GXG

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)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

Financial Highlights

- Total revenue for the year ended 31 December 2019 amounted to RMB3,721.4 million, representing a decrease of 1.7%, or RMB65.6 million, as compared to RMB3,787.0 million for the year ended 31 December 2018.

- Net profit for the year ended 31 December 2019 amounted to RMB208.2 million, representing a decrease of 44.4%, or RMB166.3 million, as compared to RMB374.5 million for the year ended 31 December 2018.

- Catering to consumers' online shopping desire, the Group continued to expand its online business, which maintained a healthy growth with an increase of 5.6% for the year ended 31 December 2019 (2018: 11.6%). Online sales accounted for 38.3% of the Group's total revenue for the Period as compared to 35.7% for the year ended 31 December 2018.

The board (the "**Board**") of directors (the "**Directors**") of Mulsanne Group Holding Limited (the "**Company**") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 (the "**Period**"), together with the comparative figures for the year ended 31 December 2018.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 (Unaudited) RMB'000	2018 (Audited) RMB'000
REVENUE	5	**3,721,376**	3,787,042
Cost of sales		**(1,922,641)**	(1,754,835)
Gross profit		**1,798,735**	2,032,207
Other income and gains	5	**52,595**	64,359
Selling and distribution expenses		**(1,141,136)**	(1,221,526)
Administrative expenses		**(284,457)**	(268,364)
Other expenses		**(13,869)**	(3,929)
Finance costs	7	**(88,956)**	(94,513)
Share of losses of associates		**(50)**	(550)
PROFIT BEFORE TAX	6	**322,862**	507,684
Income tax expense	8	**(114,694)**	(133,182)
PROFIT FOR THE YEAR		**208,168**	374,502
Attributable to:			
Owners of the parent		**209,547**	380,093
Non-controlling interests		**(1,379)**	(5,591)
		208,168	374,502
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	10	**RMB24.1 cents**	RMB50.7 cents

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**208,168**	374,502
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**2,837**	14,640
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	**(13,904)**	(64,884)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(11,067)**	(50,244)
TOTAL COMPREHENSIVE INCOME	**197,101**	324,258
Attributable to:		
Owners of the parent	**198,480**	329,849
Non-controlling interests	**(1,379)**	(5,591)
	197,101	324,258

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2019

	Notes	2019 (Unaudited) RMB'000	2018 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**146,981**	171,525
Advance payments for property, plant and equipment		**–**	5,512
Right-of-use assets		**273,642**	–
Prepaid land lease payments		**–**	22,315
Other intangible assets		**10,758**	10,339
Investments in associates		**–**	50
Deferred tax assets		**119,823**	94,955
Total non-current assets		**551,204**	304,696
CURRENT ASSETS			
Inventories		**1,070,922**	966,162
Right-of-return assets		**63,791**	109,731
Trade and notes receivables	*11*	**1,032,574**	830,823
Prepayments, other receivables and other assets		**330,813**	259,469
Derivative financial instruments		**–**	18,514
Due from related parties		**230**	84
Pledged short-term deposits		**29,566**	33,995
Cash and cash equivalents		**820,788**	653,502
Total current assets		**3,348,684**	2,872,280
CURRENT LIABILITIES			
Trade and notes payables	*12*	**886,193**	782,980
Other payables and accruals		**249,359**	359,881
Refund liabilities		**183,212**	264,197
Contract liabilities		**57,133**	40,735
Interest-bearing bank and other borrowings	*13*	**134,240**	290,933
Lease liabilities		**131,127**	–
Tax payable		**109,414**	103,679
Due to related parties		**126**	31,633
Total current liabilities		**1,750,804**	1,874,038
NET CURRENT ASSETS		**1,597,880**	998,242
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,149,084**	1,302,938

	Note	2019 (Unaudited) RMB'000	2018 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,149,084**	1,302,938
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*13*	**1,006,002**	1,204,627
Lease liabilities		**101,940**	–
Deferred tax liabilities		**4,717**	–
Total non-current liabilities		**1,112,659**	1,204,627
Net assets		**1,036,425**	98,311
EQUITY			
Equity attributable to owners of the parent			
Share capital		**8,343**	–
Reserves		**1,029,855**	99,592
		1,038,198	99,592
Non-controlling interests		**(1,773)**	(1,281)
Total equity		**1,036,425**	98,311

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business in China is located at No. 111 Shanshan Road, Wangchun Industrial Park, Haishu District, Ningbo, Zhejiang Province, People's Republic of China (the "**PRC**").

The Company is an investment holding company. During the year, the Company's subsidiaries were principally engaged in the design, marketing and sale of apparel products.

The shares of the Company were listed on the Main Board of the Stock Exchange on 27 May 2019.

