

GXG

KEEP GAP \ GRANT DIFFERENCE

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

BETTER ME

INTERIM REPORT 2021



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Corporate Introduction

Mulsanne Group Holding Limited (the “Company”, “Mulsanne” or “We”, together with its subsidiaries, the “Group” or “Mulsanne Group”) is a leading fashion menswear company based in China, which also covers womenswear, sportswear market and other fashion segments. With our experience in the fashion industry, multi-brand development and execution capabilities, we have expanded our brands to capture future market opportunities. Our founders first launched our flagship GXG branded products in 2007, and we catered to different menswear styles by introducing gxg jeans in 2010 and brought our GXG series design philosophy into kidswear market by launching gxg.kids in 2012. With a view to expanding into the fast-growing sportswear, we introduced YAtlas in 2014 to offer athleisure apparel. Since early 2020, YAtlas has shifted its business focus from athleisure to high-end commuting smart menswear. In 2020, we launched MODE COMMUTER, a high quality commuting apparel brand, which helped strengthen the brand portfolio of our Group, further expanding our customer base. Each of our brands has a uniquely defined design identity and encompasses a range of products, offered in a variety of fits, fabrics, finishes, styles and price points intended to appeal a broad spectrum of customers.

We adopt an integrated omni-channel business model that capitalises on online and offline strengths, delivers a seamless and consistent customer experience, and increases efficiency in terms of inventory management, supply chain management, product selection and logistics. With our deep understanding of customers, we have adopted a customer-centred model to offer our customers a one-stop shopping experience. For both our online and offline channels, we provide a similar product range and unified pricing, shared inventories, as well as flexible and efficient logistics support. Moreover, by analysing the big data generated from both online channels and offline retail stores through our product lifecycle management system, we can capture the precise level of demand and quickly react to the latest market trends by adjusting our production and inventory plan, which is highly helpful for our inventory control and supply chain management. New retail has become a major trend of the apparel industry in China in recent years, and our Group is a leader in new retail integration among the major fashion apparel brands in China which have adopted the new retail business model with innovative initiatives.

Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. YU Yong (*Chief Executive Officer*)

Non-Executive Directors

Mr. HUANG Hanji (*Chairman*)

Mr. YANG Herong

Mr. LIN Lin

Mr. WANG Jun

Mr. Chintamani Aniruddha BHAGAT ⁽¹⁾

Mr. CHEN Scott Yue ⁽²⁾

Independent Non-Executive Directors

Mr. GU Jiong

Mr. YUAN Tao

Mr. Paolo BODO

AUDIT COMMITTEE

Mr. GU Jiong (*Chairman*)

Mr. YUAN Tao

Mr. Paolo BODO

REMUNERATION COMMITTEE

Mr. GU Jiong (*Chairman*)

Mr. YUAN Tao

Mr. Paolo BODO

Mr. YANG Herong

Mr. LIN Lin

NOMINATION COMMITTEE

Mr. HUANG Hanji (*Chairman*)

Mr. GU Jiong

Mr. YUAN Tao

JOINT COMPANY SECRETARIES

Mr. DING Dade

Ms. NG Sau Mei (*FCG, FCS*)

AUTHORISED REPRESENTATIVES

Mr. YU Yong

Ms. NG Sau Mei

AUDITOR

Ernst & Young

Certified Public Accountants and Registered Public Interest Entity Auditor

REGISTERED OFFICE

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HEADQUARTERS

No. 111, Shanshan Road

Wangchun Industrial Park

Haishu District

Ningbo, Zhejiang Province

PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F., Tower Two, Times Square

1 Matheson Street

Causeway Bay

Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

PRINCIPAL BANKS

China Construction Bank Corporation

Industrial and Commercial Bank of China Limited

STOCK CODE

1817

COMPANY'S WEBSITE

www.gxggroup.cn

Notes:

(1) Mr. Chintamani Aniruddha BHAGAT resigned as a non-executive Director on 26 March 2021.

(2) Mr. CHEN Scott Yue was appointed as a non-executive Director on 26 March 2021.

