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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 2024

Financial Highlights

- Total revenue for the six months ended 30 June 2024 amounted to RMB1,088.4 million, representing a slight increase of 0.3%, or RMB3.1 million, as compared to RMB1,085.3 million for the same period in 2023.
- Gross profit for the six months ended 30 June 2024 amounted to RMB583.3 million, representing a slight increase of 1.0%, or RMB5.6 million, as compared to RMB577.7 million for the same period in 2023. Gross profit margin for the six months ended 30 June 2024 increased slightly to 53.6%, as compared to 53.2% for the same period in 2023.
- Due to (i) the successful implementation of the Group's brand promotion initiatives, (ii) strengthening of product research and development to provide better product experience for consumers and (iii) an increase in the sales revenue of RMB56.8 million, or 6.2% from the Group's main brand, namely GXG, the Group achieved growth in both revenue and gross profit for the six months ended 30 June 2024, as compared to those for the same period in 2023.

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 2024 (the “**Period**”), together with the comparative figures for the same period in 2023.

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

For the six months ended 30 June 2024

	<i>Notes</i>	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
REVENUE	5	1,088,424	1,085,343
Cost of sales		<u>(505,107)</u>	<u>(507,632)</u>
Gross profit		583,317	577,711
Other income and gains	5	19,898	41,266
Selling and distribution expenses		(451,200)	(439,330)
Administrative expenses		(112,024)	(106,424)
Impairment losses on financial assets, net		(924)	(4,915)
Other expenses		(1,689)	(6,064)
Finance costs	7	<u>(29,803)</u>	<u>(31,675)</u>
PROFIT BEFORE TAX	6	7,575	30,569
Income tax expense	8	<u>(784)</u>	<u>(2,904)</u>
PROFIT FOR THE PERIOD		<u>6,791</u>	<u>27,665</u>
Attributable to:			
Owners of the parent		6,820	29,899
Non-controlling interests		<u>(29)</u>	<u>(2,234)</u>
		<u>6,791</u>	<u>27,665</u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	10	<u>RMB0.75 cents</u>	<u>RMB3.28 cents</u>
Diluted	10	<u>RMB0.75 cents</u>	<u>RMB3.28 cents</u>

	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	<u>6,791</u>	<u>27,665</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	2,016	2,024
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>(4,601)</u>	<u>(26,865)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(2,585)</u>	<u>(24,841)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>4,206</u>	<u>2,824</u>
Attributable to:		
Owners of the parent	4,235	5,058
Non-controlling interests	<u>(29)</u>	<u>(2,234)</u>
	<u>4,206</u>	<u>2,824</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	<i>Notes</i>	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		357,040	371,105
Right-of-use assets		142,084	141,502
Intangible assets		47,200	50,807
Equity investment designated at fair value through other comprehensive income		4,540	4,540
Prepayments, other receivables and other assets		5,435	–
Deferred tax assets		192,974	209,734
Pledged deposits		225,158	446,946
		<hr/>	<hr/>
Total non-current assets		974,431	1,224,634
CURRENT ASSETS			
Inventories		502,476	566,682
Right-of-return assets		21,642	68,603
Trade and notes receivables	<i>11</i>	186,063	334,525
Prepayments, other receivables and other assets		346,956	231,305
Pledged deposits		875,734	396,099
Cash and cash equivalents		196,530	192,420
		<hr/>	<hr/>
Total current assets		2,129,401	1,789,634
CURRENT LIABILITIES			
Trade and notes payables	<i>12</i>	277,643	374,638
Other payables and accruals		154,892	255,032
Refund liabilities		53,804	148,504
Contract liabilities		49,559	21,199
Interest-bearing bank and other borrowings	<i>13</i>	1,496,842	887,459
Lease liabilities		64,075	71,589
Tax payable		5,932	17,443
		<hr/>	<hr/>
Total current liabilities		2,102,747	1,775,864
NET CURRENT ASSETS		<hr/> 26,654	<hr/> 13,770
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 1,001,085	<hr/> 1,238,404