In the opinion of the directors, the controlling shareholders of the Company are Great World Glory Pte. Ltd. and L Capital Asia 2 Pte. Ltd., which were both incorporated in Singapore with limited liability.

2. BASIS OF PREPARATION

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9, amendments to IAS 19 and *Annual Improvements 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17. IFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various properties of shopping malls, standalone stores and warehouses. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for an elective exemption for leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The Group elected to present the lease liabilities separately in the statement of financial position. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

- Using a single discount rate to a portfolio of leases with reasonably similar characteristics

- Relying on its assessment of whether leases are onerous immediately before the date of initial application

- Excluding the initial direct costs from the measurement of the right-of-use asset at the date of initial application

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) (Unaudited) ***RMB'000***
Assets	
Increase in right-of-use assets	**286,774**
Decrease in prepaid land lease payments	**(22,315)**
Decrease in prepayments, other receivables and other assets	**(11,502)**
Increase in total assets	**252,957**
Liabilities	
Increase in lease liabilities	**252,957**
Increase in total liabilities	**252,957**

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	(Unaudited) *RMB'000*
Operating lease commitments as at 31 December 2018	319,280
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(41,665)
	277,615
Weighted average incremental borrowing rate as at 1 January 2019	4.75%
Discounted operating lease commitments as at 1 January 2019	252,957
Lease liabilities as at 1 January 2019	252,957

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured by the equity method in accordance with IAS 28. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

4. OPERATING SEGMENT INFORMATION

The Group is mainly engaged in the sale of apparel products. Additionally, the Group also sells other products to partnership stores and distributors, such as decorations for stores and packaging materials for products. The Group manages its main business of the sale of apparel products by sales channels. There are two operating segments for the sale of apparel products: offline channels and online channels. Offline channels refer to the offline network of retail outlets including self-owned stores and partnership stores, and the offline network of distributors, and online channels refer to online retail platforms, such as Tmall, Taobao and VIPshop.

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:

	Year ended 31 December 2019 (Unaudited)			
	Apparel products			
	Offline channels *RMB'000*	**Online channels** *RMB'000*	**Other products** *RMB'000*	**Total** *RMB'000*
Segment revenue				
External customers	**2,282,628**	**1,425,806**	**12,942**	**3,721,376**
Total revenue	**2,282,628**	**1,425,806**	**12,942**	**3,721,376**
Segment results	**1,230,556**	**567,296**	**883**	**1,798,735**
Other income and gains				**52,595**
Selling and distribution expenses				**(1,141,136)**
Administrative expenses				**(284,457)**
Other expenses				**(13,869)**
Finance costs				**(88,956)**
Share of losses of associates				**(50)**
Profit before tax				**322,862**

	Year ended 31 December 2018 (Audited)			
	Apparel products			
	Offline channels *RMB'000*	Online channels *RMB'000*	Other products *RMB'000*	Total *RMB'000*
Segment revenue				
External customers	2,423,925	1,350,314	12,803	3,787,042
Total revenue	2,423,925	1,350,314	12,803	3,787,042
Segment results	1,428,217	603,108	882	2,032,207
Other income and gains				64,359
Selling and distribution expenses				(1,221,526)
Administrative expenses				(268,364)
Other expenses				(3,929)
Finance costs				(94,513)
Share of losses of associates				(550)
Profit before tax				507,684

Geographic information

(a) Revenue from external customers

	2019 **(Unaudited)** ***RMB'000***	2018 (Audited) *RMB'000*
Mainland China	**3,713,683**	3,779,209
Macau China	**7,693**	7,833
Total	**3,721,376**	3,787,042

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

(b) Non-current assets

	2019 **(Unaudited)** ***RMB'000***	2018 (Audited) *RMB'000*
Mainland China	**423,890**	206,938
Macau China	**6,043**	2,753
Hong Kong China	**1,448**	–
Total	**431,381**	209,691

The non-current asset information above is based on the locations of the assets and excludes investments in associates and deferred tax assets.

Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's total revenue during the year (2018: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019 (Unaudited) *RMB'000*	2018 (Audited) *RMB'000*
Revenue from contracts with customers		
Sale of apparel products		
Online channels	**1,425,806**	1,350,314
Offline channels		
Self-owned stores	**921,229**	1,193,064
Partnership stores	**334,315**	397,277
Distributor stores	**1,027,084**	833,584
Sale of other products	**12,942**	12,803
Total	**3,721,376**	3,787,042

Revenue from contracts with customers

(i) Disaggregated revenue information

For the years ended 31 December 2019 and 2018

	2019 (Unaudited) *RMB'000*	2018 (Audited) *RMB'000*
Timing of revenue recognition		
Goods transferred at a point in time	**3,721,376**	3,787,042

