

GXG

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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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GXG | 更适合通勤的青年休闲男装

INTERIM REPORT 2023

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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 unisex apparel segments. With our experience and execution capabilities in the fashion industry, we have optimized 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. In 2020, we launched MODE COMMUTER, a high-quality commuting apparel brand, which helped strengthen the brand portfolio of our Group. 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. TANG Shun Lam (*Chairman*)⁽¹⁾

Mr. HUANG Hanji (*Chairman*)⁽²⁾

Mr. YANG Herong

Mr. CHEN Scott Yue

Mr. YOUNG Christopher

Mr. TIAN Min

Independent Non-Executive Directors

Mr. GU Jiong

Mr. LIAO Xiaoxin

Mr. Paolo BODO⁽³⁾

Ms. XU Yanyun⁽⁴⁾

AUDIT COMMITTEE

Mr. GU Jiong (*Chairman*)

Ms. XU Yanyun

Mr. LIAO Xiaoxin

REMUNERATION COMMITTEE

Mr. GU Jiong (*Chairman*)

Ms. XU Yanyun

Mr. LIAO Xiaoxin

Mr. YANG Herong

Mr. TIAN Min

NOMINATION COMMITTEE

Mr. TANG Shun Lam (*Chairman*)

Mr. GU Jiong

Mr. LIAO Xiaoxin

JOINT COMPANY SECRETARIES

Mr. DING Dade

Ms. NG Sau Mei (*FCG, 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. TANG Shun Lam was appointed as a non-executive Director and the chairman of the Board on 30 March 2023.

(2) Mr. HUANG Hanji resigned as a non-executive Director and the chairman of the Board on 30 March 2023.

(3) Mr. Paolo BODO resigned as an independent non-executive Director on 19 January 2023.

(4) Ms. XU Yanyun was appointed as an independent non-executive Director on 19 January 2023.

Management Discussion and Analysis

BUSINESS OVERVIEW AND OUTLOOK

In the first half of 2023, the Group's business, particularly its offline retail channels, has recovered from the novel coronavirus 2019 pandemic. The Group believes that its performance will continue to improve in the remaining part of the year, as offline consumption continues to recover. Moreover, benefiting from its omni-channel strategy and consumers' growing spending power driven by the development in China's domestic economy, 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;
- 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
- Improve the management of self-owned stores and control retail discount rates and product costs to increase the Group's gross profit margin.

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 2023 (the "Period"), the total sales revenue recorded was RMB1,085.3 million, representing an increase of 3.5%, or RMB36.7 million, from RMB1,048.6 million for the same period in 2022. Such increase was primarily attributable to an increase in the sales revenue from the Group's main brand, namely GXG, as a result of the recovery of offline consumer consumption coupled with the improvement in operational efficiency of offline retail channels and the successful implementation of the Group's brand promotion initiatives.

Revenue by brand

	Six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
GXG	921,898	84.9	833,834	79.6
gxg jeans	86,532	8.0	99,728	9.5
gxg.kids	56,343	5.2	88,474	8.4
Mode Commuter	18,526	1.7	15,070	1.4
Others	2,044	0.2	11,522	1.1
Total	1,085,343	100.0	1,048,628	100.0

For the Period, sales revenue from the Group's main brand, namely GXG, increased by 10.6%, or RMB88.1 million, as compared to that for the same period in 2022, primarily due to the recovery of offline consumer consumption coupled with the improvement in operational efficiency of offline retail channels and the successful implementation of the Group's brand promotion initiatives.

Management Discussion and Analysis

For the Period, sales revenue from gxg jeans decreased by 13.2%, or RMB13.2 million, as compared to that for the same period in 2022, primarily due to a decrease in the sales revenue from offline channels as the Group reduced the number of gxg jeans stores to enhance store efficiency.

For the Period, sales revenue from gxg.kids decreased by 36.4%, or RMB32.2 million, as compared to that for the same period in 2022, primarily because the Group reduced the business scale of gxg.kids.

For the Period, sales revenue from Mode Commuter increased by 22.5%, or RMB3.4 million, as compared to that for the same period in 2022, primarily because the Group improved the management of its self-owned Mode Commuter stores and optimized the brand's product offerings.

Revenue by sales channel

	Six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Sales of apparel products				
Offline channels				
Self-owned stores	443,558	40.8	363,688	34.7
Partnership stores	79,918	7.4	83,857	8.0
Distributor stores	131,650	12.1	119,391	11.4
Online channels	426,767	39.3	475,318	45.3
Sales of other products	3,066	0.3	4,296	0.4
Consignment services	384	0.1	2,078	0.2
Total	1,085,343	100.0	1,048,628	100.0

Sales from self-owned stores for the Period increased by 22.0%, or RMB79.9 million, to RMB443.6 million, and sales from distributor stores for the Period increased by 10.3%, or RMB12.3 million, to RMB131.7 million, as compared to that for the same period in 2022. Such increases were primarily due to the successful implementation of the Group's brand promotion initiatives, which enhanced its products' brand awareness.

Sales from partnership stores for the Period decreased by 4.8%, or RMB4.0 million, to RMB79.9 million, as compared to that for the same period in 2022, primarily due to subsidies provided by the Group to its partners during the Period.