	<i>Note</i>	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,001,085</u>	<u>1,238,404</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	<i>13</i>	200,881	442,352
Lease liabilities		61,589	47,835
Deferred tax liabilities		22,837	36,645
		<u>285,307</u>	<u>526,832</u>
Total non-current liabilities		285,307	526,832
Net assets		<u>715,778</u>	<u>711,572</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		8,343	8,343
Reserves		706,695	702,460
		<u>715,038</u>	<u>710,803</u>
Non-controlling interests		740	769
		<u>740</u>	<u>769</u>
Total equity		<u>715,778</u>	<u>711,572</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	<i>Notes</i>	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		7,575	30,569
Adjustments for:			
Finance costs	7	29,803	31,675
Bank interest income	5	(1,040)	(1,761)
Impairment of trade and other receivables, net		924	4,915
Impairment of property, plant and equipment	6	–	175
Reversal of write-down of inventories to net realisable value	6	(19,055)	(9,073)
Depreciation of property, plant and equipment	6	33,082	26,923
Depreciation of right-of-use assets	6	47,245	63,373
Amortisation of other intangible assets	6	4,026	2,669
Loss on disposal of items of property, plant and equipment, net	6	533	4,534
Foreign exchange differences, net	6	702	(16,411)
Gain on terminations of leases, net	5	(772)	(678)
Investment income from pledged deposits	5	(10,035)	(13,369)
		92,988	123,541
Decrease in trade and notes receivables		97,990	52,272
Increase in prepayments, other receivables and other assets		(140,331)	(86,161)
Decrease in inventories		83,261	135,922
Decrease in right-of-return assets		46,961	28,237
Increase in pledged short-term deposits		(10,804)	(16,053)
Decrease in trade and notes payables		(96,995)	(160,266)
Decrease in other payables and accruals		(50,787)	(18,282)
Decrease in refund liabilities		(94,700)	(62,098)
Increase/(decrease) in contract liabilities		28,360	(12,094)
Cash generated used in operations		(44,057)	(14,982)
Bank interest received		1,040	1,761
Income tax paid		(17,358)	(20,061)
Net cash flows used in operating activities		(60,375)	(33,282)

	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(69,119)	(51,761)
Purchases of intangible assets	(470)	(7,264)
Proceeds from disposal of items of property, plant and equipment	216	816
Repayment of loans from a third party	27,000	—
	<hr/>	<hr/>
Net cash flows used in investing activities	(42,373)	(58,209)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank and other borrowings	1,425,390	635,996
Repayment of bank and other borrowings	(1,009,108)	(765,868)
(Increase)/decrease in pledged deposits	(237,008)	288,884
Principal portion of lease payments	(40,815)	(64,736)
Interest paid	(28,535)	(34,367)
	<hr/>	<hr/>
Net cash flows from financing activities	109,924	59,909
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	7,176	(31,582)
Cash and cash equivalents at beginning of period	192,420	252,194
Effect of foreign exchange rate changes, net	(3,066)	300
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	196,530	220,912
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	196,530	220,912
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

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 2024 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 2023.

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 2023, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the "2020 Amendments")
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i> (the "2022 Amendments")
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

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.

	Six months ended 30 June 2024			
	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	650,871	434,004	3,549	1,088,424
Total segment revenue	650,871	434,004	3,549	1,088,424
Segment results	424,282	158,383	652	583,317
Other income and gains				19,898
Selling and distribution expenses				(451,200)
Administrative expenses				(112,024)
Impairment losses on financial assets, net				(924)
Other expenses				(1,689)
Finance costs				(29,803)
Profit before tax				7,575

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	655,126	426,767	3,450	1,085,343
Total segment revenue	655,126	426,767	3,450	1,085,343
Segment results	420,197	156,670	844	577,711
Other income and gains				41,266
Selling and distribution expenses				(439,330)
Administrative expenses				(106,424)
Impairment losses on financial assets, net				(4,915)
Other expenses				(6,064)
Finance costs				(31,675)
Profit before tax				<u>30,569</u>

Geographic information**(a) Revenue from external customers**

	Six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Chinese Mainland	<u>1,088,424</u>	<u>1,085,343</u>

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

(b) Non-current assets

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
	Chinese Mainland	551,106
Hong Kong	<u>653</u>	<u>705</u>
Total	<u>551,759</u>	<u>563,414</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 2023: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
<u>Revenue from contracts with customers</u>		
Sale of apparel products		
Online channels	434,004	426,767
Offline channels		
Self-owned stores	456,549	443,558
Partnership stores	47,929	79,918
Distributor stores	146,393	131,650
Sale of other products	3,549	3,066
Consignment services	–	384
Total	<u>1,088,424</u>	<u>1,085,343</u>

