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Mulsanne Group Holding Limited

慕尚集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1817)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

Financial Highlights

- Total revenue for the year ended 31 December 2020 amounted to RMB2,861.5 million, representing a decrease of 23.1%, or RMB859.9 million, as compared to RMB3,721.4 million for the year ended 31 December 2019.

- Net loss for the year ended 31 December 2020 amounted to RMB299.2 million, representing a decrease of RMB507.4 million, as compared to a net profit of RMB208.2 million for the year ended 31 December 2019.

- Catering to consumers' online shopping desire, the Group continued to expand its online business, which maintained a healthy growth in online sales with a growth rate of 5.0% from the year ended 31 December 2019 to the year ended 31 December 2020 as compared to a growth rate of 5.6% from the year ended 31 December 2018 to the year ended 31 December 2019. Online sales accounted for 52.3% of the Group's total revenue for the year ended 31 December 2020 as compared to 38.3% for the year ended 31 December 2019.

The board (the "**Board**") of directors (the "**Directors**") of Mulsanne Group Holding Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 (the "**Period**"), together with the comparative figures for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	*5*	**2,861,496**	3,721,376
Cost of sales		**(1,636,841)**	(1,922,641)
Gross profit		**1,224,655**	1,798,735
Other income and gains	*5*	**26,992**	52,595
Selling and distribution expenses		**(973,918)**	(1,141,136)
Administrative expenses		**(225,073)**	(229,673)
Impairment losses on financial assets, net	*6*	**(264,485)**	(54,784)
Other expenses		**(23,421)**	(13,869)
Finance costs	*7*	**(56,467)**	(88,956)
Share of profits/(losses) of associates		**446**	(50)
(LOSS)/PROFIT BEFORE TAX	*6*	**(291,271)**	322,862
Income tax expense	*8*	**(7,921)**	(114,694)
(LOSS)/PROFIT FOR THE YEAR		**(299,192)**	208,168
Attributable to:			
Owners of the parent		**(301,348)**	209,547
Non-controlling interests		**2,156**	(1,379)
		(299,192)	208,168
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*10*	**RMB(33.0) cents**	RMB24.1 cents

	2020	2019
	RMB'000	*RMB'000*
(LOSS)/PROFIT FOR THE YEAR	**(299,192)**	208,168
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**10,645**	2,837
Other comprehensive income/(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	**44,552**	(13,904)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**55,197**	(11,067)
TOTAL COMPREHENSIVE (LOSS)/INCOME	**(243,995)**	197,101
Attributable to:		
Owners of the parent	**(246,151)**	198,480
Non-controlling interests	**2,156**	(1,379)
	(243,995)	197,101

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**176,603**	146,981
Right-of-use assets		**238,418**	273,642
Intangible assets		**28,913**	10,758
Investments in associates		**10,446**	–
Deferred tax assets		**159,311**	119,823
Total non-current assets		**613,691**	551,204
CURRENT ASSETS			
Inventories		**806,389**	1,070,922
Right-of-return assets		**45,077**	63,791
Trade and notes receivables	*11*	**632,214**	1,032,574
Prepayments, other receivables and other assets		**339,963**	330,813
Due from a related party		**228**	230
Pledged short-term deposits		**12,960**	29,566
Cash and cash equivalents		**771,692**	820,788
Total current assets		**2,608,523**	3,348,684
CURRENT LIABILITIES			
Trade and notes payables	*12*	**621,148**	886,193
Other payables and accruals		**275,890**	249,359
Refund liabilities		**135,237**	183,212
Contract liabilities		**50,845**	57,133
Interest-bearing bank and other borrowings	*13*	**284,034**	134,240
Lease liabilities		**87,028**	131,127
Tax payable		**18,109**	109,414
Due to a related party		**131**	126
Total current liabilities		**1,472,422**	1,750,804
NET CURRENT ASSETS		**1,136,101**	1,597,880
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,749,792**	2,149,084

