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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)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**Financial Highlights**

- Total revenue for the year ended 31 December 2022 amounted to RMB2,326.3 million, representing a decrease of 13.7%, or RMB368.9 million, as compared to RMB2,695.2 million for the year ended 31 December 2021.
- Net profit for the year ended 31 December 2022 amounted to RMB9.4 million, representing an increase in net profit of RMB100.7 million, as compared to a net loss of RMB91.3 million for the year ended 31 December 2021.
- In 2022, the novel coronavirus 2019 (the “**COVID-19**”) pandemic brought a significant impact on the Group’s business. Against this background, the Group enhanced its internal management and cost control, adopted a prudent approach to all expenses, and paid more attention to customer experience. Thanks to such efforts, the Group successfully achieved a net profit of RMB9.4 million in 2022 amid an extremely difficult environment.

The board (the “**Board**”) of directors (the “**Directors**”) of Mulsanne Group Holding Limited (the “**Company**”) is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 (the “**Period**”), together with the comparative figures for the year ended 31 December 2021.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>REVENUE</b>	5	<b>2,326,281</b>	2,695,234
Cost of sales		<u>(1,188,375)</u>	<u>(1,367,363)</u>
Gross profit		<b>1,137,906</b>	1,327,871
Other income and gains	5	<b>64,681</b>	33,269
Selling and distribution expenses		<b>(883,520)</b>	(928,469)
Administrative expenses		<b>(205,098)</b>	(222,477)
Impairment losses on financial assets, net	6	<b>(8,996)</b>	(240,659)
Other expenses		<b>(20,263)</b>	(15,208)
Finance costs	7	<b>(63,080)</b>	(59,412)
Share of profit of an associate		<u>–</u>	<u>715</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>	6	<b>21,630</b>	(104,370)
Income tax (expense)/credit	8	<u>(12,279)</u>	<u>13,027</u>
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<u><b>9,351</b></u>	<u>(91,343)</u>
Attributable to:			
Owners of the parent		<b>12,429</b>	(89,684)
Non-controlling interests		<u>(3,078)</u>	<u>(1,659)</u>
		<u><b>9,351</b></u>	<u>(91,343)</u>
<b>EARNINGS/(LOSS) PER SHARE</b>			
<b>ATTRIBUTABLE TO ORDINARY</b>			
<b>EQUITY HOLDERS OF THE PARENT</b>			
Basic	10	<u><b>RMB1.36 cents</b></u>	<u>RMB(9.83) cents</u>
Diluted	10	<u><b>RMB1.36 cents</b></u>	<u>RMB(9.83) cents</u>

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b><u>9,351</u></b>	<b><u>(91,343)</u></b>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(336,361)</u>	<u>95,415</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Change in fair value of equity investment at fair value through other comprehensive income, net of tax	(5,444)	–
Exchange differences on translation of the Company's financial statements into presentation currency	<u>280,458</u>	<u>(79,396)</u>
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	<u>275,014</u>	<u>(79,396)</u>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX</b>	<b><u>(61,347)</u></b>	<b><u>16,019</u></b>
<b>TOTAL COMPREHENSIVE LOSS</b>	<b><u>(51,996)</u></b>	<b><u>(75,324)</u></b>
Attributable to:		
Owners of the parent	(48,918)	(73,665)
Non-controlling interests	<u>(3,078)</u>	<u>(1,659)</u>
	<b><u>(51,996)</u></b>	<b><u>(75,324)</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***31 December 2022*

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>311,239</b>	267,343
Right-of-use assets		<b>217,199</b>	265,829
Intangible assets		<b>38,591</b>	43,311
Equity investment designated at fair value through other comprehensive income		<b>6,390</b>	11,834
Deferred tax assets		<b>217,402</b>	223,309
Pledged deposits		<b>529,646</b>	–
Total non-current assets		<b>1,320,467</b>	811,626
<b>CURRENT ASSETS</b>			
Inventories		<b>683,493</b>	840,373
Right-of-return assets		<b>47,100</b>	53,980
Trade and notes receivables	<i>11</i>	<b>361,657</b>	427,072
Prepayments, other receivables and other assets		<b>251,295</b>	200,899
Due from a related party		–	223
Pledged deposits		<b>603,954</b>	11,920
Cash and cash equivalents		<b>252,194</b>	677,230
Total current assets		<b>2,199,693</b>	2,211,697
<b>CURRENT LIABILITIES</b>			
Trade and notes payables	<i>12</i>	<b>439,366</b>	474,924
Other payables and accruals		<b>203,789</b>	238,248
Refund liabilities		<b>109,330</b>	122,102
Contract liabilities		<b>49,047</b>	63,985
Interest-bearing bank and other borrowings	<i>13</i>	<b>1,184,004</b>	971,877
Lease liabilities		<b>109,637</b>	114,709
Tax payable		<b>20,314</b>	41,093
Due to a related party		–	128
Total current liabilities		<b>2,115,487</b>	2,027,066
<b>NET CURRENT ASSETS</b>		<b>84,206</b>	184,631
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,404,673</b>	996,257