Disaggregated revenue information for revenue from contracts with customers

	Six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Timing of revenue recognition		
Goods transferred at a point in time	1,088,424	1,084,959
Services transferred at a point in time	–	384
Total	<u>1,088,424</u>	<u>1,085,343</u>

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
<u>Other income and gains</u>		
Investment income from pledged deposits	10,035	13,369
Government grants	6,618	6,357
Bank interest income	1,040	1,761
Gain on terminations of leases, net	772	678
Penalty charges received from distributors	122	1,164
Foreign exchange gains, net	–	16,411
Others	1,311	1,526
Total	<u>19,898</u>	<u>41,266</u>

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Cost of inventories sold	524,162	516,382
Cost of services provided	–	323
Cost of raw materials sold	–	17
Depreciation of property, plant and equipment	33,082	26,923
Impairment of property, plant and equipment	–	175
Depreciation of right-of-use assets	47,245	63,373
Amortisation of intangible assets	4,026	2,669
Impairment of trade receivables, net	882	9,249
Impairment/(reversal of impairment) of other receivables, net	42	(4,334)
Reversal of write-down of inventories to net realisable value	(19,055)	(9,073)
Loss on disposal of items of property, plant and equipment, net	533	4,534
Foreign exchange differences, net	702	(16,411)
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	40,226	54,361
Pension scheme contributions	4,145	2,956
Staff welfare expenses	4,499	2,750
Total	<u>48,870</u>	<u>60,067</u>

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Interest on bank and other borrowings	27,499	31,783
Interest on lease liabilities	2,304	3,216
	<u>29,803</u>	<u>34,999</u>
Less: Interest capitalised	–	(3,324)
Total	<u><u>29,803</u></u>	<u><u>31,675</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% (2023: 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 (2023: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 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 Chinese Mainland 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 5% (2023: 5%).

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax:		
Charge for the period	951	8,334
Deferred	(167)	(5,430)
Total	784	2,904

9. DIVIDENDS

The board of directors did not declare the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: 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 2023: 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 diluted earnings per share for the six months ended 30 June 2024 and 30 June 2023 does not assume the exercise of all dilutive potential ordinary shares arising from the restricted share unites (“RSUs”) granted by the Company because the exercise price of these RSUs was higher than the average market price for shares for the period.

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	6,820	29,899
	6,820	29,899
	Number of shares	
	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
<u>Shares</u>		
Number of ordinary shares in issue during the period used in the basic earnings per share calculation	912,500,000	912,500,000
	912,500,000	912,500,000

11. TRADE AND NOTES RECEIVABLES

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Trade receivables	630,736	726,788
Notes receivable	–	51,590
	<hr/>	<hr/>
Total	630,736	778,378
Impairment of trade receivables	(444,673)	(443,853)
	<hr/>	<hr/>
Net carrying amount	186,063	334,525
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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 and net of loss allowance, is as follows:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Within 3 months	90,461	211,828
3 to 6 months	31,535	30,954
6 to 12 months	57,734	33,201
1 to 2 years	6,333	6,952
	<hr/>	<hr/>
Total	186,063	282,935
	<hr/> <hr/>	<hr/> <hr/>

12. TRADE AND NOTES PAYABLES

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Trade payables	98,583	164,668
Notes payable	179,060	209,970
Total	<u>277,643</u>	<u>374,638</u>

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 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Within 3 months	86,915	153,975
3 to 6 months	2,481	3,264
6 to 12 months	3,145	1,138
1 to 2 years	290	4,106
Over 2 years	5,752	2,185
Total	<u>98,583</u>	<u>164,668</u>