Online channel sales for the Period decreased by 10.2%, or RMB48.5 million, to RMB426.8 million as compared to that for the same period in 2022, primarily because the Group reduced the business scale of non-core brands on online channels.

Management Discussion and Analysis

Number of stores by brand

	30 June 2023		31 December 2022	
	<i>Number of stores</i>	<i>%</i>	<i>Number of stores</i>	<i>%</i>
GXG	922	88.1	973	86.8
g×g jeans	68	6.5	80	7.1
g×g.kids	42	4.0	51	4.5
Mode Commuter	15	1.4	18	1.6
Total	1,047	100.0	1,122	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 to 1,047 as at 30 June 2023 from 1,122 as at the end of 2022.

Number of stores by sales channel

	30 June 2023		31 December 2022	
	<i>Number of stores</i>	<i>%</i>	<i>Number of stores</i>	<i>%</i>
Self-owned stores	372	35.5	393	35.0
Partnership stores	158	15.1	184*	11.9
Distributor stores	517	49.4	545*	53.1
Total	1,047	100.0	1,122	100.0

* The figures were inadvertently miscalculated in the Group's 2022 annual results announcement dated 30 March 2023, and the Group does not consider such inadvertent errors to be material. Please refer to the updated and corrected figures presented herein.

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 offline stores that failed to reach designated sales targets, causing a decrease in the number of offline stores from 1,122 as at the end of 2022 to 1,047 as at 30 June 2023.

Gross Profit and Gross Profit Margin

The Group recorded a total gross profit of RMB577.7 million for the Period, representing an increase of 7.7%, or RMB41.2 million, from RMB536.5 million for the same period in 2022. Gross profit margin increased to 53.2% during the Period from 51.2% for the same period in 2022. Details of and the reasons for the increase 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	
	2023	Gross Profit Margin	Gross Profit	Gross Profit Margin
	Gross Profit <i>RMB'000</i>	%	<i>RMB'000</i>	%
GXG	520,955	56.5	449,184	53.9
gxc jeans	40,177	46.4	40,354	40.5
gxc.kids	6,132	10.9	38,034	43.0
Mode Commuter	9,963	53.8	6,175	41.0
Others	484	23.7	2,739	23.8
Total	577,711	53.2	536,486	51.2

Since the Group (i) controlled retail discount rates on products and product costs, and (ii) increased sales of products through offline channels, where the profit margin of products is generally higher than that in online channels, the overall gross profit margin of the Group increased to 53.2% during the Period.

During the Period, the gross profit of GXG and Mode Commuter increased by RMB71.8 million, or approximately 16.0%, and RMB3.8 million, or approximately 61.3%, respectively, as compared to that for the same period in 2022. Such increases in gross profit were primarily due to the increases in their respective revenue. The gross profit of gxc jeans remained relatively stable at RMB40.2 million for the Period, as compared to RMB40.4 million for the same period in 2022. The gross profit margin of GXG, gxc jeans and Mode Commuter increased by 2.6 percentage points, 5.9 percentage points, and 12.8 percentage points, respectively. Such increases in gross profit margins of GXG, gxc jeans and Mode Commuter were primarily because the Group offered lower retail discount rates on products under these brands and effectively controlled product costs.

During the Period, the gross profit of gxc.kids decreased by RMB31.9 million, or approximately 83.9%, and the gross profit margin of gxc.kids decreased by 32.1 percentage points. Such decreases were primarily because the Group reduced the business scale of gxc.kids.

Management Discussion and Analysis

Gross profit and gross profit margin by sales channel

	Six months ended 30 June			
	2023		2022	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %
Sales of apparel products				
Offline channels				
Self-owned stores	325,478	73.4	251,580	69.2
Partnership stores	23,781	29.8	34,366	41.0
Distributor stores	70,938	53.9	54,167	45.4
Online channels	156,670	36.7	194,950	41.0
Sales of other products	783	25.5	1,102	25.7
Consignment services	61	15.9	321	15.4
Total	577,711	53.2	536,486	51.2

Gross profit of self-owned stores for the Period increased by RMB73.9 million, or approximately 29.4%, as compared to that for the same period in 2022, primarily due to an increase in its revenue. Gross profit margin of self-owned stores for the Period increased by 4.2 percentage points to 73.4%, as compared to that for the same period in 2022, primarily because the Group offered lower retail discounts on the products sold during the Period than those sold in the same period in 2022.

Gross profit of partnership stores for the Period decreased by RMB10.6 million, or approximately 30.8%, with gross profit margin decreased by 11.2 percentage points to 29.8%, as compared to that for the same period in 2022. Such decreases were primarily due to subsidies provided by the Group to its partners during the Period and the adjustment in partnership stores' product offerings.

Gross profit of distributor stores for the Period increased by RMB16.7 million, or approximately 30.8%, with gross profit margin increased by 8.5 percentage points to 53.9%, as compared to that for the same period in 2022. Such increases were primarily due to a decrease in product costs.

Gross profit of online channels for the Period decreased by RMB38.3 million, or approximately 19.6%, to RMB156.7 million, as compared to that for the same period in 2022, primarily due to a decrease in revenue as the Group reduced the business scale of non-core brands on online channels. Gross profit margin of online channels decreased by 4.3 percentage points to 36.7%, as compared to that for the same period in 2022, primarily due to an increase in the sales of out-of-season products, which generally entail relatively lower selling prices.