	<i>Note</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,404,673</b>	996,257
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	<i>13</i>	<b>588,236</b>	87,683
Lease liabilities		<b>88,878</b>	128,786
Deferred tax liabilities		<b>39,081</b>	39,314
Total non-current liabilities		<b>716,195</b>	255,783
Net assets		<b>688,478</b>	740,474
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		<b>8,343</b>	8,343
Reserves		<b>676,055</b>	724,973
Non-controlling interests		<b>684,398</b>	733,316
		<b>4,080</b>	7,158
Total equity		<b>688,478</b>	740,474

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 1. CORPORATE AND GROUP 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 year, 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

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an equity investment designated at fair value through other comprehensive income, which has been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRS Standards 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs that are applicable to the Group 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* (the “**Conceptual Framework**”) 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 business combinations during the year, 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 as determined by IAS 2 *Inventories*, 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 prior to the property, plant and equipment being available for use, 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.
- (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 from 1 January 2022. As there was no modification or exchange of the Group’s financial liabilities during the year, the amendment did not have any impact on the financial position or performance of 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.

##### Segment information by sales channels:

	<b>Year ended 31 December 2022</b>			
	<b>Apparel products</b>			
	<b>Offline channels RMB'000</b>	<b>Online channels RMB'000</b>	<b>Others RMB'000</b>	<b>Total RMB'000</b>
<b>Segment revenue</b>				
Sales to external customers	<u>1,279,192</u>	<u>1,036,195</u>	<u>10,894</u>	<u>2,326,281</u>
Total revenue	<u><u>1,279,192</u></u>	<u><u>1,036,195</u></u>	<u><u>10,894</u></u>	<u><u>2,326,281</u></u>
Segment results	731,606	405,333	967	1,137,906
Other income and gains				64,681
Selling and distribution expenses				(883,520)
Administrative expenses				(205,098)
Impairment losses on financial assets, net				(8,996)
Other expenses				(20,263)
Finance costs				<u>(63,080)</u>
Profit before tax				<u><u>21,630</u></u>

Year ended 31 December 2021

	Apparel products			Total RMB'000
	Offline channels RMB'000	Online channels RMB'000	Others RMB'000	
<b>Segment revenue</b>				
Sales to external customers	1,513,716	1,158,980	22,538	2,695,234
Total revenue	<u>1,513,716</u>	<u>1,158,980</u>	<u>22,538</u>	<u>2,695,234</u>
Segment results	870,899	453,909	3,063	1,327,871
Other income and gains				33,269
Selling and distribution expenses				(928,469)
Administrative expenses				(222,477)
Impairment losses on financial assets, net				(240,659)
Other expenses				(15,208)
Finance costs				(59,412)
Share of profit of an associate				715
Loss before tax				<u>(104,370)</u>

### **Geographic information**

#### *(a) Revenue from external customers*

	2022 RMB'000	2021 RMB'000
Mainland China	<u>2,326,281</u>	<u>2,695,234</u>

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

#### *(b) Non-current assets*

	2022 RMB'000	2021 RMB'000
Mainland China	565,877	575,448
Hong Kong	<u>1,152</u>	<u>1,035</u>
Total	<u>567,029</u>	<u>576,483</u>

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 year (2021: Nil).

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<u>Revenue from contracts with customers</u>		
Sale of apparel products		
Online channels	1,036,195	1,158,980
Offline channels		
Self-owned stores	735,163	847,488
Partnership stores	150,626	194,182
Distributor stores	393,403	472,046
Sale of other products	8,084	12,273
Consignment services	2,810	10,265
	<u>2,326,281</u>	<u>2,695,234</u>

### Revenue from contracts with customers

#### (i) *Disaggregated revenue information*

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	2,323,471	2,684,969
Services transferred at a point in time	2,810	10,265
	<u>2,326,281</u>	<u>2,695,234</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	<u>63,985</u>	<u>50,845</u>
Revenue recognised from performance obligations satisfied in previous periods:		
Sale of goods not previously recognised due to constraints on variable consideration	<u>(3,713)</u>	<u>(2,015)</u>

**(ii) Performance obligations**

Information about the Group's performance obligations is summarised below:

*Sale of apparel products*

The performance obligation is satisfied upon transfer of the control of the apparel products and payment is generally due within one month to three months from delivery, extending up to one year for major customers, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return which gives rise to variable consideration subject to constraint.

