



GXG

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2022
INTERIM
REPORT

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

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Corporate Introduction

Mulsanne Group Holding Limited (the “**Company**”, “**Mulsanne**” or “**We**”, together with its subsidiaries, the “**Group**” or “**Mulsanne Group**”) is a leading fashion menswear company based in China, which also covers womenswear, kidswear market and other fashion segments. 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 fashion styles by introducing gxg jeans in 2010 and brought our GXG series design philosophy into kidswear market by launching gxg.kids in 2012. In 2020, we launched MODE COMMUTER, a high quality commuting apparel brand, which helped strengthen the brand portfolio of our Group, further expanding our customer base. 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 ranges 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 ⁽¹⁾

Mr. CHEN Scott Yue

Mr. YOUNG Christopher ⁽²⁾

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 (*FCS, HKFCG*)

AUTHORISED REPRESENTATIVES

Mr. YU Yong

Ms. NG Sau Mei

AUDITOR

Ernst & Young

Certified Public Accountants and Registered Public Interest Entity Auditor

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

Notes:

(1) Mr. WANG Jun resigned as a non-executive Director on 29 March 2022.

(2) Mr. YOUNG Christopher was appointed as a non-executive Director on 29 March 2022.





Management Discussion and Analysis

BUSINESS OVERVIEW AND OUTLOOK

In the first half of 2022, the Group's business, particularly its offline retail channels, was affected by the resurgence of the novel coronavirus 2019 (the "COVID-19") pandemic. However, as the Chinese government has put in place a number of policies to support its citizens and businesses and the Group implemented a set of effective growth strategies in response to the resurgence of the COVID-19 pandemic, the Group believes that its performance will recover steadily in the rest of the year. Moreover, benefiting from its omni-channel strategy and its strength in online sales channels in the post-pandemic market, the Group remains confident towards its future as a leading fashion company in China. To further consolidate its leading position in the fashion apparel industry in China, the Group is committed to implementing the following growth strategies:

- Adopt continuous innovative marketing initiatives and analysis to explore potential consumer base, and improve members' experience through new retail technologies and advantages;
- Further optimize its leading supply chain network, enhance its customer service capability, and offer products and services with high quality to satisfy customers' needs;
- Reform organization structure and business model and deepen the integration of online and offline sales channels to improve operational efficiency so as to enable the Group to respond to the market in a faster manner; and
- Continue to leverage the strengths of online operation and implement cost control measures to reduce the impact of the resurgence of the COVID-19 pandemic.

Given that the current situation of the global COVID-19 pandemic is still relatively unstable and it remains unclear how the COVID-19 pandemic will develop, the directors of the Company (the "Directors") and management of the Group will continue to act and manage the Group's business with prudence and due care to ensure sustainable and steady growth of the Group's performance.

REVENUE

The Group derived its revenue primarily from the 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 2022 (the "Period"), the total sales revenue recorded was RMB1,048.6 million, representing a decrease of 12.9%, or RMB155.8 million, from RMB1,204.4 million for the same period in 2021. Such decrease was primarily because of the resurgence of the COVID-19 pandemic in certain cities where the Group operates. Due to the intensified anti-pandemic measures implemented, the demand for its products decreased during the Period.

Management Discussion and Analysis

Revenue by brand

	Six months ended 30 June			
	2022		2021	
	RMB'000	%	RMB'000	%
GXG	833,834	79.6	921,650	76.6
gxc jeans	99,728	9.5	148,576	12.3
gxc.kids	88,474	8.4	88,095	7.3
Yatlas	5,371	0.5	12,999	1.1
Mode Commuter	15,070	1.4	9,106	0.8
Others	6,151	0.6	24,004	1.9
Total	1,048,628	100.0	1,204,430	100.0

For the Period, sales revenue from the Group's main brand, namely GXG, decreased by 9.5%, or RMB87.9 million, as compared to that for the same period in 2021. Such decrease was primarily due to the resurgence of the COVID-19 pandemic in certain cities where the Group operates, which resulted in a decrease in the demand for its products.

For the Period, sales revenue from gxc jeans and Yatlas decreased by 32.9%, or RMB48.9 million, and 58.5%, or RMB7.6 million, respectively, as compared to that for the same period in 2021. Such decreases were primarily due to the Group's adjustment of brand positioning by reducing the number of stores to enhance store efficiency.

For the Period, sales revenue from gxc.kids remained relatively stable at RMB88.5 million as compared to RMB88.1 million for the same period in 2021 despite the impact of the resurgence of the COVID-19 pandemic.

For the Period, sales revenue from Mode Commuter increased by 65.9%, or RMB6.0 million, as compared to that for the same period in 2021, primarily due to the Group's new product developments of Mode Commuter.

Revenue by sales channel

	Six months ended 30 June			
	2022		2021	
	RMB'000	%	RMB'000	%
Sales of apparel products				
Offline channels				
Self-owned stores	363,688	34.7	431,051	35.8
Partnership stores	83,857	8.0	79,328	6.6
Distributor stores	119,391	11.4	199,747	16.6
Online channels	475,318	45.3	484,078	40.2
Sales of other products	4,296	0.4	6,274	0.5
Consignment services	2,078	0.2	3,952	0.3
Total	1,048,628	100.0	1,204,430	100.0

Due to the resurgence of the COVID-19 pandemic, (i) sales from self-owned stores for the Period decreased by 15.6%, or RMB67.4 million, to RMB363.7 million, and (ii) sales from distributor stores for the Period decreased by 40.2%, or RMB80.3 million, to RMB119.4 million, as compared to that for the same period in 2021.