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

	2019 (Unaudited) *RMB'000*	2018 (Audited) *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	**40,735**	48,118

	2019 (Unaudited) *RMB'000*	2018 (Audited) *RMB'000*
Revenue recognised from performance obligations satisfied in previous periods:		
Sale of goods not previously recognised due to constraints on variable consideration	**14,980**	10,403

(ii) Performance obligations

At 31 December 2019, the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised within one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iii) Refund liabilities

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Refund liabilities arising from sales return	**145,224**	221,900
Refund liabilities arising from sales rebates	**37,988**	42,297
	183,212	264,197

Other income and gains

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Bank interest income	**3,140**	1,966
Penalty charges received from distributors	**2,153**	1,194
Rental income	**1,205**	2,410
Government grants*	**32,741**	40,399
Compensation from a fire accident	**–**	3,814
Gain on disposal of items of property, plant and equipment	**105**	–
Gain on disposal of a subsidiary	**–**	3,205
Investment income from financial assets at fair value through profit or loss	**–**	763
Fair value gain on derivative financial instruments - transactions not qualifying as hedges	**11,496**	9,070
Others	**1,755**	1,538
	52,595	64,359

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

6. PROFIT BEFORE TAX

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

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Cost of inventories sold	**1,869,734**	1,776,150
Depreciation of items of property, plant and equipment	**138,411**	113,333
Impairment of items of property, plant and equipment	**9,899**	–
Depreciation of right-of-use assets (2018: amortisation of land lease payments)	**133,922**	661
Amortisation of other intangible assets*	**6,070**	2,366
Impairment of trade receivables	**52,382**	16,827
Impairment of other receivables	**2,402**	1,401
Write-down/(reversal of write-down) of inventories to the net realisable value**	**52,907**	(21,315)
Minimum lease payments under operating leases	**–**	187,701
Lease payments not included in the measurement of lease liabilities	**51,257**	–
Auditor's remuneration	**3,740**	960
Listing expenses	**25,342**	19,537
(Gain)/loss on disposal of items of property, plant and equipment, net	**(105)**	11
Foreign exchange differences, net	**323**	3,533
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	**94,291**	126,341
Pension scheme contributions	**13,368**	10,484
Staff welfare expenses	**13,628**	16,035
	121,287	152,860

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

** The write-down of inventories to net realisable value of RMB52,907,000 (2018: the reversal of write-down of inventories to net realisable value of RMB21,315,000) for the year ended 31 December 2019 is included in "Cost of sales" in the unaudited consolidated statement of profit or loss.

7. FINANCE COSTS

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Interest on bank loans	**76,690**	93,321
Interest on loans from a related party	**–**	1,192
Interest on lease liabilities	**12,266**	–
	88,956	94,513

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 has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group, Joy Sonic Limited, is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2018: HK$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Pursuant to the relevant tax law of the Administrative Especial de Macau, Macau profits tax has been provided at the rate of 12% on the estimated assessable profits arising in Macau.

The provision for Mainland China corporate income tax is based on the statutory rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

	2019 (Unaudited) ***RMB'000***	2018 (Audited) *RMB'000*
Current tax:		
Charge for the year	**134,845**	149,382
Deferred tax	**(20,151)**	(16,200)
Total tax charge for the year	**114,694**	133,182

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

	2019 (Unaudited) ***RMB'000***	2018 (Audited) *RMB'000*
Profit before tax	**322,862**	507,684
At the PRC's statutory income tax rate of 25%	**80,716**	126,921
Lower tax rates for specific provinces or enacted by local authority	**18,963**	25,533
Expenses not deductible for tax	**4,608**	7,292
Adjustments in respect of current tax of previous years	**–**	(3,761)
Tax losses utilised from previous years	**–**	(246)
Income not subject to tax	**–**	(1,933)
Temporary differences and tax losses not recognised	**10,407**	4,191
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**–**	(24,815)
Tax charge at the Group's effective rate	**114,694**	133,182

9. DIVIDENDS

The Board did not recommend the payment of any final dividend for the year (2018: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 869,452,055 (2018: 750,000,000) in issue during the year, on the assumption that the subdivision of shares and the capitalisation issue had been completed on 1 January 2018.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

The calculation of basic earnings per share is based on:

	2019 (Unaudited) *RMB'000*	2018 (Audited) *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**209,547**	380,093

	Number of shares 2019 (Unaudited)	2018 (Audited)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**869,452,055**	750,000,000

11. TRADE AND NOTES RECEIVABLES

	2019 (Unaudited) *RMB'000*	2018 (Audited) *RMB'000*
Trade receivables	**1,030,706**	740,022
Notes receivable	**72,250**	108,801
	1,102,956	848,823
Impairment of trade receivables	**(70,382)**	(18,000)
	1,032,574	830,823

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 six months for major customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As at 31 December 2019, notes receivable of RMB4,000,000 (31 December 2018: RMB1,480,000) whose fair values approximate to their carrying values were classified as financial assets at fair value through other comprehensive income under IFRS 9 and the remaining notes receivable were measured at amortised cost. The fair value changes of these notes receivable at fair value through other comprehensive income were insignificant during the year.