OTHER INCOME AND GAINS

Other income and gains for the Period were RMB41.3 million, representing an increase of 93.0%, or RMB19.9 million, as compared to RMB21.4 million for the same period in 2022, mainly attributable to an increase in investment income from time deposits and foreign exchange gains.

SELLING AND DISTRIBUTION EXPENSES

Total selling and distribution expenses for the Period increased by 5.1%, or RMB21.5 million, to RMB439.3 million as compared to RMB417.8 million for the same period in 2022, mainly due to an increase in advertising expenses as the Group increased its brand promotion activities during the Period.

Selling and distribution expenses as a percentage of the Group's total revenue remained relatively stable at 40.5% for the Period as compared to 39.8% for the same period in 2022.

ADMINISTRATIVE EXPENSES

Total administrative expenses for the Period increased by 4.8%, or RMB4.9 million, to RMB106.4 million as compared to RMB101.5 million for the same period in 2022.

The increase in administrative expenses was mainly due to an increase in professional service expenses. Total administrative expenses as a percentage of the Group's total revenue remained relatively stable at 9.8% for the Period as compared to 9.7% for the same period in 2022.

IMPAIRMENT LOSSES ON FINANCIAL ASSETS, NET

The Group recorded impairment losses on financial assets, net for the Period of RMB4.9 million, as compared to reversal of impairment losses on financial assets of RMB12.6 million for the same period in 2022. This was mainly due to an increase in aged trade receivables recognized from certain customers and an increase in expected credit loss rates the Group estimated for such receivables.

OTHER EXPENSES

The Group's other expenses for the Period increased by 45.2%, or RMB1.9 million, to RMB6.1 million, as compared to RMB4.2 million for the same period in 2022. This was mainly due to an increase in decoration expenses recognized from the stores the Group closed during the Period.

FINANCE COSTS

Finance costs for the Period increased by 5.3%, or RMB1.6 million, to RMB31.7 million, as compared to RMB30.1 million for the same period in 2022. The increase was mainly due to an increase in interests on bank loans.

PROFIT BEFORE TAX

The Group's profit before tax for the Period was RMB30.6 million, representing an increase of RMB13.8 million, from RMB16.8 million for the same period in 2022. The increase was mainly due to an increase in gross profit.

INCOME TAX EXPENSE

Income tax expense for the Period was RMB2.9 million, representing a decrease of RMB9.7 million, as compared to RMB12.6 million for the same period in 2022.

PROFIT FOR THE PERIOD

As a result of the foregoing factors, profit for the Period was RMB27.7 million, representing an increase of RMB23.5 million, as compared to RMB4.2 million for the same period in 2022.

Management Discussion and Analysis

OPERATING CASH FLOWS

Net operating cash outflow for the Period was RMB33.3 million, primarily due to a decrease in working capital of RMB138.5 million and the cash inflow from operating profit of RMB105.2 million. The Group's net operating cash outflow for the Period decreased by RMB313.9 million, as compared to RMB347.2 million for the same period in 2022, mainly due to a decrease in inventory.

CAPITAL EXPENDITURES

The Group's capital expenditures include payments for property, plant and equipment and intangible assets. During the Period, the Group's capital expenditures amounted to RMB59.0 million, representing a decrease of 38.4%, or RMB36.8 million, from RMB95.8 million for the same period in 2022. The relatively lower capital expenditures in the first half of 2023 were primarily due to lower costs of renovation of the Group's headquarters office building during the Period.

FINANCIAL POSITION

The Group generally funds its operations with bank and other borrowings. As at 30 June 2023, the Group had bank and other borrowings of RMB1,602.1 million. Bank and other borrowings were mainly denominated in RMB and U.S. dollars as at 31 December 2022 and 30 June 2023. As at 30 June 2023, the Group had fixed-rate bank borrowings of RMB1,163.1 million (31 December 2022: RMB1,184.1 million). For details, please see note 19 of the "Notes to Interim Condensed Consolidated Financial Information".

The Group's cash and cash equivalents and pledged deposits totalled RMB1,095.1 million as at 30 June 2023, representing a decrease of 21.0%, or RMB290.7 million, from RMB1,385.8 million as at the end of 2022. Cash and cash equivalents as at 30 June 2023 were RMB220.9 million, among which 97.9% was denominated in RMB, 2.0% in U.S. dollars, and 0.1% in Macau Pataca. Pledged deposits as at 30 June 2023 were RMB874.2 million, among which 99.5% was denominated in RMB and 0.5% in U.S. dollars.

GEARING RATIO

The Group's gearing ratio is calculated by dividing the Group's total borrowings by the Group's total assets. As at 30 June 2023, the Group's gearing ratio was 53.0% (31 December 2022: 50.3%). The increase in gearing ratio during the Period was primarily due to an increase in the seasonal borrowings used in the prepayments for the purchases of winter goods for 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 2023, among the Group’s bank loans, RMB135.6 million were secured by mortgages over the Group’s leasehold land, and RMB497.1 million and US\$29.6 million were secured by the Group’s pledged deposit.