Management Discussion and Analysis

During the Period, in response to the resurgence of the COVID-19 pandemic, the Group adjusted the cooperation modes of certain customers from distribution stores to partnership stores. As a result, sales from partnership stores for the Period increased by 5.8%, or RMB4.6 million, to RMB83.9 million, as compared to that for the same period in 2021.

Online channel sales for the Period decreased by 1.8%, or RMB8.8 million, to RMB475.3 million as compared to that for the same period in 2021, mainly due to the logistical disruptions of the Group's products as a result of the intensified anti-pandemic measures implemented during the Period. For the Period, online channel sales ranked first with 45.3% in terms of the Group's revenue composition.

Number of stores by brand

	30 June 2022		31 December 2021	
	Number of stores	%	Number of stores	%
GXG	973	86.3	992	82.8
gxg jeans	86	7.6	99	8.3
gxg.kids	54	4.8	82	6.8
Yatlas	–	–	8	0.7
Mode Commuter	15	1.3	16	1.3
Others	–	–	1	0.1
Total	1,128	100.0	1,198	100.0

During the Period, the Group adjusted its brand positioning and marketing strategies by reducing the number of stores to enhance store efficiency. As a result, the total number of offline stores decreased from 1,198 as at the end of 2021 to 1,128 as at 30 June 2022.

Number of stores by channel

	30 June 2022		31 December 2021	
	Number of stores	%	Number of stores	%
Self-owned stores	392	34.8	398	33.2
Partnership stores	141	12.5	146	12.2
Distributor stores	595	52.7	654	54.6
Total	1,128	100.0	1,198	100.0

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, causing a decrease in the number of offline stores from 1,198 as at the end of 2021 to 1,128 as at 30 June 2022.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group recorded a total gross profit of RMB536.5 million for the Period, representing a decrease of 14.0%, or RMB87.3 million, from RMB623.8 million for the same period in 2021. Gross profit margin remained relatively stable during the Period at 51.2%, as compared to 51.8% for the same period in 2021. Details of and the reasons for the decrease in gross profit are set out below.

Management Discussion and Analysis

Gross profit and gross profit margin by brand

	Six months ended 30 June			
	2022		2021	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %
GXG	449,184	53.9	507,202	55.0
gxx jeans	40,354	40.5	62,717	42.2
gxx.kids	38,034	43.0	40,924	46.5
Yatlas	445	8.3	1,944	15.0
Mode Commuter	6,175	41.0	4,023	44.2
Others	2,294	37.3	7,016	29.2
Total	536,486	51.2	623,826	51.8

Since the Group (i) enhanced its management on the brand operation and optimized the structure of products, and (ii) effectively controlled its operational costs under the resurgence of the COVID-19 pandemic, the overall gross profit margin of the Group remained relatively stable during the Period.

During the Period, the gross profit of GXG, gxx jeans, gxx.kids and Yatlas decreased by RMB58.0 million, or approximately 11.4%, RMB22.3 million, or approximately 35.6%, RMB2.9 million, or approximately 7.1% and RMB1.5 million, or approximately 78.9%, respectively, as compared to the same period in 2021. Such decreases in gross profit were primarily due to the decreases in their respective revenue. During the Period, the gross profit of Mode Commuter increased by RMB2.2 million, or approximately 55.0%, primarily due to the increase in its revenue. The gross profit margin of GXG, gxx jeans, gxx.kids, Yatlas and Mode Commuter decreased by 1.1 percentage points, 1.7 percentage points, 3.5 percentage points, 6.7 percentage points and 3.2 percentage points, respectively. The decreases in gross profit margin of GXG and gxx.kids were primarily due to the increase in sales through online channels, which generally have a lower gross profit margin. The decreases in gross profit margin of gxx jeans and Yatlas were primarily due to the decrease in sales through self-owned stores, which generally have a higher gross profit margin. The decrease in gross profit margin of Mode Commuter was primarily due to the promotion activities the Group offered during the Period, which resulted in a lower gross profit margin.

Gross profit and gross profit margin by sales channel

	Six months ended 30 June			
	2022		2021	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %
Sales of apparel products				
Offline channels				
Self-owned stores	251,580	69.2	299,188	69.4
Partnership stores	34,366	41.0	31,552	39.8
Distributor stores	54,167	45.4	91,835	46.0
Online channels	194,950	41.0	198,749	41.1
Sales of other products	1,102	25.7	1,946	31.0
Consignment services	321	15.4	556	14.1
Total	536,486	51.2	623,826	51.8





Management Discussion and Analysis

Gross profit of self-owned stores and distributor stores for the Period decreased by RMB47.6 million, or approximately 15.9%, and RMB37.6 million, or approximately 41.0%, respectively, as compared to that for the same period in 2021. Such decreases were in line with the decreases in revenue from self-owned stores and distributor stores of approximately 15.6% and 40.2%, respectively, during the Period, as compared to those for the same period in 2021. Gross profit margin of self-owned stores and distributor stores for the Period remained relatively stable at 69.2% and 45.4%, respectively, as compared to 69.4% and 46.0% for the same period in 2021.

Gross profit of partnership stores for the Period increased by RMB2.8 million, or approximately 8.9%, with gross profit margin increased by 1.2 percentage points to 41.0%, as compared to that for the same period in 2021. Such increases were primarily because the Group reduced subsidies provided to its partners, following its subsidy policy adjustment during the Period.

Gross profit of online channels for the Period decreased by RMB3.7 million, or approximately 1.9%, to RMB195.0 million, as compared to the same period in 2021, which was in line with the decrease in revenue from online channels of approximately 1.8% during the Period, as compared to that for the same period in 2021. Gross profit margin of online channels for the Period remained relatively stable at 41.0%, as compared to 41.1% for the same period in 2021.