Management Discussion and Analysis

BUSINESS OVERVIEW AND OUTLOOK

In 2020, the Group's business, particularly its offline retail channels, was affected by the novel coronavirus 2019 (the "COVID-19") pandemic. In the first half of 2021, the impact of the COVID-19 pandemic on the Group's business had been significantly reduced. As a result, a robust growth was recorded in the revenue from the Group's offline channels. The Group believes that its performance will continue to recover steadily in the rest of the year. 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 further consolidate its leading position in the fashion apparel industry in China, the Group is committed to implementing the following growth strategies:

- Diversify product portfolio and brand metric through multi-brand strategy in order to deepen the integration of online sales channels with offline sales channels and adjust existing brand strategy as well as introduce new product lines to address evolving market needs;
- Adopt continuous innovative marketing initiatives and analysis to explore potential consumer base, and improve members' experience through new retail technologies and advantages;
- Further optimize its leading supply chain network, enhance its customer service capability, and offer products and services with high quality to satisfy customers' needs; and
- Reform organization structure and business model to improve operational efficiency so as to enable the Group to respond to the market in a faster manner.

Given the facts that the current situation of the global COVID-19 pandemic is still relatively unstable and it remains unclear how the COVID-19 pandemic will develop, the directors of the Company (the "Directors") and management of the Group will continue to act and manage the Group's business with prudent and due care to ensure a sustainable and steady growth of the Group's performance.

REVENUE

The Group derived its revenue primarily from the sales of its products through its self-owned stores, distributors, partners and online channels to end customers. The Group's revenue is stated as the net invoiced value of goods sold, after allowances for returns and trade discounts.

For the six months ended 30 June 2021 (the "Period"), the total sales revenue recorded was RMB1,204.4 million, representing an increase of 10.7%, or RMB116.9 million, from RMB1,087.5 million for the same period in 2020. Such increase was primarily because the impact of the COVID-19 pandemic on the Group's business has been significantly reduced and enhanced sales management measures have been adopted by the Group for its offline distribution channels.

Management Discussion and Analysis

Revenue by brand

	Six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
GXG	921,650	76.6	766,339	70.5
gxc jeans	148,576	12.3	192,874	17.7
gxc.kids	88,095	7.3	74,230	6.8
Yatlas	12,999	1.1	15,603	1.4
2XU	458	0.1	7,949	0.7
Others	32,652	2.6	30,543	2.9
Total	1,204,430	100.0	1,087,538	100.0

For the Period, sales revenue from the Group's main brands, namely GXG and gxc.kids, increased by 20.3%, or RMB155.4 million, and 18.7%, or RMB13.9 million, respectively, as compared to that for the same period in 2020. The increase in sales revenue from GXG was primarily due to (i) the relatively lower discount rates provided for products as a part of the Group's adjustment of brand positioning in light of the reduced impact of the COVID-19 pandemic, (ii) the effect of optimization and consolidation on offline channels, and (iii) the growth in average store sales. The increase in sales revenue from gxc.kid was primarily due to the growth in revenue from offline distribution channel brought by the reduced impact of the COVID-19 pandemic.

For the Period, sales revenue from gxc jeans, the Group's another main brand, and Yatlas decreased by 23.0%, or RMB44.3 million, and 16.7%, or RMB2.6 million, respectively, as compared to that for the same period in 2020. Such decreases were primarily due to the Group's adjustment of brand positioning by reducing the number of stores to enhance store efficiency.

Due to the termination of the 2XU cooperation, 2XU's revenue for the Period decreased by 93.7%, or RMB7.4 million, as compared to that for the same period in 2020. Due to new product development, sales revenue from other brands increased during the Period.

Revenue by sales channel

	Six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
Sales of apparel products				
Offline channels				
Self-owned stores	431,051	35.8	265,037	24.4
Partnership stores	79,328	6.6	68,661	6.3
Distributor stores	199,747	16.6	80,222	7.4
Online channels	484,078	40.2	661,674	60.8
Sales of other products	6,274	0.5	3,098	0.3
Consignment services	3,952	0.3	8,846	0.8
Total	1,204,430	100.0	1,087,538	100.0

Management Discussion and Analysis

Since the impact of the COVID-19 pandemic on the Group's business has been significantly reduced, (i) the sales from self-owned stores for the Period increased by 62.7%, or RMB166.1 million, to RMB431.1 million; (ii) the sales from partnership stores for the Period increased by 15.4%, or RMB10.6 million, to RMB79.3 million; and (iii) the sales from distributor stores for the Period increased by 149.0%, or RMB119.5 million, to RMB199.7 million, as compared to that for the same period in 2020.