	Note	2020 RMB'000	2019 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,749,792**	2,149,084
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*13*	**757,168**	1,006,002
Lease liabilities		**126,398**	101,940
Deferred tax liabilities		**51,512**	4,717
Total non-current liabilities		**935,078**	1,112,659
Net assets		**814,714**	1,036,425
EQUITY			
Equity attributable to owners of the parent			
Share capital		**8,343**	8,343
Reserves		**805,988**	1,029,855
		814,331	1,038,198
Non-controlling interests		**383**	(1,773)
Total equity		**814,714**	1,036,425

NOTES TO FINANCIAL STATEMENTS
31 December 2020

1. CORPORATE AND GROUP INFORMATION

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

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

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited 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 and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for 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 *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's shopping malls, standalone stores, warehouses and offices have been reduced or waived by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB18,069,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

4. OPERATING SEGMENT INFORMATION

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

The Group's chief operating decision maker is the chief executive officer, who reviews revenue and results of offline channels for the sale of apparel products, online channels for the sale of apparel products and the sale of other products separately for the purpose of making decisions about resource allocation and assessment of segment performance. Segment result is evaluated based on gross profit. No analysis of the Group's assets and liabilities by operating segment is disclosed as it is not regularly provided to the chief operating decision maker for review.

Segment information by sales channels:

	Year ended 31 December 2020			
	Apparel products			
	Offline channels *RMB'000*	**Online channels** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Segment revenue				
Sales to external customers	**1,340,873**	**1,497,305**	**23,318**	**2,861,496**
Total revenue	**1,340,873**	**1,497,305**	**23,318**	**2,861,496**
Segment results	**741,698**	**480,277**	**2,680**	**1,224,655**
Other income and gains				**26,992**
Selling and distribution expenses				**(973,918)**
Administrative expenses				**(225,073)**
Impairment losses on financial assets, net				**(264,485)**
Other expenses				**(23,421)**
Finance costs				**(56,467)**
Share of profit of an associate				**446**
Loss before tax				**(291,271)**

	Year ended 31 December 2019			
	Apparel products			
	Offline channels *RMB'000*	Online channels *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue				
Sales to 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				(229,673)
Impairment losses on financial assets, net				(54,784)
Other expenses				(13,869)
Finance costs				(88,956)
Share of losses of associates				(50)
Profit before tax				322,862

Geographic information

(a) Revenue from external customers

	2020 *RMB'000*	2019 *RMB'000*
Mainland China	**2,860,190**	3,713,683
Macau	**1,306**	7,693
Total	**2,861,496**	3,721,376

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

(b) Non-current assets

	2020 *RMB'000*	2019 *RMB'000*
Mainland China	**442,985**	423,890
Hong Kong	**949**	1,448
Macau	**–**	6,043
Total	**443,934**	431,381

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 (2019: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of apparel products		
Online channels	**1,497,305**	1,425,806
Offline channels		
Self-owned stores	**750,731**	921,229
Partnership stores	**167,836**	334,315
Distributor stores	**422,306**	1,027,084
Sale of other products	**7,731**	12,942
Consignment services	**15,587**	–
Total	**2,861,496**	3,721,376

Revenue from contracts with customers

(i) Disaggregated revenue information

	2020	2019
	RMB'000	*RMB'000*
Timing of revenue recognition		
Goods transferred at a point in time	**2,845,909**	3,721,376
Services transferred at a point in time	**15,587**	–
Total revenue from contracts with customers	**2,861,496**	3,721,376

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:

	2020	2019
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	**57,133**	40,735

	2020	2019
	RMB'000	*RMB'000*
Revenue recognised from performance obligations satisfied in previous periods:		
Sale of goods not previously recognised due to constraints on variable consideration	**3,920**	14,980

(ii) Performance obligations

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

Sale of apparel products

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

As at 31 December 2020, 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

	2020 ***RMB'000***	2019 *RMB'000*
Refund liabilities arising from sales return	**99,147**	145,224
Refund liabilities arising from sales rebates	**36,090**	37,988
	135,237	183,212
Other income and gains		
Bank interest income	**4,046**	3,140
Investment income from time deposits	**3,259**	–
Penalty charges received from distributors	**2,860**	2,153
Rental income	**–**	1,205
Government grants*	**8,274**	32,741
Foreign exchange gains, net	**2,657**	–
Gain on terminations of leases, net	**2,519**	–
Waive of debt in a subsidiary from the non-controlling shareholder	**1,875**	–
Sale of raw materials	**386**	–
Gain on disposal of items of property, plant and equipment	**–**	105
Fair value gain on derivative financial instruments - transactions not qualifying as hedges	**–**	11,496
Others	**1,116**	1,755
	26,992	52,595