OTHER INCOME AND GAINS

Other income and gains for the Period were RMB21.4 million, representing a decrease of 20.1%, or RMB5.4 million, as compared to RMB26.8 million for the same period in 2021, mainly due to the decrease in government subsidies.

SELLING AND DISTRIBUTION EXPENSES

Total selling and distribution expenses for the Period decreased by 2.5%, or RMB10.5 million, to RMB417.8 million as compared to RMB428.3 million for the same period in 2021, mainly due to (i) a decrease in store management fees, (ii) a decrease in transportation expenses, and (iii) a decrease in commission expenses for online sales during the Period, which was in line with the decrease in revenue from online channels. Selling and distribution expenses as a percentage of the Group's total revenue increased to 39.8% from 35.6% for the same period in 2021, 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 decreased by 6.8%, or RMB7.4 million, to RMB101.5 million as compared to RMB108.9 million for the same period in 2021. The decrease in administrative expenses was mainly due to the decrease in professional service fees. Total administrative expenses as a percentage of the Group's total revenue increased to 9.7% from 9.0% for the same period in 2021, mainly because the decrease in total revenue outpaced the decrease in administrative expenses during the Period.

IMPAIRMENT LOSSES ON FINANCIAL ASSETS, NET

The Group recorded reversal of impairment losses on financial assets of RMB12.6 million, as compared to impairment losses on financial assets, net, of RMB8.3 million for the same period in 2021. This was mainly due to the recovery of certain long aged trade receivables during the Period.

OTHER EXPENSES

The Group's other expenses for the Period decreased by 23.6%, or RMB1.3 million, to RMB4.2 million, as compared to RMB5.5 million for the same period in 2021. The relatively higher expenses in the first half of 2021 were primarily due to the Group's expenses relating to the termination of the 2XU business. As the termination of the 2XU business was completed in 2021, the relevant expenses were no longer incurred during the Period.

FINANCE COSTS

Finance costs for the Period increased by 7.5%, or RMB2.1 million, to RMB30.1 million, as compared to RMB28.0 million for the same period in 2021. The increase was mainly due to the increase in interest on bank loans and lease liabilities.

PROFIT BEFORE TAX

The Group's profit before tax for the Period was RMB16.8 million, representing a decrease of RMB55.1 million, from RMB71.9 million for the same period in 2021. The decrease was mainly due to the decrease in gross profit.

INCOME TAX EXPENSE

Income tax expense for the Period was RMB12.6 million, representing a decrease of RMB11.1 million, as compared to RMB23.7 million for the same period in 2021.

PROFIT FOR THE PERIOD

As a result of the foregoing factors, profit for the Period was RMB4.2 million, representing a decrease of RMB44.0 million, as compared to RMB48.2 million for the same period in 2021.

OPERATING CASH FLOWS

Net operating cash outflow for the Period was RMB347.2 million, primarily due to the decrease in working capital of RMB469.3 million and the cash inflow from operating profit of RMB122.1 million. The Group's net operating cash outflow for the Period increased by RMB54.5 million as compared to RMB292.7 million for the same period in 2021, mainly due to the increase in the prepayment made for purchases and the pledged short-term deposits made for borrowings and letters of credit.

CAPITAL EXPENDITURES

The Group's capital expenditures include payments for logistics base construction, property, plant and equipment and intangible assets. During the Period, the Group's capital expenditures amounted to RMB95.8 million, representing an increase of 42.1%, or RMB28.4 million, from RMB67.4 million for the same period in 2021. The increase was due to the increase in costs of renovation of the Group's headquarters office building and the expenses in connection with the development of the Group's information system.

FINANCIAL POSITION

The Group generally funds its operations with bank and other borrowings. As at 30 June 2022, the Group had bank and other borrowings of RMB1,491.2 million. Bank and other borrowings were mainly denominated in RMB and U.S. dollars as at 31 December 2021 and 30 June 2022. As at 30 June 2022, bank and other borrowings of RMB621.70 million were fixed-rate borrowings (31 December 2021: Nil). For details, please 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 RMB668.9 million as at 30 June 2022, representing a decrease of 2.9%, or RMB20.3 million, from RMB689.2 million as at the end of 2021. Cash and cash equivalents as at 30 June 2022 were RMB539.4 million, among which 94.7% was denominated in RMB, 4.7% in U.S. dollars, 0.5% in Macau Pataca, and 0.1% in Hong Kong dollars. Pledged short-term deposits as at 30 June 2022 were RMB129.5 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 2022, the Group's gearing ratio was 50.0% (31 December 2021: 35.0%). The increase in gearing ratio during the Period was primarily due to the increase in borrowings, which were used in the payments for the purchases of goods in summer and prepayments for the purchases of goods in the second half of the year.

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 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 investment, acquisition or disposal. 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 RMB. However, the Group is exposed to foreign exchange risk arising mainly from debt denominated in U.S. dollars. During the Period, the Group did not use any financial instrument for hedging purpose.

PLEDGE OF ASSETS

As at 30 June 2022, the Group's US\$226.0 million bank loans were 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.

As at 30 June 2022, among the Group's bank loans, RMB141.8 million were secured by mortgages over the Group's leasehold land, and RMB168.3 million were secured by the Group's pledged deposit.

As at 30 June 2022, the Group had a discounted letter of credit of RMB100.0 million, which was secured by the Group's pledged deposit.

As at 30 June 2022, the Group's bills payable of RMB60.4 million were secured by the Group's pledged deposit.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no significant contingent liabilities (31 December 2021: Nil).

EVENTS AFTER THE PERIOD

As at the date of this report, no material event has occurred after 30 June 2022.