Online channel sales for the Period decreased by 26.8%, or RMB177.6 million, to RMB484.1 million as compared to that for the same period in 2020, mainly because the Group enhanced its efforts in integrating online and offline channels by reducing discount rates provided for online channels so as to promote a relatively balanced sales through both online and offline channels during the Period, whereas consumers heavily relied on online channels to purchase the Group's products in the same period in 2020 due to the significant impact of the COVID-19 pandemic. For the Period, online channel sales ranked first with 40.2% in terms of the Group's revenue composition.

Number of stores by brand

	30 June 2021		31 December 2020	
	<i>Number of stores</i>	<i>%</i>	<i>Number of stores</i>	<i>%</i>
GXG	956	80.6	999	77.0
gxc jeans	124	10.5	183	14.1
gxc.kids	86	7.3	97	7.5
Yatlas	9	0.8	7	0.5
Others	9	0.8	11	0.9
Total	1,184	100.0	1,297	100.0

During the Period, the Group adjusted its brand positioning by reducing the number of stores to enhance store efficiency. As a result, the total number of offline stores decreased to 1,184 as at 30 June 2021 from 1,297 as at the end of 2020.

Number of stores by channel

	30 June 2021		31 December 2020	
	<i>Number of stores</i>	<i>%</i>	<i>Number of stores</i>	<i>%</i>
Self-owned stores	377	31.8	385	29.7
Partnership stores	141	11.9	171	13.2
Distributor stores	666	56.3	741	57.1
Total	1,184	100.0	1,297	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, causing a decrease in the number of offline stores from 1,297 as at 31 December 2020 to 1,184 as at 30 June 2021.

Management Discussion and Analysis

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group recorded a total gross profit of RMB623.8 million for the Period, representing an increase of 48.2%, or RMB202.8 million, from RMB421.0 million for the same period in 2020. Gross profit margin increased from 38.7% for the six months ended 30 June 2020 to 51.8% for the Period.

Gross profit and gross profit margin by brand

	Six months ended 30 June			
	2021		2020	
	Gross Profit <i>RMB'000</i>	Gross Profit Margin %	Gross Profit <i>RMB'000</i>	Gross Profit Margin %
GXG	507,202	55.0	304,245	39.7
gxc jeans	62,717	42.2	69,474	36.0
gxc.kids	40,924	46.5	33,892	45.7
Yatlas	1,944	15.0	2,731	17.5
2XU	31	6.8	3,523	44.3
Others	11,008	33.7	7,154	23.4
Total	623,826	51.8	421,019	38.7

Since (i) the impact of the COVID-19 pandemic on the Group's business has been significantly reduced; and (ii) the Group provided lower discount rates among all brands and lower subsidies to its distributors and partners, most of the Group's brands achieved an increase in the gross profit margin during the Period.

The decrease in gross profit margin of 2XU during the Period was mainly due to the clearance sale of the remaining inventories, which entailed a relatively lower gross profit margin.

Management Discussion and Analysis

Gross profit and gross profit margin by sales channel

	Six months ended 30 June			
	2021		2020	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %
Sales of apparel products				
Offline channels				
Self-owned stores	299,188	69.4	176,652	66.7
Partnership stores	31,552	39.8	18,323	26.7
Distributor stores	91,835	46.0	7,297	9.1
Online channels	198,749	41.1	216,470	32.7
Sales of other products	1,946	31.0	919	29.7
Consignment services	556	14.1	1,358	15.4
Total	623,826	51.8	421,019	38.7

Gross profit of self-owned stores, partnership stores and distributor stores for the Period increased by RMB122.5 million, RMB13.3 million and RMB84.5 million, respectively, with gross profit margin increased by 2.7 percentage points, 13.1 percentage points and 36.9 percentage points, respectively, to 69.4%, 39.8% and 46.0%, respectively, as compared to that for the same period in 2020. The increases in gross profit and gross profit margin of self-owned stores, partnership stores and distributor stores during the Period were mainly due to (i) the relatively lower discount rates provided for products through offline channels as a part of the Group's adjustment of brand positioning in light of the reduced impact of the COVID-19 pandemic; and (ii) the relatively lower subsidies provided to partnership stores and distributor stores.

Gross profit of online channels for the Period decreased by RMB17.8 million, which was in line with the decrease in revenue, while gross profit margin increased by 8.4 percentage points, primarily due to the lower discount rates provided for online channels.

OTHER INCOME AND GAINS

Other income and gains for the Period were RMB26.8 million, representing an increase of 165.3%, or RMB16.7 million, as compared to RMB10.1 million for the same period in 2020, mainly due to the increase in government subsidies.