As at 30 June 2024, included in the trade and notes payables are trade payables of RMB1,000,000 (31 December 2023: RMB2,083,000) due to the Group's related party and 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 2024 (unaudited)			As at 31 December 2023 (audited)		
	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000
Current						
Current portion of long-term bank loans – secured	-	-	-	5-year LPR*	Within 2024	25,805
Current portion of long-term US\$29,600,000 bank loan – secured	-	-	-	3-month LIBOR* plus 1.14%	Within 2024	34,325
Bank loans – secured (note (a))	3.20%-4.10%	2024-2025	422,845	3.20%-3.25%	Within 2024	244,569
Discounted notes receivable – secured (note (b))	1.63%-2.00%	Within 2024	472,400	1.50%	Within 2024	100,000
Discounted letter of credit – secured (note (c))	1.60%-3.10%	2024-2025	33,000	2.50%	Within 2024	37,650
Bank loans – unsecured	3.00%-3.60%	2024-2025	450,597	3.45%-3.85%	Within 2024	240,520
Discounted notes receivable – unsecured	-	-	-	-	Within 2024	99,590
Discounted letter of credit – unsecured	1.60%-3.10%	Within 2024	118,000	2.80%-3.50%	Within 2024	105,000
Total – current			<u>1,496,842</u>			<u>887,459</u>
Non-current						
US\$29,600,000 bank loan – secured	-	-	-	3-month LIBOR plus 1.14%	Within 2025	154,615
Bank loans – secured	-	-	-	5-year LPR	2025-2028	87,713
Bank loans – secured (note (a))	3.40%	Within 2025	200,881	3.40%	Within 2025	200,024
Total – non-current			<u>200,881</u>			<u>442,352</u>
Total			<u><u>1,697,723</u></u>			<u><u>1,329,811</u></u>

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Analysed into:		
Bank loans and other borrowings repayable:		
Within one year or on demand	1,496,842	887,459
In the second year	200,881	380,444
In the third to fifth years, inclusive	–	61,908
	<hr/>	<hr/>
Total	1,697,723	1,329,811
	<hr/> <hr/>	<hr/> <hr/>

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

Notes:

- (a) The bank loans of RMB623,726,000 (31 December 2023: RMB444,593,000) are secured by the pledge of certain of the Group’s time deposits amounting to approximately RMB705,559,000 at the end of the reporting period (31 December 2023: RMB476,818,000).
- (b) The discounted notes receivable of RMB472,400,000 (31 December 2023: RMB100,000,000) are secured by the pledge of certain of the Group’s time deposits amounting to approximately RMB335,224,000 at the end of the reporting period (31 December 2023: RMB75,535,000).
- (c) The discounted letter of credit of RMB33,000,000 (31 December 2023: RMB37,650,000) is secured by the pledge of certain of the Group’s time deposits amounting to approximately RMB6,600,000 at the end of the reporting period (31 December 2023: RMB19,025,000).
- (d) Except for the bank loan of US\$29,600,000 as at 31 December 2023 which is denominated in US\$, all loans are in RMB.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview and Outlook

In the first half of 2024, the Group's business generally remained stable. Moreover, as a leading fashion company in China, the Group benefited from its omni-channel strategy and the development in China's domestic economy. As a result, the Group remains confident towards the future of the Chinese fashion industry. To further consolidate its leading position in the fashion apparel industry in China, the Group is committed to implementing the following strategies:

- Navigate brand positioning to explore potential consumer base, and improve members' experience through new retail technologies and advantages;
- Reform organization structure and business model, continue to improve the management of omni-channels and deepen the integration of online and offline sales channels to improve operational efficiency so as to enable the Group to respond to the market in a faster manner; and
- Continue to invest in research and development and improve our customer service to provide better product experience and consumer experience.

Revenue

The Group derives 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.

Total sales revenue for the Period was RMB1,088.4 million, representing a slight increase of 0.3%, or RMB3.1 million, from RMB1,085.3 million for the same period in 2023. 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 successful implementation of the Group's brand promotion initiatives.

Revenue by brand

	Six months ended 30 June			
	2024		2023	
	RMB'000	%	RMB'000	%
GXG	978,670	89.9	921,898	84.9
gxg jeans	79,025	7.3	86,532	8.0
gxg.kids	7,414	0.7	56,343	5.2
Mode Commuter	20,479	1.9	18,526	1.7
Others	2,836	0.2	2,044	0.2
Total	1,088,424	100.0	1,085,343	100.0

Sales revenue from the Group's main brand, namely GXG, for the Period increased by 6.2%, or RMB56.8 million, as compared to that for the same period in 2023, primarily due to the successful implementation of the Group's brand promotion initiatives.

Sales revenue from gxg jeans for the Period decreased by 8.7%, or RMB7.5 million, as compared to that for the same period in 2023, primarily due to the impact of the Group's strategic brand adjustment to enhance operational efficiency of each store.

Sales revenue from gxg.kids for the Period decreased by 86.9%, or RMB48.9 million, as compared to that for the same period in 2023, primarily due to the Group's strategic adjustment of brand positioning to terminate the business of gxg.kids as well as the increase in the proportion of selling old stocks which have higher discounted rates during the Period.