* 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. (LOSS)/PROFIT BEFORE TAX

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

	2020	2019
	RMB'000	*RMB'000*
Cost of inventories sold	**1,650,167**	1,869,734
Cost of services provided	**13,308**	–
Cost of raw materials sold	**6,185**	–
Depreciation of property, plant and equipment	**72,019**	121,635
Impairment of property, plant and equipment	**2,303**	9,899
Impairment of right-of-use assets	**2,841**	–
Depreciation of right-of-use assets	**155,518**	133,922
(Gain)/loss on terminations of leases, net	**(2,519)**	997
Amortisation of intangible assets*	**3,511**	6,070
Impairment of trade receivables	**225,663**	52,382
Impairment of other receivables	**38,822**	2,402
(Reversal of write-down)/write-down of inventories to net realisable value**	**(26,634)**	52,907
Lease payments not included in the measurement of lease liabilities	**32,778**	51,257
Auditor's remuneration	**3,740**	3,740
Listing expenses	**–**	25,342
Loss/(gain) on disposal of items of property, plant and equipment, net	**10,848**	(105)
Waive of debt in a subsidiary from the non-controlling shareholder	**(1,875)**	–
Foreign exchange differences, net	**(2,657)**	323
Employee benefit expenses (excluding directors' and chief executive's remuneration)		
Wages and salaries	**110,307**	94,291
Equity-settled share option expenses	**18,442**	–
Pension scheme contributions	**7,750**	13,368
Staff welfare expenses	**7,516**	13,628
	144,015	121,287

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

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020	2019
	RMB'000	*RMB'000*
Interest on bank loans	**47,045**	76,690
Interest on lease liabilities	**9,422**	12,266
	56,467	88,956

8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in this jurisdiction.

Pursuant to the relevant tax law of Hong Kong Special Administrative Region, Hong Kong profits tax is provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. The Hong Kong subsidiary, Joy Sonic, is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2019: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%).

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

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

	2020	2019
	RMB'000	*RMB'000*
Current tax:		
Charge for the year	**1,783**	134,845
Overprovision in prior years	**(1,169)**	–
Deferred tax	**7,307**	(20,151)
Total tax charge for the year	**7,921**	114,694

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:

	2020	2019
	RMB'000	*RMB'000*
(Loss)/profit before tax	**(291,271)**	322,862
At the PRC statutory income tax rate of 25%	**(72,818)**	80,716
Lower tax rates for specific provinces or enacted by local authority	**3,589**	30
Expenses not deductible for tax	**17,141**	23,541
Adjustments in respect of current tax of previous years	**(1,169)**	–
Tax losses utilised from previous years	**(932)**	–
Profit attributable to an associate	**(22)**	–
Temporary differences and tax losses not recognised	**10,901**	10,407
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**51,231**	–
Tax charge at the Group's effective rate	**7,921**	114,694

9. DIVIDENDS

The board of directors did not recommend the payment of any final dividend for the year (2019: Nil).

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

The calculation of the basic loss (2019: earnings) for the year per share amounts is based on the loss (2019: profit) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 912,500,000 (2019: 869,452,055) in issue during the year. The number of shares for the current period has been arrived at after eliminating the shares of the Company held under the restricted share unit scheme.

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

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

	2020	2019
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent	**(301,348)**	209,547

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss/earnings per share calculation	**912,500,000**	869,452,055
Effect of dilution – weighted average number of ordinary shares arising from the RSUs	**54,781**	–
	912,554,781*	869,452,055

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

11. TRADE AND NOTES RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**881,296**	1,030,706
Notes receivable	**46,963**	72,250
	928,259	1,102,956
Impairment of trade receivables	**(296,045)**	(70,382)
	632,214	1,032,574

The Group's trading terms with its customers (other than retail customers) are mainly on credit as well as advances. The credit period is generally one month to three months, extending up to one year for major customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables are amounts due from the Group's related parties of RMB500,000 (2019: RMB623,000) which are repayable on credit terms similar to those offered to the major customers of the Group.