HUMAN RESOURCES

As at 30 June 2022, the number of employees of the Group was 674, as compared to 831 as at 31 December 2021. 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 RMB68.1 million, as compared to RMB70.2 million for the same period in 2021. The total cost of staff for the Period represents 6.5% of the Group's revenue, as compared to 5.8% for the same period in 2021. The increase was mainly because the decrease in total revenue outpaced the decrease in the total cost of staff during the Period.



Other Information

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

As at 30 June 2022, the interests and short positions of the Directors and 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 ⁽⁴⁾
Mr. YU Yong ^{(2) (3)}	Company	Interest in controlled corporation	213,750,000 (L)	22.50%
		Beneficial Owner	2,000,000 (L)	0.21%
			215,750,000 (L)	22.71%
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 of the Company (the "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 in which GXG Trading Limited is interested.
- (3) Mr. YU Yong is interested in restricted share units ("RSUs") granted by the Company, representing 2,000,000 Shares held on trust on his behalf by the Trustee (as defined below). For details of the grant of RSUs to Mr. YU Yong, please see the announcement of the Company dated 29 December 2020 and the section headed "Restricted Share Unit Scheme" in this report.
- (4) As at 30 June 2022, the Company had 950,000,000 ordinary Shares in issue.

Save as disclosed above, as at 30 June 2022, 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 2022, 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 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%



Other Information

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 2022, the Company had 950,000,000 ordinary Shares in issue.

Save as disclosed above, as at 30 June 2022, 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 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 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 2022, the remaining life of the RSU Scheme is approximately six 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.

Other Information

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 2022, no RSU has been granted or agreed to be granted under the RSU Scheme, nor has any RSU been cancelled.

Details of the RSUs granted under the RSU Scheme and details of the movements in RSUs during the six months ended 30 June 2022 are set out below:

Name of grantee	Positions held with the Group	Number of Shares represented by RSUs as at 1 January 2022	Date of grant	Exercise price (HK\$)	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Number of Shares represented by RSUs as at 30 June 2022
Director									
Mr. YU Yong	Executive Director and chief executive officer of the Group	2,000,000	29 December 2020	2.634	-	-	-	-	2,000,000
Other senior management of the Company and director of subsidiaries of the Company									
Three senior management of the Company and one director of subsidiaries of the Company		4,900,000	29 December 2020	2.634	-	-	-	-	4,900,000
Other employees of the Group									
Seven employees of the Group		5,000,000	29 December 2020	2.634	-	-	-	-	5,000,000
Total		11,900,000			-	-	-	-	11,900,000

The grantees of the RSUs granted under the RSU Scheme as referred to in the table above are not required to pay for the grant of any RSUs under the RSU Scheme. The RSUs granted on 29 December 2020 shall vest immediately upon grant.



Other Information

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Main Board of the Stock Exchange on 27 May 2019 and issued 200,000,000 new Shares. After deducting the underwriting fees, commissions and estimated expenses, the total net proceeds from the listing were approximately RMB704.9 million (equivalent to approximately HK\$802.7 million). As at 30 June 2022, the proceeds amounting to a total of RMB648.0 million (equivalent to approximately HK\$736.2 million) had been used. These proceeds were allocated in accordance with the Prospectus and the announcement of the Company dated 22 May 2019 (the “**Price Reduction Announcement**”). In addition, on 30 March 2022, the Board resolved to change the use of the unutilized net proceeds from the global offering. For details, please refer to the announcement dated 30 March 2022 (the “**2021 Annual Results Announcement**”) published by the Company on the websites of the Stock Exchange and the Company. Upon the completion of the above change and as at 30 June 2022, the summaries of the net proceeds utilized by the Company are set out as follows:

Item	Approximate percentage of total amount	Planned use of proceeds (RMB million)	Actual amount used during the Period (RMB million)	Actual amount used as at 30 June 2022 (RMB million)	Unutilised amount as at 30 June 2022 (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	-	106	-
To upgrade the Group's offline retail stores to smart stores	10%	70	-	70	-
To rent, maintain and upgrade warehouses with smart facilities and software	20%	141	23	84	57
To provide funding for working capital and other general corporate purposes	10%	71	-	71	-
Total	100%	705	23	648	57

As at 30 June 2022, the remaining proceeds of approximately RMB56.9 million (equivalent to approximately HK\$66.5 million) will continue to be used in accordance with the purposes as set out in the Prospectus, the Price Reduction Announcement and the 2021 Annual Results Announcement and are expected to be fully utilized within the next 30 months.

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and enhance its corporate value and accountability. The Company has applied the principles and complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2022.

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 regarding Directors' securities transactions. 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 2022 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 2022.

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 of the Group for the six months ended 30 June 2022, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that the adequate disclosures have been made.

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

Mr. WANG Jun resigned as a non-executive Director on 29 March 2022. Mr. YOUNG Christopher was appointed as a non-executive Director on 29 March 2022.

Save as disclosed above, there is no other 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 2021 annual report.



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

For the six months ended 30 June 2022

	Notes	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
REVENUE	5	1,048,628	1,204,430
Cost of sales		(512,142)	(580,604)
Gross profit		536,486	623,826
Other income and gains	5	21,446	26,849
Selling and distribution expenses		(417,824)	(428,278)
Administrative expenses		(101,504)	(108,943)
Impairment losses on financial assets, net		12,570	(8,331)
Other expenses		(4,222)	(5,538)
Finance costs	7	(30,108)	(28,017)
Share of profit of an associate		-	377
PROFIT BEFORE TAX	6	16,844	71,945
Income tax expense	8	(12,636)	(23,701)
PROFIT FOR THE PERIOD		4,208	48,244
Attributable to:			
Owners of the parent		5,754	48,511
Non-controlling interests		(1,546)	(267)
		4,208	48,244
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	10	RMB0.63 cents	RMB5.32 cents
Diluted	10	RMB0.63 cents	RMB5.28 cents