Sales revenue from Mode Commuter for the Period increased by 10.8%, or RMB2.0 million, as compared to that for the same period in 2023, primarily due to the increase in the number of offline stores.

Revenue by sales channel

	Six months ended 30 June			
	2024		2023	
	RMB'000	%	RMB'000	%
Sales of apparel products				
Offline channels				
Self-owned stores	456,549	41.9	443,558	40.8
Partnership stores	47,929	4.4	79,918	7.4
Distributor stores	146,393	13.4	131,650	12.1
Online channels	434,004	39.9	426,767	39.3
Sales of other products	3,549	0.4	3,066	0.3
Consignment services	–	–	384	0.1
Total	<u>1,088,424</u>	<u>100.0</u>	<u>1,085,343</u>	<u>100.0</u>

Due to the successful implementation of the Group's brand promotion initiatives and the increase of average store sales, sales from self-owned stores for the Period increased by 2.9%, or RMB12.9 million, to RMB456.5 million and sales from distributor stores for the Period increased by 11.2%, or RMB14.7 million, to RMB146.4 million, as compared to that for the same period in 2023, respectively.

Due to the improvement of our customer service and consumer experience on our products, sales from online channel for the Period increased slightly by 1.7%, or RMB7.2 million, to RMB434.0 million, as compared to that for the same period in 2023.

Sales from partnership stores for the Period decreased by 40.1%, or RMB32.0 million, to RMB47.9 million, as compared to that for the same period in 2023, primarily due to the Group's strategic adjustment of brand positioning to terminate the business of gxg.kids under partnership stores.

Number of stores by brand

	30 June 2024		31 December 2023	
	<i>Number of stores</i>	<i>%</i>	<i>Number of stores</i>	<i>%</i>
GXG	884	92.3	903	88.3
gxg jeans	53	5.5	65	6.4
gxg.kids	–	–	36	3.5
Mode Commuter	21	2.2	18	1.8
Total	958	100.0	1,022	100.0

During the Period, the Group adjusted its brand positioning and marketing strategies by reducing the number of stores to enhance store efficiency. As a result, the total number of offline stores decreased from 1,022 as at 31 December 2023 to 958 as at 30 June 2024. Due to the Group's strategic adjustment of brand positioning, the Group terminated the business of gxg.kids and licensed it to an independent third party.

Number of stores by sales channel

	30 June 2024		31 December 2023	
	<i>Number of stores</i>	<i>%</i>	<i>Number of stores</i>	<i>%</i>
Self-owned stores	373	38.9	380	37.2
Partnership stores	61	6.4	139	13.6
Distributor stores	524	54.7	503	49.2
Total	958	100.0	1,022	100.0

Due to strategic offline channels restructuring, the Group closed its underperforming offline stores during the Period and increased the number of distributor stores to 524 as at 30 June 2024. As a result, the number of offline stores decreased from 1,022 as at 31 December 2023 to 958 as at 30 June 2024.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit of RMB583.3 million for the Period, representing a slight increase of 1.0%, or RMB5.6 million, from RMB577.7 million for the same period in 2023. Gross profit margin increased to 53.6% during the Period from 53.2% for the same period in 2023. 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			
	2024		2023	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%
GXG	533,557	54.5	520,955	56.5
gxx jeans	37,179	47.0	40,177	46.4
gxx.kids	787	10.6	6,132	10.9
Mode Commuter	11,460	56.0	9,963	53.8
Others	334	11.8	484	23.7
Total	583,317	53.6	577,711	53.2

Since the Group controlled retail discount rates on products, the overall gross profit margin of the Group increased to 53.6% during the Period.

The gross profit of GXG for the Period increased by RMB12.6 million, or approximately 2.4%, as compared to that for the same period in 2023, primarily due to the increase in revenue of GXG. The gross profit margin of GXG decreased by 2.0 percentage points, primarily because we sold certain old stocks which have higher discounted rates in order to relocate to a new warehouse.

The gross profit of gxx jeans for the Period decreased by RMB3.0 million, or approximately 7.5%, as compared to that for the same period in 2023, primarily due to the decrease in revenue of gxx jeans. The gross profit margin of gxx jeans increased by 0.6 percentage point, primarily because the Group offered lower retail discounts on the products sold during the Period than those sold in the same period in 2023.

