		1,214	–
Depreciation of right-of-use assets		81,628	65,299
Amortisation of other intangible assets	12	1,318	2,588
Impairment of trade receivables	14	30,587	847
Reversal of impairment of other receivables (Reversal of write-down)/write-down of inventories to the net realisable value	15	(136)	(164)
Lease payments not included in the measurement of lease liabilities		(5,322)	30,683
Auditor's remuneration		9,981	30,679
Listing expenses		780	683
Loss/(gain) on disposal of items of property, plant and equipment, net		–	18,769
Loss/(gain) on disposal of items of property, plant and equipment, net	5	3,425	(74)
Fair value loss on derivative financial instruments – transactions not qualifying as hedges		–	3,539
Foreign exchange differences, net	5	1,614	(844)
Employee benefit expenses (excluding directors' and chief executive's remuneration):			
Wages and salaries		48,850	54,935
Pension scheme contributions		1,898	3,350
		<b>50,748</b>	<b>58,285</b>

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

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

# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

## 8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

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

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

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

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

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Current tax:		
Charge for the period	3,668	47,088
Deferred tax	(21,573)	11,019
Total tax (credit)/charge for the period	(17,905)	58,107

## 9. DIVIDENDS

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



# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

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

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

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

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

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

  

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

## 11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Carrying amount at beginning of period/year	146,981	171,525
Additions	46,130	132,044
Depreciation provided during the period/year	(43,067)	(121,635)
Impairment	(1,214)	(9,899)
Exchange realignment	18	24
Disposals	(3,445)	(25,078)
Carrying amount at end of period/year	<b>145,403</b>	146,981

# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

## 12. OTHER INTANGIBLE ASSETS

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Carrying amount at beginning of period/year	10,758	10,339
Additions	2,957	6,476
Amortisation provided during the period/year	(1,318)	(6,070)
Exchange realignment	17	13
Carrying amount at end of period/year	<b>12,414</b>	10,758

## 13. INVENTORIES

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Raw materials	7,781	11,860
Decorations	11,748	17,843
Finished goods	776,360	1,041,219
	<b>795,889</b>	1,070,922

## 14. TRADE AND NOTES RECEIVABLES

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

The Group's trading terms with its customers (other than retail customers) are mainly on credit as well as advances. The credit period is generally one month to three months, extending up to one year for major customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

## 14. TRADE AND NOTES RECEIVABLES (continued)

As at 30 June 2020, notes receivable of nil (31 December 2019: RMB4,000,000) whose fair values approximate to their carrying values are classified as financial assets at fair value through other comprehensive income under IFRS 9 and the remaining notes receivable were measured at amortised cost. The fair value changes of these notes receivable at fair value through other comprehensive income were insignificant during the period.

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

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Within 3 months	196,436	463,182
3 to 6 months	82,227	243,035
6 to 12 months	435,955	183,283
1 to 2 years	172,603	135,496
Over 2 years	17,011	5,710
	<b>904,232</b>	<b>1,030,706</b>

As at 30 June 2020, the Group discounted certain notes receivable (the "Discounted Notes") with carrying amounts in aggregate of RMB53,383,000 (31 December 2019: RMB68,190,000). The Discounted Notes have a maturity from one to five months as at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Discounted Notes have a right of recourse against the Group if the PRC banks or the counterparties default.

As at 30 June 2020, the Group recognised the proceeds received from the discount of the Discounted Notes with an amount of RMB53,383,000 (31 December 2019: RMB68,190,000) (note 19), 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 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Other receivables	245,939	257,897
Prepaid expenses	41,179	37,166
Prepayments	65,171	16,330
Tax recoverable	31,365	22,889
Interest receivables	1,787	–
Others	–	886
	<b>385,441</b>	<b>335,168</b>
Impairment allowance	<b>(4,219)</b>	<b>(4,355)</b>
	<b>381,222</b>	<b>330,813</b>

# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

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

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Cash and bank balances	764,391	820,788
Short-term time deposits	215,550	29,566
	<b>979,941</b>	850,354
Less: Pledged short-term deposits:		
Pledged for notes payable	(15,550)	(29,566)
Pledged for letter of credit	(40,000)	–
Cash and cash equivalents	<b>924,391</b>	820,788
Denominated in RMB	727,814	590,108
Denominated in US\$	195,282	144,997
Denominated in HK\$	1,138	85,366
Denominated in MOP	157	317
Cash and cash equivalents	<b>924,391</b>	820,788

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. As at 30 June 2020, short-term deposits of RMB15,550,000 (31 December 2019: RMB29,566,000) and of RMB40,000,000 (31 December 2019: Nil) were pledged for notes payable and letter of credit, respectively, with a maturity from two to four months. 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 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Trade payables	251,333	631,663
Notes payable	148,250	254,530
	<b>399,583</b>	886,193

# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

## 17. TRADE AND NOTES PAYABLES (continued)

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

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

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

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

## 18. OTHER PAYABLES AND ACCRUALS

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Other payables	114,196	135,243
Accrued payroll	49,803	60,299
Accrued expenses	26,623	43,198
Taxes payable other than corporate income tax	2,257	8,933
Interest payables	1,711	1,686
	<b>194,590</b>	<b>249,359</b>

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

As at 30 June 2020, included in the other payables and accruals are other payables of RMB592,000 (31 December 2019: RMB1,545,000) due to the Group's related parties.

# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

## 19. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 June 2020 (unaudited)			As at 31 December 2019 (audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Current portion of long-term bank loans – secured US\$226,000,000 bank loans	1-month LIBOR plus 3.25%	Within 2021	67,046	1-month LIBOR plus 2.50%	Within 2020	66,050
Bank loans – unsecured	3.80% – 4.05%	Within 2021	300,000	–	–	–
Discounted notes receivable (note 14)	–	Within 2021	53,383	–	Within 2020	68,190
Discounted letter of credit	2.48% – 2.53%	Within 2021	200,000	–	–	–
			<u>620,429</u>			<u>134,240</u>
<b>Non-current</b>						
Bank loans – secured US\$226,000,000 bank loans	1-month LIBOR plus 3.25%	2021-2022	1,021,921	1-month LIBOR plus 2.50%	2021-2022	1,006,002
			<u>1,642,350</u>			<u>1,140,242</u>
				<b>30 June 2020 (Unaudited) RMB'000</b>	<b>31 December 2019 (Audited) RMB'000</b>	
Analysed into:						
Bank loans repayable:						
Within one year or on demand				620,429	134,240	
In the second year				254,075	250,367	
In the third to fifth years, inclusive				767,846	755,635	
				<u>1,642,350</u>	<u>1,140,242</u>	

Notes:

(a) The US\$226,000,000 bank loans are secured by:

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

(b) Except for the US\$226,000,000 bank loans which are denominated in United States dollars, all borrowings are in RMB.

# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

## 20. COMMITMENTS

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

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Contracted, but not provided for: Buildings	107,998	7,730

## 21. RELATED PARTY TRANSACTIONS

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

Name	Relationship
Glory Cayman Holding Limited (" <b>Glory Cayman</b> ")	An entity controlled by a controlling shareholder
Glorious Cayman Ltd. (" <b>Glorious Cayman</b> ")	An entity controlled by a controlling shareholder
Ningbo Chisage Wenmo Branding Management Co., Ltd. (" <b>Chisage Wenmo</b> ")	An entity controlled by a director
Ningbo Chisage Wenmo E-Commerce Co., Ltd. (" <b>Wenmo E-Commerce</b> ")	An entity controlled by a director
Zhejiang Chisage Holding Group Co., Ltd. (" <b>Chisage Holding</b> ")	An entity controlled by a director
Ningbo Songhe Apparel Co., Ltd. (" <b>Songhe Apparel</b> ")	An entity controlled by a director
Ningbo Chisage Industrial Technology Co., Ltd. (formerly known as Ningbo Chisage Apparel Co., Ltd) (" <b>Ningbo Chisage Industrial</b> ")	An entity controlled by a director
Huaian Chisage Industrial Co., Ltd. (" <b>Huaian Chisage Industrial</b> ")	An entity controlled by a director
Joy Asia International Limited (" <b>Joy Asia</b> ")	An entity controlled by a director

# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

## 21. 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 period:

	Notes	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Purchases of products from:			
Huaian Chisage Industrial	(i)	973	13,113
Ningbo Chisage Industrial	(i)	14,403	39,399
Rental fees to:			
Songhe Apparel	(ii)	1,932	2,447
Chisage Holding	(ii)	3,330	3,457
Rental fees from:			
Chisage Wenmo	(iii)	–	1,060
Wenmo E-Commerce	(iii)	–	145
Repayment of loans to:			
Joy Asia	(iv)	–	20,190
Repayment of interest to:			
Joy Asia	(iv)	–	1,192

*Notes:*

- (i) The purchases from related parties were made according to the published prices and conditions offered by the related parties to their major customers.
- (ii) The rental fees were paid for the lease of the warehouses and offices from related parties. The rental fees were charged pursuant to the terms of the agreements signed between the Company and the related parties.
- (iii) 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 Group and the related parties.
- (iv) 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.



# Notes to Interim Condensed Consolidated Financial Information

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## 21. RELATED PARTY TRANSACTIONS (continued)

### (b) Outstanding balances with related parties:

#### (i) Due from a related party

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Glorious Cayman	233	230

#### (ii) Due to a related party

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Glory Cayman	128	126

The balances with related parties are unsecured, interest-free and repayable on demand.