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

For the six months ended 30 June 2022

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	4,208	48,244
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	596	1,640
Other comprehensive (loss)/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	(32,325)	6,496
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(31,729)	8,136
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(27,521)	56,380
Attributable to:		
Owners of the parent	(25,975)	56,647
Non-controlling interests	(1,546)	(267)
	(27,521)	56,380



Interim Condensed Consolidated Statement of Financial Position

30 June 2022

	<i>Notes</i>	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	320,350	267,343
Advance payments for property, plant and equipment		1,211	–
Right-of-use assets		261,894	265,829
Intangible assets	12	40,900	43,311
Equity investment designated at fair value through other comprehensive income		11,834	11,834
Deferred tax assets		232,107	223,309
Total non-current assets		868,296	811,626
CURRENT ASSETS			
Inventories	13	697,589	840,373
Right of return assets		22,099	53,980
Trade and notes receivables	14	293,661	427,072
Prepayments, other receivables and other assets	15	429,391	200,899
Due from a related party	21(b)(i)	235	223
Pledged short-term deposits	16	129,510	11,920
Cash and cash equivalents	16	539,387	677,230
Total current assets		2,111,872	2,211,697
CURRENT LIABILITIES			
Trade and notes payables	17	172,031	474,924
Other payables and accruals	18	186,106	238,248
Refund liabilities		47,088	122,102
Contract liabilities		71,188	63,985
Interest-bearing bank and other borrowings	19	1,373,373	971,877
Lease liabilities		112,152	114,709
Tax payable		22,301	41,093
Due to a related party	21(b)(ii)	135	128
Total current liabilities		1,984,374	2,027,066
NET CURRENT ASSETS		127,498	184,631
TOTAL ASSETS LESS CURRENT LIABILITIES		995,794	996,257

Interim Condensed Consolidated Statement of Financial Position

30 June 2022

	<i>Note</i>	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		995,794	996,257
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	19	117,873	87,683
Lease liabilities		124,795	128,786
Deferred tax liabilities		40,173	39,314
Total non-current liabilities		282,841	255,783
Net assets		712,953	740,474
EQUITY			
Equity attributable to owners of the parent			
Share capital		8,343	8,343
Reserves		698,998	724,973
		707,341	733,316
Non-controlling interests		5,612	7,158
Total equity		712,953	740,474



Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the parent								Total	Non-controlling interests	Total equity
	Share capital	Share premium account	Merger reserve	Capital reserve	Statutory surplus reserve	Share award 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	RMB'000
At 1 January 2022 (audited)	8,343	734,670	(215,779)	765,360	136,492	22,284	53,198	(771,252)	733,316	7,158	740,474
Profit for the period	-	-	-	-	-	-	-	5,754	5,754	(1,546)	4,208
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(31,729)	-	(31,729)	-	(31,729)
Total comprehensive loss for the period	-	-	-	-	-	-	(31,729)	5,754	(25,975)	(1,546)	(27,521)
At 30 June 2022 (unaudited)	8,343	734,670*	(215,779)*	765,360*	136,492*	22,284*	21,469*	(765,498)*	707,341	5,612	712,953

For the six months ended 30 June 2021

	Attributable to owners of the parent								Total	Non-controlling interests	Total equity
	Share capital	Share premium account	Merger reserve	Capital reserve	Statutory surplus reserve	Share award 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	RMB'000
At 1 January 2021 (audited)	8,343	734,670	(208,429)	765,360	135,504	22,284	37,179	(680,580)	814,331	383	814,714
Profit for the period	-	-	-	-	-	-	-	48,511	48,511	(267)	48,244
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	8,136	-	8,136	-	8,136
Total comprehensive income for the period	-	-	-	-	-	-	8,136	48,511	56,647	(267)	56,380
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	490	490
De-registration of a subsidiary	-	-	-	-	-	-	-	-	-	(6)	(6)
At 30 June 2021 (unaudited)	8,343	734,670	(208,429)	765,360	135,504	22,284	45,315	(632,069)	870,978	600	871,578

* These reserve accounts comprise the consolidated reserves of RMB698,998,000 in the consolidated statement of financial position as at 30 June 2022.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

<i>Notes</i>	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	16,844	71,945
Adjustments for:		
Impairment of trade and other receivables, net	6 (12,570)	8,331
Impairment of property, plant and equipment	6 259	515
Write-down of inventories to net realisable value	6 22,512	31,817
Depreciation of property, plant and equipment	11 34,207	28,417
Depreciation of right-of-use assets	6 65,739	58,835
Amortisation of other intangible assets	12 2,757	1,900
Loss on disposal of items of property, plant and equipment, net	6 3,351	2,700
Foreign exchange differences, net	6 (281)	(42)
Finance costs	7 30,108	28,017
Gain on terminations of leases, net	(1,440)	(1,333)
Share of profit of an associate	-	(377)
Gain on de-registration of a subsidiary	-	(6)
	161,486	230,719
Decrease in trade and notes receivables	146,195	64,740
Increase in prepayments, other receivables and other assets	(230,362)	(60,797)
Decrease in inventories	120,272	7,949
Decrease in right of return assets	31,881	25,436
Increase in pledged short-term deposits	(117,590)	(30,830)
Decrease in trade and notes payables	(302,893)	(302,121)
Decrease in other payables and accruals	(48,987)	(120,234)
Decrease in refund liabilities	(75,014)	(87,158)
Increase in contract liabilities	7,203	5,839
	(307,809)	(266,457)
Cash used in operations	(307,809)	(266,457)
Income tax paid	(39,367)	(26,281)
	(347,176)	(292,738)
Net cash flows used in operating activities	(347,176)	(292,738)



Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(89,536)	(56,923)
Purchases of intangible assets	(6,293)	(10,439)
Proceeds from disposal of items of property, plant and equipment	347	764
Net cash flows used in investing activities	(95,482)	(66,598)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank and other borrowings	658,413	500,407
Repayment of bank and other borrowings	(263,846)	(80,000)
Principal portion of lease payments	(66,912)	(56,764)
Interest paid	(29,377)	(27,082)
Capital injection from non-controlling interests	-	490
Net cash flows from financing activities	298,278	337,051
NET DECREASE IN CASH AND CASH EQUIVALENTS	(144,380)	(22,285)
Cash and cash equivalents at beginning of period	677,230	771,692
Effect of foreign exchange rate changes, net	6,537	(1,494)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	539,387	747,913
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	539,387	747,913

Notes to Interim Condensed Consolidated Financial Information

30 June 2022

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is 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 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 2022 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 2021.

The unaudited interim condensed consolidated financial information has been prepared under the historical cost convention, except for equity investment designated at fair value through other comprehensive income, which has been measured at fair value. The interim condensed consolidated financial information is 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 consolidated financial statements for the year ended 31 December 2021, 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 IAS 16

Amendments to IAS 37
*Annual Improvements to
IFRS Standards 2018-2020*

*Reference to the Conceptual Framework
Property, Plant and Equipment: Proceeds before
Intended Use
Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 1, IFRS 9, Illustrative Examples
accompanying IFRS 16, and IAS 41*



Notes to Interim Condensed Consolidated Financial Information

30 June 2022

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

- (d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

4. OPERATING SEGMENT INFORMATION

The Group is mainly engaged in the design, marketing and 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 the sale of apparel products by sales channels. There are two operating segments for the sale of apparel products: offline channels and online channels. Offline channels refer to the offline network of retail outlets including self-owned stores and partnership stores, and the offline network of distributors, and online channels refer to online retail platforms, such as Tmall.com, Taobao, Vipshop, TikTok and WeChat Mini Programs.

The Group's chief operating decision maker is the chief executive officer, who reviews revenue and results of offline channels for the sale of apparel products, online channels for the sale of apparel products and the 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.



Notes to Interim Condensed Consolidated Financial Information

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4. OPERATING SEGMENT INFORMATION (continued)

Segment information by sales channels:

	Six months ended 30 June 2022			
	Apparel products			
	Offline channels (Unaudited) RMB'000	Online channels (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue				
Sales to external customers	566,936	475,318	6,374	1,048,628
Total revenue	566,936	475,318	6,374	1,048,628
Segment results	340,113	194,950	1,423	536,486
Other income and gains				21,446
Selling and distribution expenses				(417,824)
Administrative expenses				(101,504)
Impairment losses on financial assets, net				12,570
Other expenses				(4,222)
Finance costs				(30,108)
Profit before tax				16,844

	Six months ended 30 June 2021			
	Apparel products			
	Offline channels (Unaudited) RMB'000	Online channels (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue				
Sales to external customers	710,126	484,078	10,226	1,204,430
Total revenue	710,126	484,078	10,226	1,204,430
Segment results	422,575	198,749	2,502	623,826
Other income and gains				26,849
Selling and distribution expenses				(428,278)
Administrative expenses				(108,943)
Impairment losses on financial assets, net				(8,331)
Other expenses				(5,538)
Finance costs				(28,017)
Share of profit of an associate				377
Profit before tax				71,945

Notes to Interim Condensed Consolidated Financial Information

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4. OPERATING SEGMENT INFORMATION (continued)

Geographic information

(a) Revenue from external customers

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Mainland China	1,048,628	1,204,430

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

(b) Non-current assets

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
	Mainland China	623,025
Hong Kong	1,330	1,035
Total	624,355	576,483

The non-current asset information above is based on the locations of the assets and excludes equity investment and deferred tax assets.

Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's total revenue during the reporting period (six months ended 30 June 2021: Nil).



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	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Revenue from contracts with customers		
Sale of apparel products		
Online channels	475,318	484,078
Offline channels		
Self-owned stores	363,688	431,051
Partnership stores	83,857	79,328
Distributor stores	119,391	199,747
Sale of other products	4,296	6,274
Consignment services	2,078	3,952
Total	1,048,628	1,204,430

Disaggregated revenue information for revenue from contracts with customers

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Timing of revenue recognition		
Goods transferred at a point in time	1,046,550	1,200,478
Services transferred at a point in time	2,078	3,952
Total revenue from contracts with customers	1,048,628	1,204,430

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Other income and gains		
Government grants	16,367	21,611
Bank interest income	1,766	1,701
Gain on terminations of leases, net	1,440	1,333
Penalty charges received from distributors	695	966
Foreign exchange gains, net	281	42
Sale of raw materials	–	18
Others	897	1,178
	21,446	26,849

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6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Cost of inventories sold	487,873	545,391
Cost of services provided	1,757	3,396
Cost of raw materials sold	285	622
Depreciation of property, plant and equipment	34,207	28,417
Impairment of property, plant and equipment	259	515
Depreciation of right-of-use assets	65,739	58,835
Amortisation of intangible assets	2,757	1,900
Impairment of trade receivables, net	(12,784)	8,305
Impairment of other receivables, net	214	26
Write-down of inventories to net realisable value	22,512	31,817
Lease payments not included in the measurement of lease liabilities	27,717	27,421
Auditor's remuneration	1,000	880
Loss on disposal of items of property, plant and equipment, net	3,351	2,700
Gain on de-registration of a subsidiary	–	(6)
Foreign exchange differences, net	(281)	(42)
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	58,153	60,874
Pension scheme contributions	5,157	5,843
Staff welfare expenses	2,582	3,593
	65,892	70,310

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Interest on bank and other borrowings	27,452	24,371
Interest on lease liabilities	5,517	5,059
	32,969	29,430
Less: Interest capitalised	(2,861)	(1,413)
	30,108	28,017



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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% (2021: 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 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 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 current income tax in Mainland China is based on the statutory rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law, except for certain subsidiaries of the Group, which were entitled to a preferential income tax rate of 2.5% (2021: 2.5%) for small and micro enterprises during the reporting period.