Included in the Group's trade receivables are amounts due from the Group's related parties of RMB9,946,000 (2018: RMB13,153,000) which are repayable on credit terms similar to those offered to the major customers of the Group.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Less than 3 months	**463,182**	595,125
Between 3 and 6 months	**243,035**	70,656
Between 6 and 12 months	**183,283**	28,849
Between 1 and 2 years	**135,496**	44,372
Over 2 years	**5,710**	1,020
	1,030,706	740,022

12. TRADE AND NOTES PAYABLES

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Trade payables	**631,663**	533,730
Notes payable	**254,530**	249,250
	886,193	782,980

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Within 3 months	**606,574**	509,643
3 to 6 months	**17,999**	19,403
6 to 12 months	**3,663**	3,310
1 to 2 years	**2,804**	463
Over 2 years	**623**	911
	631,663	533,730

Included in the trade and notes payables are trade payables of RMB17,124,000 (2018: RMB5,078,000) due to the Group's related parties which are repayable within 120 days, which represents credit terms similar to those offered by the related parties to their major customers.

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

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2019 (Unaudited)			31 December 2018 (Audited)		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Current portion of long-term bank loans – secured US$226,000,000 bank loans	**1-month LIBOR plus 2.50%**	**Within 2020**	**66,050**	1-month LIBOR plus 3.25%	Within 2019	183,612
Discounted notes receivable	**–**	**Within 2020**	**68,190**	–	Within 2019	107,321
			134,240			290,933
Non-current						
Bank loans – secured US$226,000,000 bank loans	**1-month LIBOR plus 2.50%**	**2021-2022**	**1,006,002**	1-month LIBOR plus 3.25%	2020-2022	1,204,627
			1,140,242			1,495,560

	2019 (Unaudited) ***RMB'000***	2018 (Audited) *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**134,240**	290,933
In the second year	**250,367**	217,152
In the third to fifth years, inclusive	**755,635**	987,475
	1,140,242	1,495,560

Notes:

(a) The US$226,000,000 bank loans are secured by:

i. mortgages and fixed charges over the Company's equity interests in its subsidiaries Joy Sonic Limited and Alpha Sonic Ltd; and

ii. mortgages and fixed charges over Joy Sonic Limited's equity interests in its subsidiaries Ningbo Chisage Mulsanne Holding Co., Ltd. and Yatlas (Shanghai) Brand Management Co., Ltd..

(b) Except for the US$226,000,000 bank loans which are denominated in United States dollars, all borrowings are in RMB.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview and Outlook

Affected by the global economic environment, China's economy and consumption growth has also decelerated in 2019. Meanwhile, with the significant increase in the number of high-tech companies and the emergence of various innovative high-tech business models, 2019 has been a year of both challenges and opportunities for China's apparel industry. In early 2020, China's apparel industry suffered a significant blow as a result of the novel coronavirus ("**COVID-19**") outbreak. The Group's business for the first quarter of 2020, particularly its offline retail channels, was also affected. However, as the Chinese government has put in place a number of policies to support its citizens and businesses, the Group believes that the public's spending power will gradually pick back up and that its performance for the rest of the year will recover. Moreover, benefiting from its multi-brand strategy and its strength in online sales channel to well adapt to the accelerated change of customer shopping behavior from offline to online during and after the COVID-19 outbreak, the Group remains confident towards its future as a leading fashion company in China. To help develop the fashion apparel industry in China, the Group is committed to implementing the following growth strategies:

- Proactively expand new and innovative online sales channels, such as social eCommerce channels, while continuously enhance the Group's competitive edge in traditional online channels such as Tmall, Taobao and VIPshop, to better adapt to the accelerated change of customers' shopping behaviour from offline channels to online channels during and after the COVID-19 outbreak;

- Develop new product portfolio and brand metric through multi-brands strategy in order to further integrate online sales channels with offline sales channels and improve operational efficiency;

- Seek collaboration opportunities with popular apparel brands in order to launch more attractive jointly-developed products;

- Attract more followers by introducing continuous innovative marketing measures, and enhance members' experience through new retail technology and advantages; and

- Further develop its leading supply chain system, improve its ability to serve its customers, and satisfy customers' needs by providing products and services in high quality.