As at 31 December 2019, notes receivable of RMB4,000,000 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.

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

	2020	2019
	RMB'000	*RMB'000*
Less than 3 months	**350,691**	463,182
Between 3 and 6 months	**63,922**	243,035
Between 6 and 12 months	**81,053**	183,283
Between 1 and 2 years	**303,409**	135,496
Over 2 years	**82,221**	5,710
	881,296	1,030,706

12. TRADE AND NOTES PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**491,748**	631,663
Notes payable	**129,400**	254,530
	621,148	886,193

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

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**456,777**	606,574
3 to 6 months	**20,981**	17,999
6 to 12 months	**8,288**	3,663
1 to 2 years	**4,959**	2,804
Over 2 years	**743**	623
	491,748	631,663

Included in the trade and notes payables are trade payables of RMB13,239,000 (2019: RMB17,124,000) 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 2020			31 December 2019		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Current portion of long-term bank loan – secured US$226,000,000 bank loan	**1-month LIBOR plus 3.90%**	**Within 2021**	**234,171**	1-month LIBOR plus 2.50%	Within 2020	66,050
Current portion of long-term bank loan – secured RMB26,118,000 bank loan	**5-year LPR**	**Within 2021**	**1,650**	–	–	–
Current portion of long-term bank loan – secured RMB27,698,000 bank loan	**5-year LPR**	**Within 2021**	**1,750**	–	–	–
Discounted notes receivable	**–**	**Within 2021**	**46,463**	–	Within 2020	68,190
			284,034			134,240
Non-current						
Bank loan – secured US$226,000,000 bank loan	**1-month LIBOR plus 3.90%**	**2022**	**706,752**	1-month LIBOR plus 2.50%	2021-2022	1,006,002
Bank loan – secured RMB26,118,000 bank loan	**5-year LPR**	**2022-2028**	**24,468**	–	–	–
Bank loan – secured RMB27,698,000 bank loan	**5-year LPR**	**2022-2028**	**25,948**	–	–	–
			757,168			1,006,002
			1,041,202			1,140,242

	2020	2019
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**284,034**	134,240
In the second year	**714,652**	250,367
In the third to fifth years, inclusive	**23,700**	755,635
Beyond five years	**18,816**	–
	1,041,202	1,140,242

Notes:

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

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

ii. mortgages and fixed charges over Joy Sonic's equity interests in Chisage Mulsanne and Yatlas Shanghai.

(b) The bank loans of RMB26,118,000 and RMB27,698,000 are secured by mortgages over the Group's leasehold land, which had a net carrying value at the end of the reporting period of approximately RMB21,654,000.

(c) Except for the bank loan of US$226,000,000 which is denominated in United States dollars, all loans are in RMB.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview and Outlook

In 2020, China's apparel industry suffered a significant blow as a result of the novel coronavirus ("**COVID-19**") pandemic. The Group's business for the year 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 in 2021 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 pandemic, 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 TikTok and WeChat Mini Programs, while continuously enhancing 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 behavior from offline channels to online channels during and after the COVID-19 pandemic and enhance customer loyalty;

- Close offline stores that are under-performing or incurring losses to optimize the structure of offline sales channels, and position offline stores as the channel to display brand image, enhance customer experience and attract offline customers to online sales channels to further integrate online channels with offline ones. In the second half of 2020, the operation of the Group's offline channels had been gradually resumed to a level comparable to that in the same period in 2019 as a result of the improved situation of the COVID-19 pandemic in China. Through abovementioned effective consolidation, the Group's average store sales increased in the second half of 2020 as compared to that in the same period in 2019;

- Develop new product portfolio and brand metric through multi-brand strategy in order to further integrate online sales channels with offline sales channels and adjust existing brand strategy as well as launch new product lines to address market needs;

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

- 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; and

- Improve operational efficiency by optimizing organization structure and business model in order to respond to the market in a faster manner.