The gross profit of gxx.kids for the Period decreased by RMB5.3 million, or approximately 86.9%, and the gross profit margin of gxx.kids decreased by 0.3 percentage point. Such decreases were primarily due to the Group's strategic adjustment of brand positioning to terminate the business of gxx.kids as well as selling old stocks which have higher discounted rates during the Period.

The gross profit of Mode Commuter for the Period increased by RMB1.5 million, or approximately 15.0%, as compared to that for the same period in 2023, primarily due to the increase in revenue of Mode Commuter. The gross profit margin of Mode Commuter increased by 2.2 percentage points, primarily because the Group offered lower retail discounts on the products sold during the Period than those sold in the same period in 2023.

Gross profit and gross profit margin by sales channel

	Six months ended 30 June			
	2024		2023	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%
Sales of apparel products				
Offline channels				
Self-owned stores	329,061	72.1	325,478	73.4
Partnership stores	20,611	43.0	23,781	29.8
Distributor stores	74,610	51.0	70,938	53.9
Online channels	158,383	36.5	156,670	36.7
Sales of other products	652	18.4	783	25.5
Consignment services	—	—	61	15.9
Total	583,317	53.6	577,711	53.2

Gross profit of self-owned stores for the Period increased by RMB3.6 million, or approximately 1.1%, as compared to that for the same period in 2023, primarily due to an increase in its revenue. Gross profit margin of self-owned stores for the Period remained relatively stable at 72.1%, as compared to 73.4% for the same period in 2023.

Gross profit of partnership stores for the Period decreased by RMB3.2 million, or approximately 13.4%, primarily due to a decrease in its revenue. Gross profit margin increased by 13.2 percentage points to 43.0%, as compared to that for the same period in 2023, primarily due to the Group's strategic brand positioning adjustment to terminate the business of gxc.kids under partnership stores.

Gross profit of distributor stores for the Period increased by RMB3.7 million, or approximately 5.2%, as compared to that for the same period in 2023, primarily due to an increase in its revenue. Gross profit margin decreased by 2.9 percentage points to 51.0%, as compared to that for the same period in 2023, primarily due to the subsidies provided by the Group to its distributors during the Period.

Gross profit of online channels for the Period increased slightly by RMB1.7 million, or approximately 1.1%, as compared to that for the same period in 2023, primarily due to an increase in its revenue. Gross profit margin of online channels remained relatively stable at 36.5%, as compared to 36.7% for the same period in 2023.

Other Income and Gains

Other income and gains for the Period were RMB19.9 million, representing a decrease of 51.8%, or RMB21.4 million, as compared to RMB41.3 million for the same period in 2023, mainly attributable to a decrease in foreign exchange gains and investment income from time deposits.

Selling and Distribution Expenses

Total selling and distribution expenses for the Period increased by 2.7%, or RMB11.9 million, to RMB451.2 million as compared to RMB439.3 million for the same period in 2023, mainly due to an increase in advertising expenses as the Group increased its brand promotion activities during the Period, as well as the increase in hangtags, other consumables and stores decoration charges.

Selling and distribution expenses as a percentage of the Group's total revenue increased to 41.5% for the Period as compared to 40.5% for the same period in 2023.

Administrative Expenses

Total administrative expenses for the Period increased by 5.3%, or RMB5.6 million, to RMB112.0 million as compared to RMB106.4 million for the same period in 2023. The increase was mainly due to an increase in depreciation of the Group's headquarter office building.

Total administrative expenses as a percentage of the Group's total revenue increased to 10.3% for the Period as compared to 9.8% for the same period in 2023.

Impairment Losses on Financial Assets, Net

The Group recorded impairment losses on financial assets, net for the Period of RMB0.9 million, as compared to impairment losses on financial assets of RMB4.9 million for the same period in 2023. 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 decreased by 72.1%, or RMB4.4 million, to RMB1.7 million, as compared to RMB6.1 million for the same period in 2023. This was mainly due to a decrease in the number of closed stores during the Period, resulting in a reduction in stores closure expenses.

Finance Costs

Finance costs for the Period decreased by 6.0%, or RMB1.9 million, to RMB29.8 million, as compared to RMB31.7 million for the same period in 2023. The decrease was mainly due to a lower interest on bank loans and lease liabilities.