As at 30 June 2023, the Group had a discounted letter of credit of RMB88.0 million, which was secured by the Group’s pledged deposit.

As at 30 June 2023, the Group’s discounted notes receivable of RMB128.0 million were secured by the Group’s pledged deposit.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no significant contingent liabilities (as at 31 December 2022: Nil).

EVENTS AFTER THE PERIOD

As at the date of this report, no material event has occurred after 30 June 2023.

HUMAN RESOURCES

As at 30 June 2023, the number of employees of the Group was 516, as compared to 603 as at 31 December 2022. 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 RMB61.5 million, as compared to RMB68.1 million for the same period in 2022. The total cost of staff for the Period represents 5.7% of the Group’s revenue, as compared to 6.5% for the same period in 2022. The decrease was mainly because the Group controlled the staff costs during the Period.

Other Information

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

As at 30 June 2023, the interests and short positions of the directors (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 2023, the Company had 950,000,000 ordinary Shares in issue.

Save as disclosed above, as at 30 June 2023, 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 2023, 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.) is deemed to be interested in the Shares. Mr. David McKee Hand disclaims beneficial ownership of the Shares.
- (4) As at 30 June 2023, the Company had 950,000,000 ordinary Shares in issue.

Save as disclosed above, as at 30 June 2023, 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.

Other Information

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 2023, the remaining life of the RSU Scheme is approximately five 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 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 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 from any shareholder of the Company or purchase existing Shares (either on-market or off-market) to satisfy the RSUs upon exercise.

The total number of Shares in respect of the RSUs that may be granted and to be granted to a grantee under the RSU Scheme in any 12-month period up to the date of the latest grant shall not exceed 1% of the Company's issued share capital from time to time, such grant must be separately approved by the shareholders of the Company at a general meeting with the grantee and his/her associates abstaining from voting, the Company shall also issue a circular pursuant to the relevant provisions of Chapter 17 of the Listing Rules. For the avoidance of doubt, the RSU Scheme currently only composes of existing Shares.

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 (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 exercise price in respect of the RSUs shall be such price as the Board may in its discretion determine. 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. As at 30 June 2023, an aggregate of 26,100,000 Shares were held by the Trustee and available for grant under the RSU Scheme, representing approximately 2.75% of the Shares in issue as at the date of this report. As at 30 June 2023, RSUs in respect of an aggregate of 11,400,000 Shares, representing approximately 1.2% of the Shares in issue as at the date of this report, had been granted to 11 RSU Participants pursuant to the RSU Scheme.

During the six months ended 30 June 2023, no RSU has been granted or agreed to be granted under the RSU Scheme, nor has any RSU been exercised, vested, lapsed or cancelled.

Other Information

Details of the RSUs granted under the RSU Scheme and details of the movements in RSUs during the six months ended 30 June 2023 are set out below:

Name of grantee	Positions held with the Group	Number of Shares represented by RSUs as at 1 January 2023	Date of grant	Exercise price (HK\$)	Outstanding as at 1 January 2023	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Outstanding as at 30 June 2023	Number of Shares represented by RSUs as at 30 June 2023
Director											
Mr. YU Yong	Executive Director and chief executive officer of the Group	2,000,000	29 December 2020	2.634	2,000,000	-	-	-	-	2,000,000	2,000,000
Five highest paid individuals for the Period											
Three senior management of the Company		4,300,000	29 December 2020	2.634	4,300,000	-	-	-	-	4,300,000	4,300,000
Director of subsidiaries of the Company											
One director of subsidiaries of the Company		600,000	29 December 2020	2.634	600,000	-	-	-	-	600,000	600,000
Other employees of the Group											
Six employees of the Group		4,500,000	29 December 2020	2.634	4,500,000	-	-	-	-	4,500,000	4,500,000
Total		11,400,000			11,400,000	-	-	-	-	11,400,000	11,400,000

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.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on 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 2023, the proceeds amounting to a total of RMB685.1 million (equivalent to approximately HK\$781.2 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. As at 30 June 2023, 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 2023 (RMB million)	Unutilised amount as at 30 June 2023 (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	19	121	20
To provide funding for working capital and other general corporate purposes	10%	71	-	71	-
Total	100%	705	19	685	20

As at 30 June 2023, the remaining proceeds of approximately RMB19.8 million (equivalent to approximately HK\$21.5 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 18 months.

INTERIM DIVIDEND

The Board does 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 applied the principles and complied with all applicable code provisions as set out in the Corporate Governance Code contained in Part 2 of Appendix 14 to the Listing Rules throughout the Period.

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/she has complied with the required standards set out in the Model Code throughout the Period 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 Period.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference. As at the date of this report, the audit committee of the Company comprises three independent non-executive Directors, namely Mr. GU Jiong, Ms. XU Yanyun and Mr. LIAO Xiaoxin. 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 2023, 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

On 19 January 2023, Mr. Paolo BODO resigned as an independent non-executive Director and Ms. XU Yanyun was appointed as an independent non-executive Director. On 30 March 2023, Mr. HUANG Hanji resigned as a non-executive Director and the chairman of the Board and Mr. TANG Shun Lam was appointed as a non-executive Director and the chairman of the Board.

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 2022 annual report.