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 Period, the total sales revenue recorded was RMB2,861.5 million, representing a decrease of 23.1%, or RMB859.9 million, from RMB3,721.4 million in 2019. Such decrease was primarily because the Group's revenue from offline retail channels suffered a significant decrease as a result of the COVID-19 pandemic in 2020.

Revenue by brand

	Year ended 31 December			
	2020		2019	
	RMB'000	***%***	*RMB'000*	*%*
GXG	**2,106,142**	**73.6**	2,355,606	63.3
gxg jeans	**444,512**	**15.5**	649,571	17.5
gxg.kids	**212,385**	**7.4**	598,135	16.1
Yatlas	**30,392**	**1.1**	60,467	1.6
2XU	**17,007**	**0.6**	15,939	0.4
Others	**51,058**	**1.8**	41,658	1.1
Total	**2,861,496**	**100.0**	3,721,376	100.0

For the Period, sales revenue from the Group's main brands, namely GXG, gxg jeans and gxg.kids, declined by 10.6%, or RMB249.5 million, 31.6%, or RMB205.1 million, and 64.5%, or RMB385.7 million, respectively, as compared to that in 2019. Such decreases were primarily due to (i) a significant decrease in the number of offline stores as a result of the Group's closure of offline stores that were under-performing or incurring losses, and (ii) a relatively higher discount rates provided for the promotion of products among all brands in order to better respond to the significant impact of the COVID-19 pandemic.

Yatlas's revenue for the Period decreased by 49.8%, or RMB30.1 million, as compared to that in 2019, 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 and new product development, all of the sales of 2XU and other brands increased during the Period.

Revenue by sales channel

	Year ended 31 December			
	2020		2019	
	RMB'000	***%***	*RMB'000*	*%*
Sales of apparel products				
Offline channels				
Self-owned stores	**750,731**	**26.2**	921,229	24.8
Partnership stores	**167,836**	**5.9**	334,315	9.0
Distributor stores	**422,306**	**14.8**	1,027,084	27.6
Online channels	**1,497,305**	**52.3**	1,425,806	38.3
Sales of other products	**7,731**	**0.3**	12,942	0.3
Consignment services	**15,587**	**0.5**	–	–
Total	**2,861,496**	**100.0**	3,721,376	100.0

Due to the closure of offline stores as a result of the significant impact of COVID-19 pandemic and an increase in the Group's subsidies to partnership stores and distributor stores, (i) sales from self-owned stores for the Period decreased by 18.5%, or RMB170.5 million, to RMB750.7 million; (ii) sales from partnership stores for the Period decreased by 49.8%, or RMB166.5 million, to RMB167.8 million; and (iii) sales from distributor stores for the Period decreased by 58.9%, or RMB604.8 million, to RMB422.3 million, as compared to that in 2019.

Online channel sales for the Period maintained healthy growth with an increase of 5.0%, or RMB71.5 million, to RMB1,497.3 million as compared to that in 2019. Due to (i) the accelerated change of customer shopping behavior from offline to online, and (ii) the Group's enhanced promotion efforts through additional online sales channels, including TikTok and WeChat Mini Programs, during the COVID-19 pandemic, online channel sales was ranked first with 52.3% in terms of the Group's revenue composition for the Period.

The Group recorded revenue from consignment services of RMB15.6 million for the Period. The Group started to provide consignment services to its distributor for gxg.kids in 2020, which were primarily in relation to the sales and promotion of low-margin off-season products held by such distributor through the Group's e-commerce platform.

Number of stores by brand

	As at 31 December			
	2020		2019	
	Number of stores	***%***	*Number of stores*	*%*
GXG	**999**	**77.0**	1,118	64.4
gxg jeans	**183**	**14.1**	336	19.3
gxg.kids	**97**	**7.5**	249	14.3
Yatlas	**7**	**0.5**	29	1.7
Others	**11**	**0.9**	5	0.3
Total	**1,297**	**100.0**	1,737	100.0

During the Period, the Group closed offline stores that were under-performing or incurring losses in order to better adapt to the changed market environment under the COVID-19 pandemic. As a result, the total number of offline stores decreased to 1,297 as at 31 December 2020 from 1,737 as at 31 December 2019.

