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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)

**INTERIM RESULTS ANNOUNCEMENT FOR
THE SIX MONTHS ENDED 30 JUNE 2023**

Financial Highlights

- Total revenue for the six months ended 30 June 2023 amounted to RMB1,085.3 million, representing an increase of 3.5%, or RMB36.7 million, as compared to RMB1,048.6 million for the same period in 2022.
- Net profit for the six months ended 30 June 2023 amounted to RMB27.7 million, representing an increase of RMB23.5 million, as compared to RMB4.2 million for the same period in 2022.
- Due to (i) the recovery of offline consumer consumption coupled with the improvement in operational efficiency of offline retail channels, (ii) the successful implementation of the Group's brand promotion initiatives, and (iii) well-controlled retail discount rates and product costs, the Group achieved growth in both revenue and net profit for the six months ended 30 June 2023, as compared to those for the same period in 2022.

The board (the “**Board**”) of directors (the “**Directors**”) of Mulsanne Group Holding Limited (the “**Company**”) is pleased to announce the interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 (the “**Period**”), together with the comparative figures for the same period in 2022.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	<i>Notes</i>	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
REVENUE	5	1,085,343	1,048,628
Cost of sales		<u>(507,632)</u>	<u>(512,142)</u>
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	<u>(31,675)</u>	<u>(30,108)</u>
PROFIT BEFORE TAX	6	30,569	16,844
Income tax expense	8	<u>(2,904)</u>	<u>(12,636)</u>
PROFIT FOR THE PERIOD		<u>27,665</u>	<u>4,208</u>
Attributable to:			
Owners of the parent		29,899	5,754
Non-controlling interests		<u>(2,234)</u>	<u>(1,546)</u>
		<u>27,665</u>	<u>4,208</u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	10	<u>RMB3.28 cents</u>	<u>RMB0.63 cents</u>
Diluted	10	<u>RMB3.28 cents</u>	<u>RMB0.63 cents</u>

	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	<u>27,665</u>	<u>4,208</u>
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	<u>(26,865)</u>	<u>(32,325)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(24,841)</u>	<u>(31,729)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>2,824</u>	<u>(27,521)</u>
Attributable to:		
Owners of the parent	5,058	(25,975)
Non-controlling interests	<u>(2,234)</u>	<u>(1,546)</u>
	<u>2,824</u>	<u>(27,521)</u>

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		337,183	311,239
Right-of-use assets		150,885	217,199
Intangible assets		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		534,969	529,646
		<hr/>	<hr/>
Total non-current assets		1,288,904	1,320,467
CURRENT ASSETS			
Inventories		556,644	683,493
Right of return assets		18,863	47,100
Trade and notes receivables	<i>11</i>	255,296	361,657
Prepayments, other receivables and other assets		340,679	251,295
Pledged deposits		339,169	603,954
Cash and cash equivalents		220,912	252,194
		<hr/>	<hr/>
Total current assets		1,731,563	2,199,693
CURRENT LIABILITIES			
Trade and notes payables	<i>12</i>	279,100	439,366
Other payables and accruals		185,052	203,789
Refund liabilities		47,232	109,330
Contract liabilities		36,953	49,047
Interest-bearing bank and other borrowings	<i>13</i>	906,522	1,184,004
Lease liabilities		80,385	109,637
Tax payable		8,587	20,314
		<hr/>	<hr/>
Total current liabilities		1,543,831	2,115,487
NET CURRENT ASSETS		<hr/> 187,732	<hr/> 84,206
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 1,476,636	<hr/> 1,404,673

	<i>Note</i>	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,476,636</u>	<u>1,404,673</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	<i>13</i>	695,615	588,236
Lease liabilities		49,775	88,878
Deferred tax liabilities		39,944	39,081
		<u>785,334</u>	<u>716,195</u>
Total non-current liabilities		785,334	716,195
Net assets		<u>691,302</u>	<u>688,478</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		8,343	8,343
Reserves		681,113	676,055
		<u>689,456</u>	<u>684,398</u>
Non-controlling interests		1,846	4,080
Total equity		<u>691,302</u>	<u>688,478</u>

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			
Profit before tax		30,569	16,844
Adjustments for:			
Impairment/(reversal of impairment) of trade and other receivables, net	6	4,915	(12,570)
Impairment of property, plant and equipment (Reversal of write-down)/write-down of inventories to net realisable value	6	175	259
Depreciation of property, plant and equipment	6	(9,073)	22,512
Depreciation of right-of-use assets	6	26,923	34,207
Amortisation of other intangible assets		63,373	65,739
Loss on disposal of items of property, plant and equipment, net	6	2,669	2,757
Foreign exchange differences, net	6	4,534	3,351
Finance costs	7	(16,411)	(281)
Gain on terminations of leases, net		31,675	30,108
Investment income from pledged deposits	5	(678)	(1,440)
		(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
Cash used in operations		(13,221)	(307,809)
Income tax paid		(20,061)	(39,367)
Net cash flows used in operating activities		(33,282)	(347,176)

	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>

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.
- (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 Cooperation 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.