SELLING AND DISTRIBUTION EXPENSES

Total selling and distribution expenses for the Period increased by 4.4%, or RMB18.2 million, to RMB428.3 million as compared to RMB410.1 million for the same period in 2020. Selling and distribution expenses as a percentage of the Group's total revenue decreased from 37.7% to 35.6% for the same period in 2020, mainly because the Group implemented cost control measures and closed offline stores that were under-performing or incurred losses during the Period.

Management Discussion and Analysis

ADMINISTRATIVE EXPENSES

Total administrative expenses for the Period increased by 10.9%, or RMB10.7 million, to RMB108.9 million as compared to RMB98.2 million for the same period in 2020. The increase in administrative expenses was mainly due to the increase in compensation paid to administrative staff. Total administrative expenses as a percentage of the Group's total revenue remained stable at 9.0% for the Period as compared to the same period in 2020.

IMPAIRMENT LOSSES ON FINANCIAL ASSETS, NET

Impairment losses on financial assets, net, for the Period decreased by RMB22.2 million to RMB8.3 million as compared to RMB30.5 million for the same period in 2020. This was mainly due to enhanced payment collection efforts with respect to trade receivables from customers.

OTHER EXPENSES

The Group's other expenses for the Period decreased by 57.4%, or RMB7.4 million, to RMB5.5 million as compared to RMB12.9 million for the same period in 2020, mainly due to the decrease in cost of raw materials sold.

FINANCE COSTS

Finance costs for the Period decreased by 6.7%, or RMB2.0 million, to RMB28.0 million as compared to RMB30.0 million for the same period in 2020. The decrease was mainly due to the decrease in interest on bank loans.

PROFIT BEFORE TAX

The Group's profit before tax for the Period was RMB71.9 million, representing an increase of RMB222.4 million, from a loss before tax of RMB150.5 million for the same period in 2020. The increase was mainly due to the increase in gross profit.

INCOME TAX EXPENSE

Income tax expense for the Period was RMB23.7 million, representing an increase of RMB41.6 million, as compared to the income tax credit of RMB17.9 million for the same period in 2020.

PROFIT FOR THE PERIOD

As a result of the foregoing factors, profit for the Period was RMB48.2 million, representing an increase of RMB180.7 million, as compared to a loss of RMB132.5 million for the same period in 2020.

OPERATING CASH FLOWS

Net operating cash outflow for the Period was RMB292.7 million, primarily due to a decrease in working capital of RMB497.1 million and the cash inflow from operating profit of RMB204.4 million. The Group's net operating cash outflow for the Period increased by RMB48.7 million as compared to a net operating cash outflow of RMB244.0 million for the same period in 2020, mainly due to its accelerated settlement of other payables with suppliers.

Management Discussion and Analysis

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 RMB67.4 million, representing an increase of 29.9%, or RMB15.5 million, from RMB51.9 million for the same period in 2020. The increase was due to the renovation of the Group's headquarters office building and the expenses in connection with the development of the Group's information system.

FINANCIAL POSITION

The Group generally funds its operations with bank and other borrowings. As at 30 June 2021, the Group had bank and other borrowings of RMB1,406.7 million. Bank and other borrowings were denominated in RMB and U.S. dollars as at 31 December 2020 and 30 June 2021. As at 30 June 2021, bank and other borrowings of RMB400.0 million were fixed-rate borrowings (31 December 2020: Nil). For details, see note 13 of the "Notes to Interim Condensed Consolidated Financial Information".

The Group's cash and cash equivalents and pledged short-term deposits totalled RMB791.7 million as at 30 June 2021, representing an increase of 0.9%, or RMB7.0 million, from RMB784.7 million as at the end of 2020. Cash and cash equivalents as at 30 June 2021 were RMB747.9 million, among which 80.3% was denominated in RMB, 13.0% in U.S. dollars, 6.6% in Hong Kong dollars, and 0.1% in Macau Pataca. Pledged short-term deposits as at 30 June 2021 were RMB43.8 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 30 June 2021, the Group's gearing ratio was 44.9% (32.3% as at 31 December 2020).

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.

Management Discussion and Analysis

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

PLEDGE OF ASSETS

As at 30 June 2021, 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 30 June 2021, the Group's RMB74.2 million bank loans were secured by mortgages over the Group's leasehold land.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no significant contingent liabilities.

EVENTS AFTER THE PERIOD

As at the date of this report, no material event has occurred after 30 June 2021.