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Current tax:		
Charge for the period	20,575	27,369
Deferred tax	(7,939)	(3,668)
Total tax charge for the period	12,636	23,701

9. DIVIDENDS

The board of directors did not declare the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the number of ordinary shares of 912,500,000 (six months ended 30 June 2021: 912,500,000) in issue during the period. The number of shares for the current period has been arrived at after eliminating the shares of the Company held under the restricted share unit scheme.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all dilutive potential ordinary shares arising from the restricted share units ("RSUs") granted by the Company.

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	5,754	48,511
	Number of shares Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Shares		
Number of ordinary shares in issue during the period used in the basic earnings per share calculation	912,500,000	912,500,000
Effect of dilution – weighted average number of ordinary shares arising from the RSUs	4,545,220	6,897,564
	917,045,220	919,397,564



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11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Carrying amount at beginning of period/year	267,343	176,603
Additions	91,171	155,367
Depreciation provided during the period/year	(34,207)	(54,521)
Impairment	(259)	(625)
Transfers	–	(274)
Disposals	(3,698)	(9,207)
Carrying amount at end of period/year	320,350	267,343

12. INTANGIBLE ASSETS

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Carrying amount at beginning of period/year	43,311	28,913
Additions	292	19,057
Transfers	–	274
Amortisation provided during the period/year	(2,757)	(4,913)
Exchange realignment	54	(20)
Carrying amount at end of period/year	40,900	43,311

13. INVENTORIES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Raw materials	2,577	2,283
Decorations	10,440	12,262
Finished goods	684,572	825,828
	697,589	840,373

Notes to Interim Condensed Consolidated Financial Information

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14. TRADE AND NOTES RECEIVABLES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Trade receivables	719,020	821,195
Notes receivable	–	44,020
	719,020	865,215
Impairment of trade receivables	(425,359)	(438,143)
	293,661	427,072

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.

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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 3 months	135,382	296,549
3 to 6 months	53,985	23,542
6 to 12 months	93,063	45,705
1 to 2 years	63,232	82,225
Over 2 years	373,358	373,174
	719,020	821,195

As at 31 December 2021, the Group discounted certain notes receivable (the "Discounted Notes") with carrying amounts in aggregate of RMB44,020,000. The Discounted Notes had 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 had a right of recourse against the Group if the PRC banks or the counterparties default.

As at 31 December 2021, the Group recognised the proceeds received from the discount of the Discounted Notes with an amount of RMB44,020,000 (note 19), because the directors believed that the Group had retained the substantial risks and rewards, which included default risks relating to such Discounted Notes.



Notes to Interim Condensed Consolidated Financial Information

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15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Other receivables	332,221	245,292
Prepaid expenses	22,707	29,883
Prepayments	189,078	34,157
Tax recoverable	20,594	25,347
Others	1,023	832
	565,623	335,511
Impairment	(136,232)	(134,612)
	429,391	200,899

As at 30 June 2022, included in the prepayment, other receivables and other assets are prepayments of RMB36,642,000 (31 December 2021: RMB14,276,000) to the Group's related party and other receivables of RMB2,000,000 (31 December 2021: RMB2,000,000) due from the Group's related party, respectively.

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Cash and bank balances	539,387	677,230
Short-term time deposits	129,510	11,920
	668,897	689,150
Less: Pledged short-term deposits:		
Pledged for notes payable	(27,190)	(11,920)
Pledged for letter of credit	(50,000)	-
Pledged for bank loans	(52,320)	-
Cash and cash equivalents	539,387	677,230
Denominated in RMB	510,808	592,242
Denominated in US\$	25,585	51,024
Denominated in HK\$	201	31,283
Denominated in MOP	2,793	2,681
Cash and cash equivalents	539,387	677,230

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

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 deposits were pledged for notes payable and letter of credit with a maturity from three to six 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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Trade payables	111,631	356,824
Notes payable	60,400	118,100
	172,031	474,924

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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 3 months	82,653	325,978
3 to 6 months	9,263	15,309
6 to 12 months	7,764	6,879
1 to 2 years	10,374	7,459
Over 2 years	1,577	1,199
	111,631	356,824

As at 30 June 2022, included in the trade and notes payables are trade payables of RMB197,000 (31 December 2021: RMB358,000) 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.



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18. OTHER PAYABLES AND ACCRUALS

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Other payables	85,435	107,739
Accrued payroll	48,656	64,629
Accrued expenses	31,650	37,902
Taxes payable other than corporate income tax	20,365	27,978
	186,106	238,248

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

Notes to Interim Condensed Consolidated Financial Information

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19. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 June 2022 (Unaudited)			As at 31 December 2021 (Audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Current portion of long-term bank loan – secured US\$226,000,000 bank loan (note (a))	1-month LIBOR plus 3.90%	Within 2022	727,710	1-month LIBOR plus 3.90%	Within 2022	690,591
Current portion of long-term bank loans – secured (note (b))	5-year LPR	Within 2023	23,960	5-year LPR	Within 2022	17,440
Bank loans – unsecured	3.24% – 3.46%	Within 2023	200,000	LPR plus 0.05% – 0.20%	Within 2022	150,000
Bank loans – secured (note (c))	1.00% – 3.55%	Within 2023	168,300	–	–	–
Discounted letter of credit – unsecured	2.15% – 3.24%	Within 2023	153,403	1-year LPR	Within 2022	69,826
Discounted letter of credit – secured (note (d))	1.48%	Within 2023	100,000	–	–	–
Discounted notes receivable (note 14)	–	–	–	–	Within 2022	44,020
			<u>1,373,373</u>			<u>971,877</u>
Non-current						
Bank loans – secured (note (b))	5-year LPR	2023 - 2028	117,873	5-year LPR	2023 - 2028	87,683
			<u>117,873</u>			<u>87,683</u>
			<u>1,491,246</u>			<u>1,059,560</u>