As at 31 December 2022, the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised within one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

**(iii) Refund liabilities**

	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
Refund liabilities arising from sales return	<b>109,330</b>	122,102

An analysis of other income and gains is as follows:

	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
<u>Other income and gains</u>		
Bank interest income	<b>3,975</b>	2,426
Investment income from pledged deposits	<b>28,023</b>	–
Penalty charges received from distributors	<b>215</b>	2,472
Government grants*	<b>19,642</b>	22,879
Foreign exchange gains, net	<b>7,859</b>	–
Gain on terminations of leases, net	<b>2,407</b>	1,979
Gain on loss of significant influence over an associate	–	673
Sale of raw materials	<b>152</b>	282
Others	<b>2,408</b>	2,558
	<b>64,681</b>	33,269

\* The amount represents grants received from local PRC government authorities by the Group's subsidiaries in connection with certain financial support to local business enterprises for the purpose of encouraging business development. There are no unfulfilled conditions and other contingencies relating to these grants.

## 6. PROFIT/(LOSS) BEFORE TAX

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of inventories sold	1,206,962	1,323,997
Cost of services provided	2,376	7,713
Cost of raw materials sold	2,038	1,399
Depreciation of property, plant and equipment	62,837	54,521
Impairment of property, plant and equipment	4,774	625
Impairment of right-of-use assets	4,227	1,314
Depreciation of right-of-use assets	139,061	125,372
Gain on terminations of leases, net	(2,407)	(1,979)
Amortisation of intangible assets*	6,317	4,913
Impairment of trade receivables, net	7,509	142,098
Impairment of other receivables, net	1,487	98,561
(Reversal of write-down)/write-down of inventories to net realisable value**	(20,963)	35,653
Lease payments not included in the measurement of lease liabilities	36,290	33,278
Auditor's remuneration	5,339	4,080
Loss on disposal of items of property, plant and equipment, net	8,830	8,447
Waive of debts with related parties	95	–
Covid-19-related rent concessions from lessors	(977)	–
Foreign exchange differences, net	(7,859)	1,224
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	110,260	131,632
Pension scheme contributions***	12,098	12,563
Staff welfare expenses	9,544	7,628
	<u>131,902</u>	<u>151,823</u>

\* The amortisation of intangible assets is included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

\*\* The (reversal of write-down)/write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

\*\*\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on bank loans	59,717	51,730
Interest on lease liabilities	9,441	11,058
	<u>69,158</u>	62,788
Less: Interest capitalised	(6,078)	(3,376)
	<u><u>63,080</u></u>	<u><u>59,412</u></u>

## 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% on the estimated assessable profits arising in Hong Kong. The Hong Kong subsidiary, Joy Sonic, 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 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 which was approved and became effective on 1 January 2008. Certain subsidiaries of the Group are qualified as small and micro enterprises and are subject to a preferential income tax rate of 20% with the first annual taxable income of RMB1,000,000 eligible for 87.5% reduction and the income between RMB1,000,000 and RMB3,000,000 eligible for 75% reduction.

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax:		
Charge for the year	<b>6,605</b>	50,677
Deferred tax	<b>5,674</b>	(63,704)
Total tax charge/(credit) for the year	<b>12,279</b>	(13,027)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax using the statutory rate in Mainland China to the tax expense/(credit) at the effective tax rate is as follows:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit/(loss) before tax	<b>21,630</b>	(104,370)
At the PRC statutory income tax rate of 25%	<b>5,408</b>	(26,093)
Lower tax rates for specific provinces or enacted by local authority	<b>(1,551)</b>	(303)
Expenses not deductible for tax	<b>8,011</b>	14,392
Tax losses utilised from previous years	<b>(154)</b>	(2,713)
Profit attributable to an associate	–	(35)
Temporary differences and tax losses not recognised	<b>565</b>	1,725
Tax charge/(credit) at the Group's effective rate	<b>12,279</b>	(13,027)

## 9. DIVIDENDS

The board of directors did not recommend the payment of any final dividend for the year (2021: Nil).