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

For the six months ended 30 June 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
REVENUE	5	1,085,343	1,048,628
Cost of sales		(507,632)	(512,142)
Gross profit		577,711	536,486
Other income and gains	5	41,266	21,446
Selling and distribution expenses		(439,330)	(417,824)
Administrative expenses		(106,424)	(101,504)
Impairment losses on financial assets, net		(4,915)	12,570
Other expenses		(6,064)	(4,222)
Finance costs	7	(31,675)	(30,108)
PROFIT BEFORE TAX	6	30,569	16,844
Income tax expense	8	(2,904)	(12,636)
PROFIT FOR THE PERIOD		27,665	4,208
Attributable to:			
Owners of the parent		29,899	5,754
Non-controlling interests		(2,234)	(1,546)
		27,665	4,208
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	10	RMB3.28 cents	RMB0.63 cents
Diluted	10	RMB3.28 cents	RMB0.63 cents

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

For the six months ended 30 June 2023

	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	27,665	4,208
OTHER COMPREHENSIVE LOSS		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	2,024	596
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	(26,865)	(32,325)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(24,841)	(31,729)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	2,824	(27,521)
Attributable to:		
Owners of the parent	5,058	(25,975)
Non-controlling interests	(2,234)	(1,546)
	2,824	(27,521)

Interim Condensed Consolidated Statement of Financial Position

30 June 2023

	<i>Notes</i>	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	337,183	311,239
Right-of-use assets		150,885	217,199
Intangible assets	12	35,782	38,591
Equity investment designated at fair value through other comprehensive income		6,390	6,390
Deferred tax assets		223,695	217,402
Pledged deposits	16	534,969	529,646
Total non-current assets		1,288,904	1,320,467
CURRENT ASSETS			
Inventories	13	556,644	683,493
Right of return assets		18,863	47,100
Trade and notes receivables	14	255,296	361,657
Prepayments, other receivables and other assets	15	340,679	251,295
Pledged deposits	16	339,169	603,954
Cash and cash equivalents	16	220,912	252,194
Total current assets		1,731,563	2,199,693
CURRENT LIABILITIES			
Trade and notes payables	17	279,100	439,366
Other payables and accruals	18	185,052	203,789
Refund liabilities		47,232	109,330
Contract liabilities		36,953	49,047
Interest-bearing bank and other borrowings	19	906,522	1,184,004
Lease liabilities		80,385	109,637
Tax payable		8,587	20,314
Total current liabilities		1,543,831	2,115,487
NET CURRENT ASSETS		187,732	84,206
TOTAL ASSETS LESS CURRENT LIABILITIES		1,476,636	1,404,673

Interim Condensed Consolidated Statement of Financial Position

30 June 2023

	<i>Note</i>	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		1,476,636	1,404,673
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	19	695,615	588,236
Lease liabilities		49,775	88,878
Deferred tax liabilities		39,944	39,081
Total non-current liabilities		785,334	716,195
Net assets		691,302	688,478
EQUITY			
Equity attributable to owners of the parent			
Share capital		8,343	8,343
Reserves		681,113	676,055
		689,456	684,398
Non-controlling interests		1,846	4,080
Total equity		691,302	688,478

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the parent											
	Share capital RMB'000	Share premium account RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Statutory surplus reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023 (audited)	8,343	734,670	(215,779)	765,360	(5,444)	136,492	21,381	(2,705)	(757,920)	684,398	4,080	688,478
Profit for the period	-	-	-	-	-	-	-	-	29,899	29,899	(2,234)	27,665
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(24,841)	-	(24,841)	-	(24,841)
Total comprehensive income for the period	-	-	-	-	-	-	-	(24,841)	29,899	5,058	(2,234)	2,824
At 30 June 2023 (unaudited)	8,343	734,670*	(215,779)*	765,360*	(5,444)*	136,492*	21,381*	(27,546)*	(728,021)*	689,456	1,846	691,302

For the six months ended 30 June 2022

	Attributable to owners of the parent											
	Share capital RMB'000	Share premium account RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Statutory surplus reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity 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

* These reserve accounts comprise the consolidated reserves of RMB681,113,000 in the condensed consolidated statement of financial position as at 30 June 2023.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

<i>Notes</i>	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
	30,569	16,844
Profit before tax		
Adjustments for:		
Impairment/(reversal of impairment) of trade and other receivables, net	6 4,915	(12,570)
Impairment of property, plant and equipment	6 175	259
(Reversal of write-down)/write-down of inventories to net realisable value	6 (9,073)	22,512
Depreciation of property, plant and equipment	11 26,923	34,207
Depreciation of right-of-use assets	6 63,373	65,739
Amortisation of other intangible assets	12 2,669	2,757
Loss on disposal of items of property, plant and equipment, net	6 4,534	3,351
Foreign exchange differences, net	6 (16,411)	(281)
Finance costs	7 31,675	30,108
Gain on terminations of leases, net	6 (678)	(1,440)
Investment income from pledged deposits	5 (13,369)	–
	125,302	161,486
Decrease in trade and notes receivables	52,272	146,195
Increase in prepayments, other receivables and other assets	(86,161)	(230,362)
Decrease in inventories	135,922	120,272
Decrease in right of return assets	28,237	31,881
Increase in pledged short-term deposits	(16,053)	(117,590)
Decrease in trade and notes payables	(160,266)	(302,893)
Decrease in other payables and accruals	(18,282)	(48,987)
Decrease in refund liabilities	(62,098)	(75,014)
(Decrease)/increase in contract liabilities	(12,094)	7,203
	(13,221)	(307,809)
Cash used in operations		
Income tax paid	(20,061)	(39,367)
	(33,282)	(347,176)
Net cash flows used in operating activities		