Profit before Tax

The Group's profit before tax for the Period was RMB7.6 million, representing a decrease of RMB23.0 million, from RMB30.6 million for the same period in 2023. The decrease was mainly due to a decrease in foreign exchange gains and an increase in depreciation of the Group's headquarter office building.

Income Tax Expense

Income tax expense for the Period was RMB0.8 million, representing a decrease of RMB2.1 million, as compared to RMB2.9 million for the same period in 2023.

Profit for the Period

As a result of the foregoing factors, profit for the Period was RMB6.8 million, representing a decrease of RMB20.9 million, as compared to RMB27.7 million for the same period in 2023.

Operating Cash Flows

Net operating cash outflow for the Period was RMB60.4 million, primarily due to a decrease in working capital of RMB137.0 million and the cash outflow from operating profit of RMB76.6 million. The Group's net operating cash outflow for the Period increased by RMB27.1 million, as compared to net operating cash outflow of RMB33.3 million for the same period in 2023, mainly due to an increase in advertising expenses and lease payments which were not included in the measurement of lease liabilities.

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 RMB69.6 million, representing an increase of 18.0%, or RMB10.6 million, from RMB59.0 million for the same period in 2023. The relatively higher capital expenditures were primarily due to higher costs of construction of the Group's headquarter office building incurred during the Period.

Financial Position

The Group generally funds its operations with bank and other borrowings. As at 30 June 2024, the Group had bank and other borrowings of RMB1,697.7 million. Bank and other borrowings were mainly denominated in RMB as at 30 June 2024. As at 30 June 2024, the Group had fixed-rate bank borrowings of RMB1,697.7 million (31 December 2023: RMB827.8 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 RMB1,297.4 million as at 30 June 2024, representing an increase of 25.3%, or RMB262.0 million, from RMB1,035.4 million as at the end of 2023. Cash and cash equivalents as at 30 June 2024 were RMB196.5 million, among which 93.7% was denominated in RMB, 6.0% in U.S. dollars, 0.2% in Hong Kong dollars, and 0.1% in Macau Pataca. Pledged deposits as at 30 June 2024 were RMB1,100.9 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 30 June 2024, the Group's gearing ratio was 54.7% (31 December 2023: 44.1%). 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 the U.S. dollars. During the Period, the Group did not use any financial instrument for hedging purpose.

Pledge of Assets

As at 30 June 2024, among the Group's bank loans, RMB623.7 million were secured by the Group's pledged deposit.

As at 30 June 2024, the Group had a discounted letter of credit of RMB33.0 million, which was secured by the Group's pledged deposit.

As at 30 June 2024, the Group's discounted notes receivable of RMB472.4 million were secured by the Group's pledged deposit.

Contingent Liabilities

As at 30 June 2024, the Group had no significant contingent liabilities (as at 31 December 2023: Nil).

Events after the Period

As at the date of this announcement, no material event has occurred after 30 June 2024.

Human Resources

As at 30 June 2024, the number of employees of the Group was 500, as compared to 508 as at 31 December 2023. 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 RMB49.6 million, as compared to RMB61.5 million for the same period in 2023. The total cost of staff for the Period represents 4.6% of the Group's revenue, as compared to 5.7% for the same period in 2023. The decrease was mainly due to a strategic workforce structure adjustment.

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 adopted the Corporate Governance Code (the “**Corporate Governance Code**”) set out in Part 2 of Appendix C1 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 Period, 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.

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 C3 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Upon specific enquiries made to all Directors, each of them has confirmed that he/she has complied with the required standards set out in the Model Code throughout the Period and up to the date of this 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 (including sale of treasury shares, if any).

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 2024, the proceeds amounting to a total of RMB704.9 million (equivalent to approximately HK\$802.7 million) had been used. These proceeds were allocated in accordance with the Prospectus and the announcement of the Company dated 22 May 2019. 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 published by the Company on the websites of the Stock Exchange and the Company. As at 30 June 2024, 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 2024 (RMB million)	Unutilised amount as at 30 June 2024 (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	11	141	–
To provide funding for working capital and other general corporate purposes	10%	71	–	71	–
Total	100%	705	11	705	–

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 2024, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

Publication of the 2024 Interim Results and 2024 Interim Report

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.gxggroup.cn). The 2024 interim report of the Company for the six months ended 30 June 2024 will be sent 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, 22 August 2024

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