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

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

The calculation of the diluted earnings/(loss) per share amounts is based on the profit/(loss) for the year 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 used in the basic earnings/(loss) 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/(loss) per share are based on:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<u>Earnings/(loss)</u>		
Earnings/(loss) attributable to ordinary equity holders of the parent	<u>12,429</u>	<u>(89,684)</u>
	<b>Number of shares</b>	
	2022	2021
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	912,500,000	912,500,000
Effect of dilution – weighted average number of ordinary shares arising from the RSUs	<u>4,060,126</u>	<u>6,751,461</u>
	<u>916,560,126</u>	<u>919,251,461*</u>

\* Because the diluted loss per share amount is decreased when taking RSUs into account, the RSUs had an anti-dilutive effect on the basic loss per share for the year and were ignored in the calculation of diluted loss per share. Therefore, the diluted loss per share amount was the same as the basic loss per share amount in 2021.

## 11. TRADE AND NOTES RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	755,334	821,195
Notes receivable	<u>44,840</u>	<u>44,020</u>
	800,174	865,215
Impairment of trade receivables	<u>(438,517)</u>	<u>(438,143)</u>
	<u>361,657</u>	<u>427,072</u>

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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. 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:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Less than 3 months	<b>248,563</b>	296,549
Between 3 and 6 months	<b>33,976</b>	23,542
Between 6 and 12 months	<b>42,743</b>	45,705
Between 1 and 2 years	<b>54,036</b>	82,225
Over 2 years	<b>376,016</b>	373,174
	<b>755,334</b>	821,195

## 12. TRADE AND NOTES PAYABLES

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	<b>296,666</b>	356,824
Notes payable	<b>142,700</b>	118,100
	<b>439,366</b>	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:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	<b>248,143</b>	325,978
3 to 6 months	<b>25,865</b>	15,309
6 to 12 months	<b>8,875</b>	6,879
1 to 2 years	<b>10,920</b>	7,459
Over 2 years	<b>2,863</b>	1,199
	<b>296,666</b>	356,824

Included in the trade and notes payables are trade payables of RMB1,080,000 (2021: RMB358,000) due to the Group's related parties which are repayable within 120 days, which represents credit terms similar to those offered by the related parties to their major customers.

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

### 13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2022			31 December 2021		
	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000
<b>Current</b>						
Current portion of long-term bank loan – secured US\$226,000,000 bank loan (note (a))	-	-	-	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	22,450	5-year LPR	Within 2022	17,440
Current portion of long-term bank loan – secured US\$29,600,000 bank loan (note (c))	3-month LIBOR plus 1.14%	Within 2023	20,615	-	-	-
Bank loans – secured (note (d))	3.15%-3.70%	Within 2023	387,194	-	-	-
Discounted notes receivable – secured (note (e))	-	Within 2023	215,980	-	-	-
Discounted letter of credit – secured (note (f))	1.48%	Within 2023	100,000	-	-	-
Bank loans – unsecured	3.45%-3.70%	Within 2023	262,841	1-year LPR plus 0.05%-0.20%	Within 2022	150,000
Discounted notes receivable – unsecured	-	Within 2023	44,840	-	Within 2022	44,020
Discounted letter of credit – unsecured	2.00%-3.24%	Within 2023	130,084	1-year LPR	Within 2022	69,826
			<u>1,184,004</u>			<u>971,877</u>
<b>Non-current</b>						
Bank loan – secured US\$29,600,000 bank loan (note (c))	3-month LIBOR plus 1.14%	2024-2025	185,573	-	-	-
Bank loans – secured (note (b))	5-year LPR	2024-2028	98,663	5-year LPR	2023-2028	87,683
Bank loans – secured (note (d))	3.25%-3.40%	2024-2025	304,000	-	-	-
			<u>588,236</u>			<u>87,683</u>
			<u>1,772,240</u>			<u>1,059,560</u>

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Analysed into:		
Bank loans and other borrowings repayable:		
Within one year or on demand	<b>1,184,004</b>	971,877
In the second year	<b>159,986</b>	16,260
In the third to fifth years, inclusive	<b>419,387</b>	48,780
Beyond five years	<b>8,863</b>	22,643
	<b>1,772,240</b>	1,059,560

\* London Interbank Offered Rate (“**LIBOR**”) and Loan Prime Rate in Mainland China (“**LPR**”)