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(51,761)	(89,536)
Purchases of intangible assets	(7,264)	(6,293)
Proceeds from disposal of items of property, plant and equipment	816	347
Net cash flows used in investing activities	(58,209)	(95,482)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank and other borrowings	635,996	658,413
Repayment of bank and other borrowings	(765,868)	(263,846)
Decrease in pledged deposits	288,884	-
Principal portion of lease payments	(64,736)	(66,912)
Interest paid	(34,367)	(29,377)
Net cash flows from financing activities	59,909	298,278
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	252,194	677,230
Effect of foreign exchange rate changes, net	300	6,537
CASH AND CASH EQUIVALENTS AT END OF PERIOD	220,912	539,387
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	220,912	539,387

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

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.

In the opinion of the directors, the Company does not have an immediate holding company or ultimate holding company. Great World Glory Pte. Ltd. and L Capital Asia 2 Pte. Ltd., which were both incorporated in Singapore, are the controlling shareholders of the Company, as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 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 2022.

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 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group's policy aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

Notes to Interim Condensed Consolidated Financial Information

30 June 2023

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:
(continued)

- (d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

4. OPERATING SEGMENT INFORMATION

The Group is mainly engaged in the 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

30 June 2023

4. OPERATING SEGMENT INFORMATION (continued)

Segment information by sales channels:

	Six months ended 30 June 2023			
	Apparel products			Total (Unaudited) RMB'000
	Offline channels (Unaudited) RMB'000	Online channels (Unaudited) RMB'000	Others (Unaudited) RMB'000	
Segment revenue				
Sales to external customers	655,126	426,767	3,450	1,085,343
Total revenue	655,126	426,767	3,450	1,085,343
Segment results	420,197	156,670	844	577,711
Other income and gains				41,266
Selling and distribution expenses				(439,330)
Administrative expenses				(106,424)
Impairment losses on financial assets, net				(4,915)
Other expenses				(6,064)
Finance costs				(31,675)
Profit before tax				30,569

	Six months ended 30 June 2022			
	Apparel products			Total (Unaudited) RMB'000
	Offline channels (Unaudited) RMB'000	Online channels (Unaudited) RMB'000	Others (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

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	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Mainland China	1,085,343	1,048,628

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

(b) Non-current assets

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
	Mainland China	522,893
Hong Kong	957	1,152
Total	523,850	567,029

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

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 2022: Nil).

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5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Revenue from contracts with customers		
Sale of apparel products		
Online channels	426,767	475,318
Offline channels		
Self-owned stores	443,558	363,688
Partnership stores	79,918	83,857
Distributor stores	131,650	119,391
Sale of other products	3,066	4,296
Consignment services	384	2,078
Total	1,085,343	1,048,628

Disaggregated revenue information for revenue from contracts with customers

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Timing of revenue recognition		
Goods transferred at a point in time	1,084,959	1,046,550
Services transferred at a point in time	384	2,078
Total revenue from contracts with customers	1,085,343	1,048,628

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Other income and gains		
Foreign exchange gains, net	16,411	281
Investment income from pledged deposits	13,369	–
Government grants	6,357	16,367
Bank interest income	1,761	1,766
Penalty charges received from distributors	1,164	695
Gain on terminations of leases, net	678	1,440
Others	1,526	897
	41,266	21,446

Notes to Interim Condensed Consolidated Financial Information

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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	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Cost of inventories sold	516,382	487,873
Cost of services provided	323	1,757
Cost of raw materials sold	17	285
Depreciation of property, plant and equipment	26,923	34,207
Impairment of property, plant and equipment	175	259
Depreciation of right-of-use assets	63,373	65,739
Amortisation of intangible assets	2,669	2,757
Impairment/(reversal of impairment) of trade receivables, net	9,249	(12,784)
(Reversal of impairment)/impairment of other receivables, net	(4,334)	214
(Reversal of write-down)/write-down of inventories to net realisable value	(9,073)	22,512
Lease payments not included in the measurement of lease liabilities	25,729	27,717
Auditor's remuneration	1,100	1,000
Loss on disposal of items of property, plant and equipment, net	4,534	3,351
Foreign exchange differences, net	(16,411)	(281)
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	54,361	58,153
Pension scheme contributions	2,956	5,157
Staff welfare expenses	2,750	2,582
	60,067	65,892

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Interest on bank and other borrowings	31,783	27,452
Interest on lease liabilities	3,216	5,517
	34,999	32,969
Less: Interest capitalized	(3,324)	(2,861)
	31,675	30,108

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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% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. The Hong Kong subsidiary, Joy Sonic Limited, is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 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 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 5% (2022: 2.5%) for small and micro enterprises during the reporting period.