Number of stores by channel

	As at 31 December			
	2020		2019	
	Number of stores	***%***	*Number of stores*	*%*
Self-owned stores	**385**	**29.7**	387	22.3
Partnership stores	**171**	**13.2**	345	19.9
Distributor stores	**741**	**57.1**	1,005	57.8
Total	**1,297**	**100.0**	1,737	100.0

Due to the relocation of shopping areas in offline channels, market factors such as the increase in store operating cost, the upgrade and consolidation of its offline channels and the significant impact of COVID-19 pandemic, the Group adjusted its store network during the Period by closing its offline stores that failed to reach designated sales targets, causing a decrease in the number of offline stores from 1,737 as at 31 December 2019 to 1,297 as at 31 December 2020.

Gross Profit and Gross Profit Margin

The Group recorded a total gross profit of RMB1,224.7 million for the Period, representing a decrease of 31.9%, or RMB574.0 million, from RMB1,798.7 million in 2019. Gross profit margin decreased from 48.3% for 2019 to 42.8% for the Period.

Gross profit and gross profit margin by brand

	Year ended 31 December			
	2020		2019	
	Gross Profit ***RMB'000***	**Gross Profit Margin** ***%***	Gross Profit *RMB'000*	Gross Profit Margin *%*
GXG	**942,940**	**44.8**	1,204,009	51.1
gxg jeans	**165,161**	**37.2**	297,476	45.8
gxg.kids	**90,600**	**42.7**	253,862	42.4
Yatlas	**5,283**	**17.4**	22,885	37.8
2XU	**5,694**	**33.5**	6,431	40.3
Others	**14,977**	**29.3**	14,072	33.8
Total	**1,224,655**	**42.8**	1,798,735	48.3

During the Period, in response to the significant impact of COVID-19 pandemic, the Group provided higher discount rates to promote products among all brands and higher subsidies to its distributors and partners, which caused a decline in the gross profit margin of most of its brands.

Gross profit and gross profit margin by sales channel

	Year ended 31 December			
	2020		2019	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
	RMB'000	***%***	*RMB'000*	*%*
Sales of apparel products				
Offline channels				
Self-owned stores	**498,707**	**66.4**	603,427	65.5
Partnership stores	**53,557**	**31.9**	150,518	45.0
Distributor stores	**189,434**	**44.9**	476,611	46.4
Online channels	**480,277**	**32.1**	567,296	39.8
Sales of other products	**401**	**5.2**	883	6.8
Consignment services	**2,279**	**14.6**	–	–
Total	**1,224,655**	**42.8**	1,798,735	48.3

Gross profit of self-owned stores for the Period decreased by RMB104.7 million as compared to that in 2019 primarily due to the closure of offline stores as a result of the significant impact of COVID-19 pandemic, while gross profit margin remained relatively stable at 66.4% for the Period as compared to 65.5% in 2019. Gross profit of partnership stores for the Period decreased by RMB96.9 million with gross profit margin decreasing by 13.1 percentage points to 31.9% as compared to that in 2019. The decreases in gross profit and gross profit margin of partnership stores during the Period were mainly due to the higher subsidies the Group provided to such stores in response to the significant impact of COVID-19 pandemic on the Group's offline retail channels. The gross profit of distributor stores for the Period decreased by RMB287.2 million as compared to that in 2019, mainly because (i) a portion of the Group's gross profit in 2019 was a result of a one-time buyout from an offline national distributor, which entailed a relatively higher gross profit; and (ii) the higher subsidies were provided by the Group to distributor stores in response to the significant impact of COVID-19 pandemic on the Group's offline retail channels. Gross profit margin of distributor stores decreased by 1.5 percentage points to 44.9% as compared to that in 2019, mainly due to the higher subsidies the Group provided to such stores in response to the significant impact of COVID-19 pandemic on the Group's offline retail channels.

Gross profit of online channels for the Period decreased by RMB87.0 million with gross profit margin decreasing by 7.7 percentage points as compared to that in 2019. This 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.