*Notes:*

- (a) The US\$226,000,000 bank loan is secured by:
- i. mortgages and fixed charges over the Company’s equity interests in Joy Sonic and Alpha Sonic; and
  - ii. mortgages and fixed charges over Joy Sonic’s equity interests in Chisage Mulsanne and Yatlas Shanghai.
- (b) The bank loans of RMB121,113,000 (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 RMB20,332,000 (31 December 2021: RMB20,993,000).
- (c) The US\$29,600,000 bank loan is secured by the pledge of certain of the Group’s time deposits amounting to approximately RMB236,832,000 as at 31 December 2022.
- (d) The bank loans of RMB691,194,000 are secured by the pledge of certain of the Group’s time deposits amounting to approximately RMB758,715,000.
- (e) The discounted notes receivable of RMB215,980,000 are secured by the pledge of certain of the Group’s time deposits amounting to approximately RMB71,580,000.
- (f) The discounted letter of credit of RMB100,000,000 is secured by the pledge of certain of the Group’s time deposits amounting to approximately RMB50,000,000.
- (g) Except for the bank loan of US\$29,600,000 (31 December 2021: US\$226,000,000) which is denominated in US\$, all loans are in RMB.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Overview and Outlook

In 2022, the Group's business, particularly its offline retail channels, was affected by the resurgence of the COVID-19 pandemic. However, as the Chinese government has modified its zero-COVID policy and put in place a number of policies to support its citizens and businesses and the Group implemented a set of effective growth strategies, the Group believes that its performance will recover steadily in 2023. 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;
- Fully leverage the Group's online strengths, integrate supply chains, improve response speed and upgrade customer experience;
- 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;
- Strengthen internal management and cost control and adopt a prudent approach to expenses to reduce the impact of the resurgence of the COVID-19 pandemic; and
- Reduce the businesses of certain underperformed brands to improve the Group's resource allocation efficiency.

### 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 Period, the total sales revenue recorded was RMB2,326.3 million, representing a decrease of 13.7%, or RMB368.9 million, from RMB2,695.2 million 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 the Group's products decreased during the Period.

## Revenue by brand

	Year ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
GXG	1,847,359	79.4	2,150,987	79.8
gxg jeans	218,728	9.4	280,265	10.4
gxg.kids	199,347	8.6	180,358	6.7
Mode Commuter	33,335	1.4	23,039	0.9
Yatlas	10,188	0.4	21,926	0.8
Others	17,324	0.8	38,659	1.4
<b>Total</b>	<b>2,326,281</b>	<b>100.0</b>	<b>2,695,234</b>	<b>100.0</b>

For the Period, sales revenue from the Group's main brand, namely GXG, decreased by 14.1%, or RMB303.6 million, as compared to that 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 gxg jeans and Yatlas decreased by 22.0%, or RMB61.6 million and 53.4% or RMB11.7 million, respectively, as compared to that in 2021. Such decreases were primarily due to (i) the resurgence of the COVID-19 pandemic in certain cities where the Group operates; and (ii) the Group's adjustment of brand positioning.

For the Period, sales revenue from gxg.kids increased by 10.5%, or RMB18.9 million, as compared to that in 2021. Such increase was primarily due to an increase in revenue from preexisting inventories sales through online channels.

For the Period, the sales revenue from Mode Commuter increased by 44.8%, or RMB10.3 million, as compared to that in 2021, primarily due to the Group's new product developments in Mode Commuter.

## Revenue by sales channel

	Year ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Sales of apparel products				
Offline channels				
Self-owned stores	735,163	31.6	847,488	31.4
Partnership stores	150,626	6.5	194,182	7.2
Distributor stores	393,403	16.9	472,046	17.5
Online channels	1,036,195	44.5	1,158,980	43.0
Sales of other products	8,084	0.3	12,273	0.5
Consignment services	2,810	0.2	10,265	0.4
<b>Total</b>	<b>2,326,281</b>	<b>100.0</b>	<b>2,695,234</b>	<b>100.0</b>

Due to the resurgence of the COVID-19 pandemic, (i) the sales from self-owned stores for the Period decreased by 13.3%, or RMB112.3 million, to RMB735.2 million; (ii) the sales from partnership stores for the Period decreased by 22.5%, or RMB43.6 million, to RMB150.6 million; and (iii) the sales from distributor stores for the Period decreased by 16.7%, or RMB78.6 million, to RMB393.4 million, as compared to that in 2021.

Online channel sales for the Period decreased by 10.6%, or RMB122.8 million, to RMB1,036.2 million, as compared to that in 2021, mainly due to (i) the relatively warmer weather condition during the November 11 promotional campaign season, which resulted in a decrease in sales of winter apparel that generally carries higher selling prices; and (ii) 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 44.5% in terms of the Group's revenue composition.