Revenue

The Group derived its revenue primarily from 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 year ended 31 December 2019, the total sales revenue recorded was RMB3,721.4 million, representing a decrease of 1.7%, or RMB65.6 million, from RMB3,787.0 million in 2018. The slight decrease in revenue was the result of closure of stores that were under-performing or incurring losses, causing a decrease in the number of the Group's self-owned stores and partnership stores.

Revenue by brand

	Year ended 31 December			
	2019		2018	
	(Unaudited)		(Audited)	
	RMB'000	*%*	*RMB'000*	*%*
GXG series				
GXG	**2,355,606**	**63.3**	2,504,720	66.1
gxg jeans	**649,571**	**17.5**	753,942	19.9
gxg.kids	**598,135**	**16.1**	387,252	10.2
Sportswear				
Yatlas	**60,467**	**1.6**	97,712	2.6
2XU	**15,939**	**0.4**	14,304	0.4
Others	**41,658**	**1.1**	29,112	0.8
Total	**3,721,376**	**100.0**	3,787,042	100.0

For the Period, sales revenue from main brands, namely GXG and gxg jeans, declined by 6.0%, or RMB149.1 million, and 13.8%, or RMB104.3 million, respectively, as compared to that in 2018. The major reasons include (i) an increase in sales of old inventories that had lower prices, and (ii) closure of stores that were under-performing or incurring losses, causing a significant decrease in the number of the Group's self-owned stores and partnership stores. Sales revenue from gxg.kids for the Period increased by 54.4%, or RMB210.8 million, as compared to that in 2018, mainly due to a one-time buyout from an offline national distributor. Accordingly, for the Group's GXG series, the above changes resulted in the reduction in sales proportion of (i) GXG brand from 66.1% in 2018 to 63.3% in 2019 and (ii) gxg jeans brand from 19.9% in 2018 to 17.5% in 2019, and an increase in the sales proportion of gxg.kids brand from 10.2% in 2018 to 16.1% in 2019.

Among the Group's sportswear brands, Yatlas's revenue for the Period decreased by 38.1%, or RMB37.2 million, as compared to that in 2018, mainly due to the Group's adjustment of brand positioning by reducing the number of stores to enhance store efficiency. Due to an increase in e-commerce sales, all of the sales of 2XU and other brands increased during the Period.

Revenue by sales channel

	Year ended 31 December			
	2019		2018	
	(Unaudited)		(Audited)	
	RMB'000	***%***	*RMB'000*	*%*
Sales of apparel products				
Offline channels				
Self-owned stores	**921,229**	**24.8**	1,193,064	31.5
Partnership stores	**334,315**	**9.0**	397,277	10.5
Distributor stores	**1,027,084**	**27.6**	833,584	22.0
Online channels	**1,425,806**	**38.3**	1,350,314	35.7
Sales of other products	**12,942**	**0.3**	12,803	0.3
Total	**3,721,376**	**100.0**	3,787,042	100.0

In May 2019, the Group transferred all offline channels of kidswear to a distributor, aiming to take advantage of the distributor's local experience and knowledge to increase the Group's share in the kidswear market in China. As a result of the conversion in kidswear from self-owned stores and partnership stores to distributor stores, sales from self-owned stores for the Period decreased by 22.8%, or RMB271.9 million, to RMB921.2 million, and sales from partnership stores for the Period decreased by 15.9%, or RMB63.0 million, to RMB334.3 million, while sales from distributor stores for the Period increased by 23.2%, or RMB193.5 million, to RMB1,027.1 million.

Online channel sales for the Period maintained growth with an increase of 5.6%, or RMB75.5 million, to RMB1,425.8 million. As to the Group's revenue composition for the Period, online channel sales was ranked first with 38.3%, followed by distributor stores with 27.6% and self-owned stores with 24.8%.

Number of stores by brand

	As at 31 December			
	2019		2018	
	Number of stores	***%***	*Number of stores*	*%*
GXG series				
GXG	**1,118**	**64.4**	1,216	54.0
gxg jeans	**336**	**19.3**	505	22.4
gxg.kids	**249**	**14.3**	454	20.2
Sportswear				
Yatlas	**29**	**1.7**	69	3.1
2XU	**–**	**–**	3	0.1
Others	**5**	**0.3**	3	0.1
Total	**1,737**	**100.0**	2,250	100.0

Due to the relocation of shopping areas in offline channels, market factors such as the increase in store operating cost and the upgrade and consolidation of its offline channels, the Group adjusted its store network during the Period by closing its offline stores that failed to reach designated sales targets. As a result, the total number of stores decreased to 1,737 as at 31 December 2019 from 2,250 as at 31 December 2018.