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Current tax:		
Charge for the period	8,334	20,575
Deferred	(5,430)	(7,939)
Total tax charge for the period	2,904	12,636

9. DIVIDENDS

The board of directors did not declare the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

Notes to Interim Condensed Consolidated Financial Information

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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 2022: 912,500,000) in issue during the Period. The number of shares for the 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	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	29,899	5,754
	Number of shares Six months ended 30 June	
	2023 (Unaudited)	2022 (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
	912,500,000	917,045,220

Notes to Interim Condensed Consolidated Financial Information

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11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Carrying amount at beginning of period/year	311,239	267,343
Additions	58,476	121,193
Depreciation provided during the period/year	(26,923)	(62,837)
Impairment	(175)	(4,774)
Transfers	-	(365)
Disposals	(5,434)	(9,321)
Carrying amount at end of period/year	337,183	311,239

12. INTANGIBLE ASSETS

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Carrying amount at beginning of period/year	38,591	43,311
Additions	-	1,155
Transfers	-	365
Amortisation provided during the period/year	(2,669)	(6,317)
Exchange realignment	(140)	77
Carrying amount at end of period/year	35,782	38,591

13. INVENTORIES

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Raw materials	797	761
Decorations	9,098	12,212
Finished goods	546,749	670,520
	556,644	683,493

Notes to Interim Condensed Consolidated Financial Information

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14. TRADE AND NOTES RECEIVABLES

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Trade receivables	703,057	755,334
Notes receivable	–	44,840
	703,057	800,174
Impairment of trade receivables	(447,761)	(438,517)
	255,296	361,657

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 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Within 3 months	149,032	248,563
3 to 6 months	41,215	33,976
6 to 12 months	70,710	42,743
1 to 2 years	43,663	54,036
Over 2 years	398,437	376,016
	703,057	755,334

As at 31 December 2022, the Group discounted certain notes receivable (the "Discounted Notes") with carrying amounts in aggregate of RMB44,840,000. The Discounted Notes have a maturity from one to six 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 31 December 2022, the Group recognised the proceeds received from the discount of the Discounted Notes with an amount of RMB44,840,000 as short-term loans (note 19), because the directors believed that the Group has retained the substantial risks and rewards, which include 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 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Other receivables	271,657	280,880
Prepaid expenses	21,972	22,831
Prepayments	140,176	55,118
Tax recoverable	39,442	30,139
Others	2,547	765
	475,794	389,733
Impairment	(135,115)	(138,438)
	340,679	251,295

As at 30 June 2023, included in the prepayment, other receivables and other assets are prepayments of RMB15,553,000 (31 December 2022: RMB24,670,000) to the Group's related party.

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

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Cash and bank balances	220,912	252,194
Time deposits	874,138	1,133,600
	1,095,050	1,385,794
Less: Pledged time deposits:		
Pledged for notes payable	(32,526)	(16,473)
Pledged for letters of credit	(28,895)	(50,000)
Pledged for bank loans	(812,717)	(1,067,127)
Cash and cash equivalents	220,912	252,194
Denominated in RMB	216,224	228,483
Denominated in US\$	4,496	23,529
Denominated in HK\$	46	43
Denominated in MOP	146	139
Cash and cash equivalents	220,912	252,194

Notes to Interim Condensed Consolidated Financial Information

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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, and 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. Time deposits are made for varying periods of between three months and four years depending on the maturities of the underlying notes payable, letters of credit and bank loans secured by these deposits, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

17. TRADE AND NOTES PAYABLES

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Trade payables	116,470	296,666
Notes payable	162,630	142,700
	279,100	439,366

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 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Within 3 months	84,404	248,143
3 to 6 months	10,462	25,865
6 to 12 months	7,482	8,875
1 to 2 years	9,110	10,920
Over 2 years	5,012	2,863
	116,470	296,666

As at 30 June 2023, included in the trade and notes payables are trade payables of RMB2,809,000 (31 December 2022: RMB1,080,000) 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 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Other payables	71,370	87,714
Accrued payroll	54,881	62,792
Accrued expenses	42,092	36,264
Taxes payable other than corporate income tax	16,709	17,019
	185,052	203,789

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

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19. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 June 2023 (unaudited)			As at 31 December 2022 (audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Current portion of long-term bank loans – secured (<i>note (a)</i>)	5-year LPR*	Within 2023	25,805	5-year LPR	Within 2023	22,450
Current portion of long-term bank loan – secured US\$29,600,000 bank loan (<i>note (b)</i>)	3-month LIBOR* plus 1.14%	Within 2023	21,655	3-month LIBOR plus 1.14%	Within 2023	20,615
Bank loans – secured (<i>note (c)</i>)	3.15% – 3.40%	Within 2023	193,086	3.15% – 3.70%	Within 2023	387,194
Discounted notes receivable – secured (<i>note (d)</i>)	1.50% – 2.90%	Within 2023	127,980	1.30% – 2.90%	Within 2023	215,980
Discounted letter of credit – secured (<i>note (e)</i>)	2.50% – 2.80%	2023 – 2024	87,981	1.48%	Within 2023	100,000
Bank loans – unsecured	3.70% – 3.85%	2023 – 2024	160,000	3.45% – 3.70%	Within 2023	262,841
Discounted notes receivable – unsecured	3.00%	Within 2023	30,000	–	Within 2023	44,840
Discounted letter of credit – unsecured	2.00% – 3.00%	2023 – 2024	260,015	2.00% – 3.24%	Within 2023	130,084
			<u>906,522</u>			<u>1,184,004</u>
Non-current						
Bank loan – secured US\$29,600,000 bank loan (<i>note (b)</i>)	3-month LIBOR plus 1.14%	2024 – 2025	181,801	3-month LIBOR plus 1.14%	2024 – 2025	185,573
Bank loans – secured (<i>note (a)</i>)	5-year LPR	2024 – 2028	109,798	5-year LPR	2024 – 2028	98,663
Bank loans – secured (<i>note (c)</i>)	3.25% – 3.40%	2024 – 2025	304,016	3.25% – 3.40%	2024 – 2025	304,000
Bank loans – unsecured	LPR minus 0.65%	Within 2026	100,000	–	–	–
			<u>695,615</u>			<u>588,236</u>
			<u>1,602,137</u>			<u>1,772,240</u>