### *Number of stores by brand*

	As at 31 December			
	2022		2021	
	<i>Number of stores</i>	<i>%</i>	<i>Number of stores</i>	<i>%</i>
GXG	973	86.8	992	82.8
gxg jeans	80	7.1	99	8.3
gxg.kids	51	4.5	82	6.8
Mode Commuter	18	1.6	16	1.3
Yatlas	–	–	8	0.7
Others	–	–	1	0.1
<b>Total</b>	<b>1,122</b>	<b>100.0</b>	<b>1,198</b>	<b>100.0</b>

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 1,122 as at 31 December 2022 from 1,198 as at the end of 2021.

### *Number of stores by sales channel*

	As at 31 December			
	2022		2021	
	<i>Number of stores</i>	<i>%</i>	<i>Number of stores</i>	<i>%</i>
Self-owned stores	393	35.0	398	33.2
Partnership stores	133	11.9	146	12.2
Distributor stores	596	53.1	654	54.6
<b>Total</b>	<b>1,122</b>	<b>100.0</b>	<b>1,198</b>	<b>100.0</b>

Due to the relocation of shopping areas in offline channels, market factors such as the increase in store operating cost, 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. In addition, impacted by the resurgence of the COVID-19 pandemic, distributors were less willing to open new stores under the unfavorable market condition. Consequently, newly opened distribution stores were less than stores closed by distributors during the Period. As a result, the number of offline stores decreased from 1,198 as at 31 December 2021 to 1,122 as at 31 December 2022.

### Gross Profit and Gross Profit Margin

The Group recorded a total gross profit of RMB1,137.9 million for the Period, representing a decrease of 14.3%, or RMB190.0 million, from RMB1,327.9 million in 2021. Gross profit margin remained relatively stable during the Period at 48.9%, as compared to 49.3% in 2021. Details of and the reasons for the decrease in gross profit are set out below.

#### *Gross profit and gross profit margin by brand*

	Year ended 31 December			
	2022		2021	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %
GXG	934,443	50.6	1,094,636	50.9
gxg jeans	92,320	42.2	119,355	42.6
gxg.kids	88,609	44.4	84,940	47.1
Mode Commuter	15,733	47.2	11,062	48.0
Yatlas	1,032	10.1	3,273	14.9
Others	5,769	33.3	14,605	37.8
<b>Total</b>	<b>1,137,906</b>	<b>48.9</b>	<b>1,327,871</b>	<b>49.3</b>

As the Group continued to (i) enhance its management on brand operation and optimize the structure of product offerings, and (ii) effectively control 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 and gxg jeans decreased by RMB160.2 million, or approximately 14.6%, and RMB27.1 million, or approximately 22.7%, respectively, as compared to that in 2021. Such decreases in gross profit were primarily due to the decreases in their respective revenue. During the Period, the gross profit of gxg.kids and Mode Commuter increased by RMB3.7 million, or approximately 4.4%, and RMB4.6 million, or approximately 41.4%, respectively, primarily due to the increase in their respective revenue. During the Period, the gross profit of Yatlas decreased by RMB2.3 million, or approximately 69.7%, as compared to that in 2021, primarily due to the decrease in its revenue and the sales of preexisting inventories, which generally have a lower gross profit.

The gross profit margin of GXG, gxg jeans and Mode Commuter during the Period remained relatively stable at 50.6%, 42.2% and 47.2%, respectively, as compared to 50.9%, 42.6% and 48.0%, respectively, in 2021. The gross profit margin of gxg.kids decreased by 2.7 percentage points, as compared to that in 2021, primarily due to the increase in sales through online channels, which generally have a lower gross profit margin. The gross profit margin of YAtlas decreased by 4.8 percentage points, primarily due to the Group's sales of preexisting inventories, which generally have a lower gross profit margin.

***Gross profit and gross profit margin by sales channel***

	Year ended 31 December			
	2022	2021	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	501,848	68.3	584,781	69.0
Partnership stores	49,492	32.9	70,205	36.2
Distributor stores	180,266	45.8	215,913	45.7
Online channels	405,333	39.1	453,909	39.2
Sales of other products	533	6.6	511	4.2
Consignment services	434	15.4	2,552	24.9
<b>Total</b>	<b>1,137,906</b>	<b>48.9</b>	<b>1,327,871</b>	<b>49.3</b>

Gross profit of self-owned stores for the Period decreased by RMB83.0 million, or approximately 14.2%, as compared to that in 2021. Such decrease was in line with the decrease in revenue from self-owned stores of approximately 13.3% during the Period, as compared to that in 2021. Gross profit margin of self-owned stores for the Period remained relatively stable at 68.3%, as compared to 69.0% in 2021.