### (c) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Short term employee benefits	4,524	2,775
Pension scheme contributions	37	55
Total compensation paid to key management personnel	4,561	2,830

# Notes to Interim Condensed Consolidated Financial Information

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## 22. 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 2020

	Financial assets at fair value through other comprehensive income (Unaudited) RMB'000	Financial assets at amortised cost (Unaudited) RMB'000	Total (Unaudited) RMB'000
Trade and notes receivables	–	806,646	806,646
Financial assets included in prepayments, other receivables and other assets	–	243,507	243,507
Due from a related party	–	233	233
Pledged short-term deposits	–	55,550	55,550
Cash and cash equivalents	–	924,391	924,391
	–	2,030,327	2,030,327

31 December 2019

	Financial assets at fair value through other comprehensive income (Audited) RMB'000	Financial assets at amortised cost (Audited) RMB'000	Total (Audited) RMB'000
Trade and notes receivables	4,000	1,028,574	1,032,574
Financial assets included in prepayments, other receivables and other assets	–	253,542	253,542
Due from a related party	–	230	230
Pledged short-term deposits	–	29,566	29,566
Cash and cash equivalents	–	820,788	820,788
	4,000	2,132,700	2,136,700

# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

## 22. 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 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Trade and notes payables	399,583	886,193
Financial liabilities included in other payables and accruals	142,530	180,127
Interest-bearing bank and other borrowings	1,642,350	1,140,242
Due to a related party	128	126
Lease liabilities	176,014	233,067
	<b>2,360,605</b>	<b>2,439,755</b>

## 23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

All the carrying amounts of the Group's financial instruments approximate to their fair values.

Management has determined that the fair values 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, financial liabilities included in other payables and accruals, amounts due from a related party, amounts due to a related party, the current portion of interest-bearing bank and other borrowings and lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

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. The finance manager reports directly to the chief financial officer. 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 valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee once a year 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 fair values of the notes receivable classified as financial assets at fair value through other comprehensive income under IFRS 9 as at 31 December 2019 had been calculated by discounting the expected future cash flows, which were the par values of the notes receivable. In addition, the notes receivable would mature within six months, thus their fair values approximated to their carrying values.

## 23. 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 changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings and lease liabilities as at 30 June 2020 were assessed to be insignificant.

### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

The Group did not have any financial instruments measured at fair value as at 30 June 2020.

*As at 31 December 2019*

	Fair value measurement using			Total (Audited) RMB'000
	Quoted prices in active markets (Level 1) (Audited) RMB'000	Significant observable inputs (Level 2) (Audited) RMB'000	Significant unobservable inputs (Level 3) (Audited) RMB'000	
Notes receivable	–	4,000	–	4,000

The Group did not have any financial liabilities measured at fair value as at 30 June 2020 (31 December 2019: 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 2019: Nil).

# Notes to Interim Condensed Consolidated Financial Information

30 June 2020

## 24. EVENTS AFTER THE REPORTING PERIOD

- (a) The Group's business performance during the reporting period was affected by the outbreak of COVID-19 in early 2020. The Group has been closely monitoring the development and the impact of COVID-19 since then and taken appropriate responses in a timely manner so as to mitigate the impact on the Group's business. The Group's sales have gradually started to recover as the situation in China gradually improves. Up to the date of this interim condensed consolidated financial information was authorized for issue, the Group is still in the process of assessing the impact of the COVID-19 outbreak on the Group's performance for the second half of 2020 and is currently unable to estimate the quantitative impacts to the Group.
- (b) On 2 July 2020, one of the Company's subsidiaries, Ningbo Chisage Mulsanne Holding Co., Ltd., as tenant, entered into a lease agreement (the "**Lease Agreement**") with Ningbo Wenmo Garment Co., Ltd., a company controlled by a director, as landlord, in relation to the lease of certain premises located at the west of Haiying Road, Binhai Industrial Park, Xiangshan, Ningbo, PRC, with gross floor area of approximately 57,000 square metres (the "**Premises**"). The Lease Agreement shall be for a term of ten years commencing from 1 November 2020 and expiring on 31 October 2030. Based on the preliminary assessment by the management of the Company according to the available information, the Premises will be recognised as a right-of-use asset of approximately RMB62,790,000.
- (c) The Company entered into a joint venture agreement (the "**JV Agreement**") with Million Success Resources Limited ("**Million Success**") with effect from 2 December 2019 to establish a joint venture company in the PRC. On 30 July 2020, the Company received a letter (the "**Letter**") from the PRC legal advisers to Million Success asserting, among other things, termination of the JV Agreement, breach of the JV Agreement by the Company and a claim for liquidated damages of RMB50,000,000. The Company does not accept any allegations made in the Letter, and intends to rigorously defend its rights under the JV Agreement and any proceedings that may be brought by Million Success. The directors, based on the advice from the Group's PRC legal counsel and the current circumstances known to them, have grounds to believe that the Company has a valid defence against the allegation and, accordingly, have not provided for any claim arising from the allegation.