Segment information by sales channels:

	Six months ended 30 June 2023			
	Apparel products			
	Offline channels (Unaudited) RMB'000	Online channels (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue				
Sales to external customers	<u>655,126</u>	<u>426,767</u>	<u>3,450</u>	<u>1,085,343</u>
Total revenue	<u><u>655,126</u></u>	<u><u>426,767</u></u>	<u><u>3,450</u></u>	<u><u>1,085,343</u></u>
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				<u>(31,675)</u>
Profit before tax				<u><u>30,569</u></u>

Six months ended 30 June 2022

	Apparel products			
	Offline channels (Unaudited) RMB'000	Online channels (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
Segment revenue				
Sales to external customers	566,936	475,318	6,374	1,048,628
Total revenue	<u>566,936</u>	<u>475,318</u>	<u>6,374</u>	<u>1,048,628</u>
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				<u>16,844</u>

Geographic information*(a) Revenue from external customers*

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Mainland China	<u>1,085,343</u>	<u>1,048,628</u>

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	<u>957</u>	<u>1,152</u>
Total	<u>523,850</u>	<u>567,029</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 reporting period (six months ended 30 June 2022: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<u>Revenue from contracts with customers</u>		
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
	<hr/>	<hr/>
Total	1,085,343	1,048,628
	<hr/> <hr/>	<hr/> <hr/>

Disaggregated revenue information for revenue from contracts with customers

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	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
	<hr/>	<hr/>
Total revenue from contracts with customers	1,085,343	1,048,628
	<hr/> <hr/>	<hr/> <hr/>

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<u>Other income and gains</u>		
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
	<u>41,266</u>	<u>21,446</u>

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	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
	<u>60,067</u>	<u>65,892</u>

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
	<u>34,999</u>	<u>32,969</u>
Less: Interest capitalized	(3,324)	(2,861)
	<u>31,675</u>	<u>30,108</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% (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)
	<u>2,904</u>	<u>12,636</u>

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).

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 current period has been arrived at after eliminating the shares of the Company held under the restricted share unit scheme.

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

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	29,899	5,754
	912,500,000	912,500,000
	–	4,545,220
	912,500,000	917,045,220

11. 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 13), because the directors believed that the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Notes.

12. 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.

13. 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
			906,522			1,184,004
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	–	–	–
			695,615			588,236
			1,602,137			1,772,240

30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
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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
	<u>1,602,137</u>	<u>1,772,240</u>

* 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.

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 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.

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	<u>1,085,343</u>	<u>100.0</u>	<u>1,048,628</u>	<u>100.0</u>

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.

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
gxg jeans	68	6.5	80	7.1
gxg.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.

Gross profit and gross profit margin by brand

	Six months ended 30 June			
	2023		2022	
	Gross Profit	Gross Profit	Gross Profit	Gross Profit
	RMB'000	%	RMB'000	%
GXG	520,955	56.5	449,184	53.9
gxg jeans	40,177	46.4	40,354	40.5
gxg.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	<u>577,711</u>	53.2	<u>536,486</u>	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 gxg 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, gxg 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, gxg 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 gxg.kids decreased by RMB31.9 million, or approximately 83.9%, and the gross profit margin of gxg.kids decreased by 32.1 percentage points. Such decreases were primarily because the Group reduced the business scale of gxg.kids.

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.

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: 1,184.1 million). For details, please see note 13 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 announcement, 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

Interim Dividend

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

Corporate Governance

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and enhance its corporate value and accountability. The Company has applied the principles and complied with all applicable code provisions as set out in the Corporate Governance Code contained in Part 2 of Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) throughout the six months ended 30 June 2023.

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**”) 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 six months ended 30 June 2023 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 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.

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 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 adequate disclosures have been made.

Publication of the 2023 Interim Results and 2023 Interim Report

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.gxgggroup.cn). The 2023 interim report of the Company for the six months ended 30 June 2023 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 August 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, Ms. XU Yanyun and Mr. LIAO Xiaoxin as independent non-executive Directors.