Number of stores by channel

	As at 31 December			
	2019		2018	
	Number of stores	*%*	*Number of stores*	*%*
Self-owned stores	**387**	**22.3**	720	32.0
Partnership stores	**345**	**19.9**	532	23.6
Distributor stores	**1,005**	**57.8**	998	44.4
Total	**1,737**	**100.0**	2,250	100.0

During the Period, the number of distributor stores increased while the number of self-owned stores and partnership stores decreased mainly because the Group transferred all offline channels of kidswear to a distributor, aiming to take advantage of the distributor's local experience and knowledge to increase the Group's share in the kidswear market in China.

In addition, the Group closed stores that were under-performing or incurring losses, causing a decrease in the number of its self-owned stores and partnership stores.

Gross Profit and Gross Profit Margin

The Group recorded a total gross profit of RMB1,798.7 million for the Period, representing a decrease of 11.5%, or RMB233.5 million, from RMB2,032.2 million in 2018. Gross profit margin decreased from 53.7% in 2018 to 48.3% in 2019.

Gross profit and gross profit margin by brand

	Year ended 31 December			
	2019 (Unaudited)		2018 (Audited)	
	Gross Profit ***RMB'000***	**Gross Profit Margin** *%*	Gross Profit *RMB'000*	Gross Profit Margin *%*
GXG series				
GXG	**1,204,009**	**51.1**	1,393,630	55.6
gxg jeans	**297,476**	**45.8**	383,538	50.9
gxg.kids	**253,862**	**42.4**	186,946	48.3
Sportswear				
Yatlas	**22,885**	**37.8**	51,127	52.3
2XU	**6,431**	**40.3**	6,994	48.9
Others	**14,072**	**33.8**	9,972	34.3
Total	**1,798,735**	**48.3**	2,032,207	53.7

During the Period, in order to reduce inventory and recoup funds while maintaining the price levels of in-season products, the Group has accelerated the promotional efforts of low-margin off-season products among all brands, which caused a slight decline in the overall gross profit margin of each brand.

Gross profit and gross profit margin by sales channel

	Year ended 31 December			
	2019		2018	
	(Unaudited)		(Audited)	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
	RMB'000	*%*	*RMB'000*	*%*
Sales of apparel products				
Offline channels				
Self-owned stores	**603,427**	**65.5**	825,081	69.2
Partnership stores	**150,518**	**45.0**	186,392	46.9
Distributor stores	**476,611**	**46.4**	416,744	50.0
Online channels	**567,296**	**39.8**	603,108	44.7
Sales of other products	**883**	**6.8**	882	6.9
Total	**1,798,735**	**48.3**	2,032,207	53.7

Gross profit of self-owned stores for the Period decreased by RMB221.7 million as compared to that in 2018, with gross profit margin decreased to 65.5% for the Period, which was 3.7 percentage points lower than that in 2018. The decrease was due to (i) increased promotional efforts, which included the offering of higher discount rates in self-owned stores, and (ii) an increase in sales of old inventories that had lower prices. The gross profit of partnership stores for the Period decreased by RMB35.9 million, and the gross profit margin declined slightly by 1.9 percentage points to 45.0%. The gross profit of the distributor stores for the Period increased by RMB59.9 million, while the gross profit margin decreased by 3.6 percentage points, mainly due to the sales channel change for kidswear from self-owned stores and partnership stores to distributor stores in May 2019. The large amount of inventory that was transferred as a result of the sales channel change was priced at a lower price as compared to that offered by ordinary distributors.

Gross profit of online channels for the Period decreased by RMB35.8 million with gross profit margin decreasing by 4.9 percentage points. The decrease was due to the Group's active participation in promotional activities, which included the offering of higher discount rates on e-commerce platforms in order to maintain its influence on those platforms.

Other Income and Gains

Other income and gains for the Period were RMB52.6 million, representing a decrease of 18.3%, or RMB11.8 million, as compared to RMB64.4 million in 2018, mainly due to the decreases in government subsidies and gains from the disposal of an invested subsidiary.

Selling and Distribution Expenses

Total selling and distribution expenses for the Period were RMB1,141.1 million, representing a decrease of 6.6%, or RMB80.4 million, as compared to RMB1,221.5 million in 2018. Selling and distribution expenses as a percentage of the Group's total revenue decreased to 30.7% from 32.3% in 2018, mainly due to the decrease in the proportion of sales from self-owned stores.

Administrative Expenses

Total administrative expenses for the Period were RMB284.5 million, representing an increase of 6.0%, or RMB16.1 million, as compared to RMB268.4 million in 2018. Total administrative expenses as a percentage of the Group's total revenue increased to 7.6% in 2019 from 7.1% in 2018. The increase was mainly due to an increase in impairment of trade receivables.