Gross profit of consignment services for the Period was RMB2.3 million with gross profit margin of 14.6%. The Group started to provide consignment services to its distributor for gxg.kids in 2020, which were primarily in relation to the sales and promotion of low-margin off-season products held by such distributor through the Group's e-commerce platform.

Other Income and Gains

Other income and gains for the Period were RMB27.0 million, representing a decrease of 48.7%, or RMB25.6 million, as compared to RMB52.6 million in 2019, mainly due to the decreases in government subsidies and fair value gain on derivative financial instruments.

Selling and Distribution Expenses

Total selling and distribution expenses for the Period decreased by 14.7%, or RMB167.2 million, to RMB973.9 million as compared to RMB1,141.1 million in 2019, primarily due to (i) the closure of offline stores that were under-performing or incurring losses, and (ii) the rent waivers granted to the Group's self-owned stores from the lessors. Selling and distribution expenses as a percentage of the Group's total revenue increased to 34.0% from 30.7% in 2019, mainly because the decrease in total revenue outpaced the decrease in selling and distribution expenses during the Period.

Administrative Expenses

Total administrative expenses for the Period remained relatively stable at RMB225.1 million as compared to RMB229.7 million in 2019. Total administrative expenses as a percentage of the Group's total revenue increased to 7.9% from 6.2% in 2019, mainly because the decrease in total revenue outpaced the decrease in administrative expenses during the Period.

Impairment losses on financial assets, net

Impairment losses on financial assets, net, for the Period increased by RMB209.7 million to RMB264.5 million as compared to RMB54.8 million in 2019. This was mainly due to an increase in aged trade receivables and an increase in the related expected credit loss rates.

Other Expenses

The Group's other expenses for the Period increased by 68.3%, or RMB9.5 million, to RMB23.4 million as compared to RMB13.9 million in 2019, mainly due to an increase in the (i) one-off expenses of residual value of store decoration caused by closing self-owned stores and (ii) cost of raw materials sold.

Finance Costs

Finance costs for the Period decreased by 36.5%, or RMB32.5 million, to RMB56.5 million as compared to RMB89.0 million in 2019. The decrease was mainly due to a decrease in interest on bank loans.

Loss before Tax

The Group's loss before tax for the Period was RMB291.3 million, representing a decrease of RMB614.2 million, from a profit before tax of RMB322.9 million in 2019. The decrease was mainly due to the decrease in gross profit.

Income Tax Expense

Income tax expense for the Period was RMB7.9 million, representing a decrease of RMB106.8 million, as compared to the income tax expense of RMB114.7 million in 2019.

Loss for the Period

As a result of the foregoing factors, loss for the Period was RMB299.2 million, representing a decrease of RMB507.4 million, as compared to a profit of RMB208.2 million in 2019.

Operating Cash Flows

Net operating cash inflow for the Period was RMB246.6 million, primarily due to the cash inflow from operating profit of RMB151.6 million and a decrease in working capital of RMB95.0 million. The Group's net operating cash inflow for the Period increased by RMB198.7 million as compared to a net operating cash inflow of RMB47.9 million in 2019, mainly due to its enhanced efforts in (i) promotion and sales of inventories, and (ii) payment collection with respect to trade receivables from customers.

Capital Expenditures

The Group's capital expenditures include payments for logistic base construction, property, plant and equipment and intangible assets. During the Period, the Group's capital expenditures amounted to RMB134.3 million, representing a decrease of 2.8%, or RMB3.8 million, from RMB138.1 million in 2019.

Financial Position

The Group generally funds its operations with bank borrowings. As at 31 December 2020, the Group had bank borrowings of RMB1,041.2 million. Bank borrowings were denominated in RMB and U.S. dollars as at 31 December 2019 and 2020. As at 31 December 2020, the Group did not have fixed-rate bank borrowings. For details, see note 13 of the "Notes to Financial Statements".

The Group's cash and cash equivalents and pledged short-term deposits totalled RMB784.7 million as at 31 December 2020, representing a decrease of 7.7%, or RMB65.7 million, from RMB850.4 million at the end of 2019. Cash and cash equivalents as at 31 December 2020 were RMB771.7 million, among which 85.2% was denominated in RMB, 14.6% in U.S. dollars, 0.1% in Hong Kong dollars, and 0.1% in Macau Pataca. Pledged short-term deposits as at 31 December 2020 were RMB13.0 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 2020, the Group's gearing ratio was 32.3%.