Gross profit of partnership stores for the Period decreased by RMB20.7 million, or approximately 29.5%, with gross profit margin decreased by 3.3 percentage points to 32.9%, as compared to that in 2021. Such decrease was primarily due to the increase in preexisting inventories sales, which generally have a lower gross profit margin.

Gross profit of distributor stores for the Period decreased by RMB35.6 million, or approximately 16.5%, as compared to that in 2021. Such decrease was in line with the decrease in revenue from distributor stores of approximately 16.7% during the Period, as compared to that in 2021. Gross profit margin of distributor stores for the Period remained relatively stable at 45.8%, as compared to 45.7% in 2021.

Gross profit of online channels for the Period decreased by RMB48.6 million, or approximately 10.7%, to RMB405.3 million, as compared to that in 2021, which was in line with the decrease in revenue from online channels of approximately 10.6% during the Period, as compared to that in 2021. Gross profit margin of online channels for the Period remained relatively stable at 39.1%, as compared to 39.2% in 2021.

### **Other Income and Gains**

Other income and gains for the Period were RMB64.7 million, representing an increase of 94.3%, or RMB31.4 million, as compared to RMB33.3 million in 2021, mainly attributable to the investment income from time deposits.

### **Selling and Distribution Expenses**

Total selling and distribution expenses for the Period decreased by 4.8%, or RMB45.0 million, to RMB883.5 million, as compared to RMB928.5 million in 2021, mainly due to (i) a decrease in store management fees, (ii) a decrease in advertising expenses, and (iii) a decrease in concession fees payable to department stores.

Selling and distribution expenses as a percentage of the Group's total revenue increased to 38.0% from 34.5% 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 7.8%, or RMB17.4 million, to RMB205.1 million, as compared to RMB222.5 million in 2021.

The decrease in total administrative expenses was mainly due to (i) a decrease in employee benefit expenses, (ii) a decrease in utilities charges and office expenses, and (iii) a decrease in operating lease rental. Total administrative expenses as a percentage of the Group's total revenue remained relatively stable at 8.8%, as compared to 8.3% in 2021.

### **Impairment Losses on Financial Assets, Net**

The Group's impairment losses on financial assets was RMB9.0 million, as compared to impairment losses on financial assets, net, of RMB240.7 million in 2021. This was mainly because the Group enhanced its account receivables collection and applied a more stringent credit control policy over its customers.

### **Other Expenses**

The Group's other expenses for the Period increased by 33.6%, or RMB5.1 million, to RMB20.3 million, as compared to RMB15.2 million in 2021. This was mainly due to the increase in impairment of right-of-use assets and decoration costs.

## **Finance Costs**

Finance costs for the Period increased by 6.2%, or RMB3.7 million, to RMB63.1 million, as compared to RMB59.4 million in 2021. The increase was mainly due to an increase in interest on bank loans.

## **Profit before Tax**

The Group's profit before tax for the Period was RMB21.6 million, representing an increase in profit before tax of RMB126.0 million, from a loss before tax of RMB104.4 million in 2021. The increase in profit before tax was mainly due to the decreases in selling and distribution expenses, administrative expenses as well as impairment losses on financial assets, net.

## **Income Tax Expense**

Income tax expense for the Period was RMB12.3 million, representing an increase of RMB25.3 million, as compared to the income tax credit of RMB13.0 million in 2021.

## **Profit for the Period**

As a result of the foregoing factors, profit for the Period was RMB9.4 million, representing an increase in net profit of RMB100.7 million, as compared to a loss of RMB91.3 million in 2021.

## **Operating Cash Flows**

Net operating cash inflow for the Period was RMB244.7 million, primarily due to the cash inflow from operating profit of RMB232.2 million and an increase in working capital of RMB12.5 million. The Group's net operating cash inflow for the Period increased by RMB67.0 million, as compared to a net operating cash inflow of RMB177.7 million in 2021, mainly due to its enhanced efforts in promotion and sales of inventories.

## **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 RMB126.1 million, representing a decrease of 25.8%, or RMB43.8 million, from RMB169.9 million in 2021. The relatively higher capital expenditures in 2021 were primarily due to higher costs of renovation of the Group's headquarters office building in 2021.

## **Financial Position**

The Group generally funds its operations with bank and other borrowings. As at 31 December 2022, the Group had bank and other borrowings of RMB1,772.2 million. Bank and other borrowings were denominated in RMB and U.S. dollars as at 31 December 2022 and 2021. As at 31 December 2022, the Group had fixed-rate bank borrowings of RMB1,184.1 million (31 December 2021: Nil). For details, please see note 13 of the "Notes to Financial Statements".