Other Expenses

The Group's other expenses for the Period amounted to RMB13.9 million, representing an increase of 256.4%, or RMB10.0 million, from RMB3.9 million in 2018, mainly due to an increase in impairment of leasehold improvements.

Finance Costs

Finance costs for the Period were RMB89.0 million, representing a decrease of 5.8%, or RMB5.5 million, from RMB94.5 million in 2018. The decrease was mainly due to a decrease in interest of bank loans.

Profit before Tax

The Group's profit before tax for the Period was RMB322.9 million, representing a decrease of 36.4%, or RMB184.8 million, from RMB507.7 million in 2018. The decrease was mainly due to the decrease in gross profit.

Income Tax Expense

Income tax expense for the Period was RMB114.7 million, representing a decrease of 13.9%, or RMB18.5 million, as compared to RMB133.2 million in 2018. The effective tax rate for the Period was 35.5% as compared to 26.2% in 2018.

Profit for the Period

As a result of the foregoing factors, profit for the Period was RMB208.2 million, representing a decrease of 44.4%, or RMB166.3 million, as compared with RMB374.5 million in 2018.

Operating Cash Flows

Net operating cash inflow for the Period was RMB58.1 million, representing a decrease of 71.4%, or RMB145.4 million, as compared to net operating cash inflow of RMB203.5 million in 2018. Negative working capital adjustments reflected primarily due to (i) an increase in trade and notes receivables of RMB361.5 million, (ii) an increase in inventories of RMB157.7 million, and (iii) a decrease in accrued liabilities and other payables of RMB105.4 million. Such negative adjustments were partially offset by an increase in trade and notes payables of RMB103.2 million.

Capital Expenditures

The Group's capital expenditures include payments for logistic base construction, property, plant and equipment, intangible assets and the renovation of offices and self-owned stores. During the Period, the Group's capital expenditures remained relatively stable at RMB138.1 million, as compared to RMB139.0 million in 2018.

Financial Position

The Group generally funds its operations with bank borrowings and the RMB771.1 million raised from listing its shares during the Period. As at 31 December 2019, the Group had bank borrowings of RMB1,140.2 million. Bank borrowings were denominated in RMB and U.S. dollars as at 31 December 2018 and 2019. For details, see Note 13 of the "Notes to Unaudited Consolidated Financial Statements".

The Group's cash and cash equivalents and pledged short-term deposits totalled RMB850.4 million as at 31 December 2019, representing an increase of 23.7%, or RMB162.9 million, from RMB687.5 million at the end of 2018. Cash and cash equivalents as at 31 December 2019 were RMB820.8 million, among which 71.9% was denominated in RMB, 17.7% in U.S. dollars, and 10.4% in Hong Kong dollars. Pledged short-term deposits as at 31 December 2019 were RMB29.6 million, all of which were denominated in RMB.

Gearing Ratio

The Group's gearing ratio is calculated by dividing the Group's total borrowings by the Group's total assets. As at 31 December 2019, the Group's gearing ratio was 29.2%.

Significant Investments Held

In December 2019, the Group and The Esprit Group entered into a joint venture agreement in China, which the Group views as a significant investment. The joint venture has passed the anti-monopoly review but not been established as at the date of this announcement. Pursuant to the joint venture agreement, the joint venture company will be owned as to 60% by the Group and 40% by The Esprit Group. The Group and The Esprit Group will each contribute RMB60.0 million and RMB40.0 million, respectively, to the registered capital of the joint venture company. The Group's contribution amounts to 1.5% of the Group's total assets as at 31 December 2019. The Board considers that, by taking advantage of the Group's online and offline channels and its flexible supply chain system, the establishment of the joint venture company, which promotes and operates business for the Espirt brand, enables the Group to further develop its multi-brand strategy. For more details, please refer to the announcement of the Company dated 2 December 2019.

Funding and Treasury Policy

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

Material Acquisitions and Future Plans for Major Investment

During the Period, the Group did not conduct any material acquisitions or disposals. In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the prospectus of the Company dated 15 May 2019 (the "**Prospectus**"), the Group has no specific plan for major investment or acquisition of major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

Exposure to Fluctuations in Exchange Rates

The Group operates mainly in China with most of its transactions settled in Renminbi. However, the Group is exposed to foreign exchange risk arising mainly from debt denominated in the U.S. dollars.

Pledge of Assets

As at 31 December 2019, the Group's US$226 million bank loans were secured by:

(i) mortgages and fixed charges over the Company's equity interests in its subsidiaries Joy Sonic Limited and Alpha Sonic Ltd; and

(ii) mortgages and fixed charges over Joy Sonic Limited's equity interests in its subsidiaries Ningbo Chisage Mulsanne Holding Co., Ltd. and Yatlas (Shanghai) Brand Management Co., Ltd.