Significant Investments Held

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

Funding and Treasury Policy

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

Material Acquisitions and Future Plans for Major Investment

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

Exposure to Fluctuations in Exchange Rates

The Group operates mainly in China with most of its transactions settled in Renminbi. However, the Group is exposed to foreign exchange risk arising mainly from debt denominated in the U.S. dollars. During the Period, the Group did not use any financial instrument for hedging purpose.

Pledge of Assets

As at 31 December 2020, 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.

As at 31 December 2020, the Group's RMB26.1 million and RMB27.7 million bank loans were secured by mortgages over the Group's leasehold land.

Contingent Liabilities

As at 31 December 2020, the Group had no significant contingent liabilities.

Events after the Period

As at the date of this announcement, no material event has occurred after 31 December 2020.

Human Resources

As at 31 December 2020, the number of employees of the Group was 842 as compared to 811 as at 31 December 2019. 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 RMB140.6 million as compared to RMB112.4 million in 2019. The total cost of staff for the Period represents 4.9% of the Group's revenue as compared to 3.0% in 2019. The increase was mainly because the Company granted the restricted share units, representing 11,900,000 ordinary shares of the Company, to certain selected employees pursuant to the restricted share unit scheme of the Company during the Period.

OTHER INFORMATION

Final Dividend

The Board does not recommend the payment of any final dividend for the year ended 31 December 2020.

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 set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance. During the year ended 31 December 2020, 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 has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Upon specific enquiries made to all Directors, each of them has confirmed that he has complied with the required standards set out in the Model Code during the year ended 31 December 2020 and up to the date of this announcement, except that Mr. Yu Yong, an executive Director, was in breach of Rules A.3 and B.8 of the Model Code on 11 February 2021 for transactions of 1,500 shares of the Company during the blackout period for Directors' dealings prior to the publication of this announcement without notification to the chairman of the Board.

To avoid the recurrence of similar incidents in the future, the Company reminded all Directors again of the dealing restrictions during the blackout period and other Model Code requirements immediately following the above non-compliance incident. Going forward, the Company plans to arrange trainings for all Directors at least once a year to reinforce their knowledge and awareness of continuing duties and obligations as directors of a listed company.

Purchase, Sale or Redemption of Listed Securities of the Company

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

Use of Proceeds from the Global Offering

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 27 May 2019 and issued 200,000,000 new shares. After deducting the underwriting fees, commissions and estimated expenses, the total net proceeds from the listing were approximately RMB704.9 million (equivalent to approximately HK$802.7 million). As at 31 December 2020, a total of approximately RMB570.5 million (equivalent to approximately HK$643.1 million) of the proceeds had been used. These proceeds had been used for the purposes as stated in the Prospectus 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 in 2020** *(RMB million)*	**Actual amount used as at 31 December 2020** *(RMB million)*	**Unutilised amount as at 31 December 2020** *(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	106	–
To upgrade the Group's offline retail stores to smart stores	10%	70	68	70	–
To purchase land and establish the Group's self-owned advanced smart logistics centre	20%	141	7	7	134
To provide funding for working capital and other general corporate purposes	10%	71	63	71	–
Total	100%	705	244	571	134

As at 31 December 2020, the remaining proceeds of approximately RMB134.4 million (equivalent to approximately HK$159.6 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 18 months.

Scope of Work for Annual Results Announcement by Auditor

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2020, but represents an extract from the consolidated financial statements for the year ended 31 December 2020 which have been audited by the auditor of the Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

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 audited consolidated financial results of the Group for the year ended 31 December 2020, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

Publication of the 2020 Annual Results and 2020 Annual Report

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

The annual report of the Company for the year ended 31 December 2020 will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 26 March 2021

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. CHEN Scott Yue as non-executive Directors; and Mr. GU Jiong, Mr. YUAN Tao and Mr. Paolo BODO as independent non-executive Directors.