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

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Analysed into:		
Bank loans and other borrowings repayable:		
Within one year or on demand	906,522	1,184,004
In the second year	153,872	159,986
In the third to fifth years, inclusive	541,743	419,387
Beyond five years	–	8,863
	1,602,137	1,772,240

* London Interbank Offered Rate ("LIBOR") and Loan Prime Rate in Mainland China ("LPR")

Notes:

- (a) The bank loans of RMB135,603,000 (31 December 2022: RMB121,113,000) 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 RMB20,002,000 (31 December 2022: RMB20,332,000).
- (b) The US\$29,600,000 bank loan is secured by the pledge of certain of the Group's time deposits amounting to approximately RMB231,216,000 at the end of the reporting period (31 December 2022: RMB236,832,000).
- (c) The bank loans of RMB497,102,000 (31 December 2022: RMB691,194,000) are secured by the pledge of certain of the Group's time deposits amounting to approximately RMB543,519,000 at the end of the reporting period (31 December 2022: RMB758,715,000).
- (d) The discounted notes receivable of RMB127,980,000 (31 December 2022: RMB215,980,000) are secured by the pledge of certain of the Group's time deposits amounting to approximately RMB37,982,000 at the end of the reporting period (31 December 2022: RMB71,580,000).
- (e) The discounted letter of credit of RMB87,981,000 (31 December 2022: RMB100,000,000) is secured by the pledge of certain of the Group's time deposits amounting to approximately RMB28,895,000 at the end of the reporting period (31 December 2022: RMB50,000,000).
- (f) Except for the bank loans of US\$29,600,000 which is denominated in United States dollars, all borrowings are in RMB.

Notes to Interim Condensed Consolidated Financial Information

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20. COMMITMENTS

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

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Contracted, but not provided for:		
Buildings	37,927	40,210
Software	7,766	6,240
	45,693	46,450

21. RELATED PARTY TRANSACTIONS

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

Name	Relationship
Chisage Apparel Group Co., Ltd. (" Chisage Apparel Group ")	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

* 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) The Group had the following transactions with related parties during the period:

	Notes	Six months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Purchases of products from:			
Ningbo Chisage Industrial	(i)	25,270	17,883
Chisage Apparel Group	(i)	6,986	–
Huaian Chisage Industrial	(i)	3,847	2,399
Depreciation of right-of-use assets:			
Songhe Apparel	(ii)	2,297	2,297
Wenmo Garment	(ii)	–	491
Interest expense on lease liabilities:			
Songhe Apparel	(ii)	65	173
Wenmo Garment	(ii)	–	200

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 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.

(b) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Short-term employee benefits	6,241	5,155
Pension scheme contributions	104	70
Total compensation paid to key management personnel	6,345	5,225

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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 2023 (Unaudited)

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	Equity investment RMB'000	RMB'000	RMB'000
Trade and notes receivables	–	255,296	255,296
Equity investment designated at fair value through other comprehensive income	6,390	–	6,390
Financial assets included in prepayments, deposits and other receivables	–	136,542	136,542
Pledged deposits	–	874,138	874,138
Cash and cash equivalents	–	220,912	220,912
	6,390	1,486,888	1,493,278

31 December 2022 (Audited)

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	Equity investment RMB'000	RMB'000	RMB'000
Trade and notes receivables	–	361,657	361,657
Equity investment designated at fair value through other comprehensive income	6,390	–	6,390
Financial assets included in prepayments, deposits and other receivables	–	142,442	142,442
Pledged deposits	–	1,133,600	1,133,600
Cash and cash equivalents	–	252,194	252,194
	6,390	1,889,893	1,896,283

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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 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Trade and notes payables	279,100	439,366
Financial liabilities included in other payables and accruals	113,462	123,978
Interest-bearing bank and other borrowings	1,602,137	1,772,240
	1,994,699	2,335,584

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 time 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 and the current portion of interest-bearing bank and other borrowings 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 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 as at 30 June 2023 were assessed to be insignificant.

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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 2023 (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	–	–	6,390	6,390

As at 31 December 2022 (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	–	–	6,390	6,390

The Group did not have any financial liabilities measured at fair value as at 30 June 2023 (31 December 2022: 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 2022: Nil).