The Group's cash and cash equivalents and pledged deposits totalled RMB1,385.8 million as at 31 December 2022, representing an increase of 101.1%, or RMB696.6 million, from RMB689.2 million as at the end of 2021. Cash and cash equivalents as at 31 December 2022 were RMB252.2 million, among which 90.6% was denominated in RMB, 9.3% in U.S. dollars, and 0.1% in Macau Pataca. Pledged deposits as at 31 December 2022 were RMB1,133.6 million, among which 99.6% was denominated in RMB and 0.4% 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 31 December 2022, the Group's gearing ratio was 50.3% (31 December 2021: 35.0%). The increase in gearing ratio was primarily because the Group provided certificates of deposits, as opposed to equity interests which were previously used, as the pledge for its borrowings.

### **Significant Investments Held**

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

### **Funding and Treasury Policy**

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

### **Material Acquisitions and Future Plans for Major Investment**

During the Period, the Group did not conduct any material investments, acquisitions or disposals. In addition, save for the expansion plans as disclosed in the 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 the U.S. dollars. During the Period, the Group did not use any financial instrument for hedging purpose.

### **Pledge of Assets**

As at 31 December 2022, among the Group's bank loans, RMB121.1 million were secured by mortgages over the Group's leasehold land, RMB691.2 million and US\$29.6 million were both secured by the Group's pledged deposit.

As at 31 December 2022, the Group had a discounted letter of credit of RMB100.0 million, which was secured by the Group's pledged deposit.

As at 31 December 2022, the Group's discounted notes receivable of RMB216.0 million were secured by the Group's pledged deposit.

### **Contingent Liabilities**

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

### **Events after the Period**

As at the date of this announcement, no material event has occurred after 31 December 2022.

### **Human Resources**

As at 31 December 2022, the number of employees of the Group was 603, 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 RMB132.6 million, as compared to RMB146.4 million in 2021. The total cost of staff for the Period represents 5.7% of the Group's revenue, as compared to 5.4% 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**

### **Final Dividend**

The Board does not recommend the payment of any final dividend for the year ended 31 December 2022.

### **Corporate Governance**

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and enhance its corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**Corporate Governance Code**") set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance. During the year ended 31 December 2022, the Company complied with all applicable code provisions set out in the Corporate Governance Code. The Company will continue to review and monitor its corporate governance practices to ensure the compliance with the Corporate Governance Code.

Further information on the corporate governance practices of the Company will be set out in the corporate governance report contained in the annual report of the Company for the year ended 31 December 2022.

## Model Code for Securities Transactions for Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) 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 during the year ended 31 December 2022 and up to the date of this announcement.

## Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Period.

## Use of Proceeds from the Global Offering

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (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 31 December 2022, the proceeds amounting to a total of RMB666.5 million (equivalent to approximately HK\$759.7 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 31 December 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	Actual amount used during the Period	Actual amount used as at 31 December 2022	Unutilised amount as at 31 December 2022
		(RMB million)	(RMB million)	(RMB million)	(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	41	102	39
To provide funding for working capital and other general corporate purposes	10%	71	–	71	–
<b>Total</b>	<b>100%</b>	<b>705</b>	<b>41</b>	<b>666</b>	<b>39</b>

As at 31 December 2022, the remaining proceeds of approximately RMB38.4 million (equivalent to approximately HK\$43.0 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 24 months.

### **Audit Committee**

The Company has established the audit committee with written terms of reference. As at the date of this announcement, the audit committee comprises three independent non-executive Directors, namely Mr. GU Jiong, 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 consolidated financial results of the Group for the year ended 31 December 2022, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

### **Scope of Work for Annual Results Announcement by Auditor**

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2022, but represents an extract from the consolidated financial statements for the year ended 31 December 2022 which have been audited by the auditor of the Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

### **Publication of the 2022 Annual Results and 2022 Annual Report**

This annual results announcement is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.gxggroup.cn](http://www.gxggroup.cn)).

The annual report of the Company for the year ended 31 December 2022 will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board  
**Mulsanne Group Holding Limited**  
**TANG Shun Lam**  
*Chairman*

Hong Kong, 30 March 2023

*As at the date of this announcement, the Board comprises Mr. YU Yong as executive Director; Mr. TANG Shun Lam, Mr. YANG Herong, Mr. CHEN Scott Yue, Mr. YOUNG Christopher and Mr. TIAN Min as non-executive Directors; and Mr. GU Jiong, Mr. LIAO Xiaoxin and Ms. XU Yanyun as independent non-executive Directors.*