Contingent Liabilities

As at 31 December 2019, the Group had no significant contingent liabilities.

Human Resources

As at 31 December 2019, the number of employees of the Group was 811 as compared to 935 as at 31 December 2018. The total cost of staff, including basic salary and wages, social insurance and bonus, for the Period was RMB112.4 million as compared to RMB145.2 million in 2018. The total cost of staff for the Period represents 3.0% of the Group's revenue as compared to 3.8% in 2018. The decrease was mainly because of (i) a decrease in the number of self-owned stores, which led to a decrease in the number of retail staffs, and (ii) reduced pay for underperforming employees.

OTHER INFORMATION

Final Dividend

The Board does not recommend the payment of any final dividend for the year ended 31 December 2019.

Corporate Governance

The Company was listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 27 May 2019 (the "**Listing Date**") and the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") was not applicable to the Company before the Listing Date.

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and enhance its corporate value and accountability. After listing, the Company has adopted the Corporate Governance Code as its own code of corporate governance. During the period from the Listing Date up to 31 December 2019 (the "**Relevant Period**"), the Company has 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 was listed on the Stock Exchange on 27 May 2019 and the provisions under the Listing Rules in relation to the compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules by the Directors were not applicable to the Company before the Listing Date.

After listing, the Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Upon specific enquiries made to all Directors, each of them has confirmed that he has complied with the required standards set out in the Model Code throughout the Relevant 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 Relevant Period.

Use of Proceeds from the Global Offering

The Company was listed on the Main Board of the Stock Exchange on 27 May 2019 and issued 200,000,000 new shares. After deducting the underwriting fees, commissions and estimated expenses, the total net proceeds from the listing were approximately RMB704.9 million (equivalent to approximately HK$802.7 million). As at 31 December 2019, a total of RMB326.5 million (equivalent to approximately HK$380.3 million) of the proceeds have been used. These proceeds have been used for the purposes as stated in the Prospectus of the Company dated 15 May 2019 and the announcement of the Company dated 22 May 2019 (the "**Price Reduction Announcement**") as follows:

Item	Approximate percentage of total amount	Planned use of proceeds *(RMB million)*	Actual amount used as at 31 December 2019 *(RMB million)*	Unutilised amount as at 31 December 2019 *(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	2	68
To purchase land and establish the Group's self-owned advanced smart logistics centre	20%	141	–	141
To provide funding for working capital and other general corporate purposes	10%	71	8	63
Total	100%	705	327	378

As at 31 December 2019, the remaining proceeds of approximately RMB378.4 million (equivalent to approximately HK$422.4 million) will continue to be used in accordance with the purposes as set out in the Prospectus and the Price Reduction Announcement and are expected to be fully utilized within the next 24 months.

Events after the Period

The outbreak of the COVID-19 continues to spread in China and other countries across the world. The COVID-19 has imposed certain degree of impact on the business operations of the Group, in particular, the sales from offline channels as well as the delivery and buy-off process of the online channels. The degree of impact depends on the effectiveness of the epidemic preventive measures and the duration of the epidemic.

The Group will closely monitor the developments of COVID-19 situation, assess and react actively to its impact on the financial position and operating results of the Group. Up to the date of this announcement, the assessment is still in progress.

Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

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, Mr. YUAN Tao and Mr. Paolo BODO. Mr. GU Jiong is the chairman of the audit committee. The primary duties of the audit committee are to review the Company's financial information, and oversee the Company's financial reporting system, risk management and internal control systems.

The audit committee has jointly reviewed with the Board the unaudited consolidated financial results of the Group for the year ended 31 December 2019, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

Publication of the 2019 Unaudited and Audited Annual Results and 2019 Annual Report

The auditing process for the annual results of the Group for the year ended 31 December 2019 has not been completed due to certain restrictions in force in China to combat the COVID-19 outbreak. The unaudited results contained herein have not been agreed by the Company's auditors as required under Rule 13.49(2) of the Listing Rules. This unaudited annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.gxggroup.cn).

An announcement relating to the audited results and the material differences (if any) as compared with the unaudited consolidated financial results for the year ended 31 December 2019 contained herein will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The Company expects the audit will be completed on or before 30 April 2020.

The annual report of the Company for the year ended 31 December 2019 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.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Mulsanne Group Holding Limited
HUANG Hanji
Chairman

Hong Kong,
30 March 2020

As at the date of this announcement, the Board comprises Mr. YU Yong as executive Director; Mr. HUANG Hanji, Mr. YANG Herong, Mr. LIN Lin, Mr. WANG Jun and Mr. Ravinder Singh THAKRAN as non-executive Directors; and Mr. GU Jiong, Mr. YUAN Tao and Mr. Paolo BODO as independent non-executive Directors.