Notes to Interim Condensed Consolidated Financial Information

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19. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	1,373,373	971,877
In the second year	22,450	16,260
In the third to fifth years, inclusive	67,350	48,780
Beyond five years	28,073	22,643
	1,491,246	1,059,560

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) The bank loans of RMB141,833,000 (31 December 2021: RMB105,123,000) are secured by mortgages over the Group's leasehold land, which had a net carrying value at the end of the reporting period of approximately RMB20,663,000 (31 December 2021: RMB20,993,000).
- (c) The bank loans of RMB168,300,000 (31 December 2021: Nil) are secured by the pledge of certain of the Group's time deposits amounting to approximately RMB52,320,000 at the end of the reporting period (31 December 2021: Nil).
- (d) The discounted letter of credit of RMB100,000,000 (31 December 2021: Nil) is secured by the pledge of certain of the Group's time deposits amounting to approximately RMB50,000,000 at the end of the reporting period (31 December 2021: Nil).
- (e) Except for the US\$226,000,000 bank loans which are denominated in United States dollars, all borrowings are in RMB.

20. COMMITMENTS

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Contracted, but not provided for:		
Buildings	46,118	68,859
Machinery and equipment	1,559	5,273
Software	9,982	11,518
	57,659	85,650

21. 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
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 Industrial Technology Co., Ltd. (" Ningbo Chisage Industrial ")	An entity controlled by a director
Huaian Chisage Industrial Co., Ltd. (" Huaian Chisage Industrial ")	An entity controlled by a director
Ningbo Wenmo Garment Co., Ltd. (" Wenmo Garment ")*	An entity controlled by a director
Ningbo Moka Clothing Co., Ltd. (" Moka Clothing ")	An associate

* Wenmo Garment has ceased to be an entity controlled by a director since 27 January 2022.



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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	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Purchases of products from:			
Ningbo Chisage Industrial	(i)	17,883	21,991
Huaian Chisage Industrial	(i)	2,399	1,207
Moka Clothing	(i)	138	–
Depreciation of right-of-use assets:			
Wenmo Garment	(ii)	491	2,947
Songhe Apparel	(ii)	2,297	2,297
Interest expense on lease liabilities:			
Wenmo Garment	(ii)	200	1,322
Songhe Apparel	(ii)	173	276
Rental fees to:			
Chisage Holding	(iii)	–	1,983

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 depreciation of right-of-use assets and interest expense on lease liabilities were charged to profit or loss under IFRS 16 relating to the lease of the warehouses and offices from related parties pursuant to the terms of the agreements signed between the Group and the related parties.
- (iii) The rental fees were paid for the lease of the warehouses from the related party. The rental fees were charged pursuant to the terms of the agreements signed between the Group and the related party.

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21. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

(i) Due from a related party

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Glorious Cayman	235	223

(ii) Due to a related party

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Glory Cayman	135	128

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	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Short-term employee benefits	5,155	7,689
Pension scheme contributions	70	66
Total compensation paid to key management personnel	5,225	7,755



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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 2022 (Unaudited)

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	Equity investment RMB'000	RMB'000	
Trade and notes receivables	–	293,661	293,661
Equity investment designated at fair value through other comprehensive income	11,834	–	11,834
Financial assets included in prepayments, deposits and other receivables	–	195,989	195,989
Due from a related party	–	235	235
Pledged short-term deposits	–	129,510	129,510
Cash and cash equivalents	–	539,387	539,387
	11,834	1,158,782	1,170,616

31 December 2021 (Audited)

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	Equity investment RMB'000	RMB'000	
Trade and notes receivables	–	427,072	427,072
Equity investment designated at fair value through other comprehensive income	11,834	–	11,834
Financial assets included in prepayments, deposits and other receivables	–	110,680	110,680
Due from a related party	–	223	223
Pledged short-term deposits	–	11,920	11,920
Cash and cash equivalents	–	677,230	677,230
	11,834	1,227,125	1,238,959

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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Trade and notes payables	172,031	474,924
Financial liabilities included in other payables and accruals	117,085	145,641
Interest-bearing bank and other borrowings	1,491,246	1,059,560
Due to a related party	135	128
Lease liabilities	236,947	243,495
	2,017,444	1,923,748

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 assessed 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/to a related party and 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 non-current portion of interest-bearing bank and other 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 and other borrowings and lease liabilities as at 30 June 2022 were assessed to be insignificant.



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30 June 2022

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

The fair value of unlisted equity investment designated at fair value through other comprehensive income has been estimated using the discounted cash flow method based on assumptions that are not supported by observable market prices or rates. The directors believe that the estimated fair value resulting from the valuation technique, which is recorded in the consolidated statement of financial position, and the related change in fair values, which is recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

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 2022 (Unaudited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investment designated at fair value through other comprehensive income	-	-	11,834	11,834

As at 31 December 2021 (Audited)

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investment designated at fair value through other comprehensive income	-	-	11,834	11,834

The Group did not have any financial liabilities measured at fair value as at 30 June 2022 (31 December 2021: 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 2021: Nil).