HUMAN RESOURCES

As at 30 June 2021, the number of employees of the Group was 917 as compared to 842 as at 31 December 2020. 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 RMB70.2 million as compared to RMB50.9 million for the same period in 2020. The total cost of staff for the Period represents 5.8% of the Group's revenue as compared to 4.7% for the same period in 2020. The increase was mainly due to the increase in the number of employees recruited for the Group's new operation and consignment services.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

Name of Director	Company/ Name of Group company	Nature of interest	Number of shares	Approximate percentage of shareholding ⁽⁴⁾
Mr. YU Yong ^{(2) (3)}	Company	Interest in controlled corporation	213,750,000 (L)	22.50%
		Beneficial Owner	2,000,000 (L)	0.21%
			215,750,000 (L)	22.71%
Mr. YANG Herong ⁽²⁾	Company	Interest in controlled corporation	213,750,000 (L)	22.50%

Notes:

- (1) The letter "L" denotes the person's long position in such shares of the Company (the "Shares").
- (2) Each of Mr. YU Yong and Mr. YANG Herong is entitled to exercise or control the exercise of one-third of the voting power at general meetings of Madison International Limited (which holds the entire equity interest in GXG Trading Limited), and is therefore deemed to be interested in the Shares in which GXG Trading Limited is interested.
- (3) Mr. YU Yong is interested in restricted share units ("RSUs") granted by the Company, representing 2,000,000 Shares held on trust on his behalf by the Trustee (as defined below). For details of the grant of RSUs to Mr. YU Yong, please see the announcement of the Company dated 29 December 2020 and the section headed "Restricted Share Unit Scheme" in this report.
- (4) As at 30 June 2021, the Company had 950,000,000 ordinary Shares in issue.

Save as disclosed above, as at 30 June 2021, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, the following persons (other than the Directors or the chief executive of the Company) have interests or short positions in the Shares or underlying Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO or which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Nature of interest	Number of shares	Approximate percentage of interest ⁽⁴⁾
Great World Glory Pte. Ltd. ⁽²⁾	Beneficial owner	363,579,785 (L)	38.27%
L Capital Asia 2 Pte. Ltd. ⁽²⁾	Interest in controlled corporation	363,579,785 (L)	38.27%
L Capital Asia 2 Sing LP ⁽²⁾	Interest in controlled corporation	363,579,785 (L)	38.27%
L Capital Asia 2 LP ⁽²⁾	Interest in controlled corporation	363,579,785 (L)	38.27%
L Capital Asia 2 Sing GP Pte. Ltd. ⁽²⁾	Interest in controlled corporation	363,579,785 (L)	38.27%
L Capital Asia 2 GP ⁽²⁾	Interest in controlled corporation	363,579,785 (L)	38.27%
L Catterton Asia Advisors ⁽²⁾	Interest in controlled corporation	363,579,785 (L)	38.27%
L Catterton Asia Holdings Limited ⁽²⁾	Interest in controlled corporation	363,579,785 (L)	38.27%
L Catterton Management Limited ⁽²⁾	Interest in controlled corporation	363,579,785 (L)	38.27%
Catterton Holdings, LLC ⁽²⁾	Interest in controlled corporation	363,579,785 (L)	38.27%
L Catterton, L.P. ⁽²⁾	Interest in controlled corporation	363,579,785 (L)	38.27%
L Catterton GP, LLC ⁽²⁾	Interest in controlled corporation	363,579,785 (L)	38.27%
Mr. J. Michael Chu ⁽²⁾	Interest in controlled corporation	363,579,785 (L)	38.27%
Mr. Scott A. Dahnke ⁽²⁾	Interest in controlled corporation	363,579,785 (L)	38.27%
Crescent Glory Singapore Pte. Ltd. ⁽³⁾	Beneficial owner	134,474,715 (L)	14.15%
Crescent Capital Investments Ltd. ⁽³⁾	Interest in controlled corporation	134,474,715 (L)	14.15%
Crescent GP Ltd. ⁽³⁾	Interest in controlled corporation	134,474,715 (L)	14.15%
Mr. David McKee Hand ⁽³⁾	Interest in controlled corporation	134,474,715 (L)	14.15%
GXG Trading Limited	Beneficial owner	213,750,000 (L)	22.50%
Madison International Limited	Interest in controlled corporation	213,750,000 (L)	22.50%

Other Information

Notes:

- (1) The letter "L" denotes the person's long position in such Shares.
- (2) Each of L Capital Asia 2 Pte. Ltd. (as the controlling shareholder of Great World Glory Pte. Ltd.), L Capital Asia 2 Sing LP and L Capital Asia 2 LP (as the limited partners of L Capital Asia 2 Pte. Ltd.), L Capital Asia 2 Sing GP Pte. Ltd. and L Capital Asia 2 GP (as the general partners of L Capital Asia 2 Sing LP and L Capital Asia 2 LP, respectively), L Catterton Asia Advisors (as the sole shareholder of L Capital Asia 2 Sing GP Pte. Ltd. and L Capital Asia 2 GP), L Catterton Asia Holdings Limited (as the sole shareholder of L Catterton Asia Advisors), L Catterton Management Limited (as the sole shareholder of L Catterton Asia Holdings Limited), Catterton Holdings, LLC (as the controlling shareholder of L Catterton Management Limited), L Catterton, L.P. (as the sole shareholder of Catterton Holdings, LLC), L Catterton GP, LLC (as the general partner of L Catterton, L.P.) and Mr. J. Michael Chu and Mr. Scott A. Dahnke (as managing members of L Catterton GP, LLC) is deemed to be interested in the Shares. Mr. J. Michael Chu and Mr. Scott A. Dahnke disclaim beneficial ownership of the Shares.
- (3) Each of Crescent Capital Investments Ltd. (as the sole voting shareholder of Crescent Glory Singapore Pte. Ltd.), Crescent GP Ltd. (as the controlling shareholder of Crescent Capital Investments Ltd.) and Mr. David McKee Hand (as the controlling shareholder of Crescent GP Ltd.) are deemed to be interested in the Shares. Mr. David McKee Hand disclaims beneficial ownership of the Shares.
- (4) As at 30 June 2021, the Company had 950,000,000 ordinary Shares in issue.

Save as disclosed above, as at 30 June 2021, no person (other than the Directors or the chief executive of the Company) had any interests or short positions in the Shares or underlying Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO or which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

RESTRICTED SHARE UNIT SCHEME

On 26 April 2019, the restricted share unit scheme of the Company (the "**RSU Scheme**") was approved and adopted by the board of directors of the Company (the "**Board**"). The purpose of the RSU Scheme is to incentivise executives for their contribution to the Group, to motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

Persons eligible to receive the RSUs under the RSU Scheme are existing or past employees, Directors (whether executive or non-executive, but excluding independent non-executive Directors), consultants or officers of the Company or any of its subsidiaries. The basis of eligibility of any selected person for the grant of RSUs shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group or such other factors as the Board may deem appropriate.

The RSU Scheme is valid and effective for a period of ten years, commencing from 27 May 2019 or until it is terminated pursuant to the RSU Scheme, whichever is earlier. As at 30 June 2021, the remaining life of the RSU Scheme is approximately seven years and ten months.

The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall be such number of shares of the Company held or to be held by the Trustee (as defined below) for the purpose of the RSU Scheme from time to time. The Company may (i) allot and issue shares of the Company to the Trustee to be held by the Trustee and which will be used to satisfy the RSUs upon exercise and/or (ii) direct and procure the Trustee to receive existing shares of the Company from any Shareholder or purchase existing shares of the Company (either on-market or off-market) to satisfy the RSUs upon exercise.

Other Information

The Board can determine the vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the letter granting such RSUs. Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, the Board shall send a vesting notice (the “**Vesting Notice**”) to each of the relevant RSU participants. The Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of shares of the Company (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those shares) involved. The Company has appointed The Core Trust Company Limited as the trustee (the “**Trustee**”) to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme.

Further details of the principal terms of the RSU Scheme are set out in the section headed “Statutory and General Information – D. Share Incentive Scheme” in Appendix IV to the Prospectus. During the six months ended 30 June 2021, no RSU has been granted or agreed to be granted under the RSU Scheme, nor has any RSU been cancelled.

Details of the RSUs granted under the RSU Scheme and details of the movements in RSUs during the six months ended 30 June 2021 are set out below:

Name of grantee	Positions held with the Group	Number of Shares represented by RSUs as at 1 January 2021	Date of grant	Exercise price (HK\$)	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Number of Shares represented by RSUs as at 30 June 2021
Director									
Mr. YU Yong	Executive Director and chief executive officer of the Group	2,000,000	29 December 2020	2.634	-	-	-	-	2,000,000
Other senior management of the Company and director of subsidiaries of the Company									
Three senior management of the Company and one director of subsidiaries of the Company		4,900,000	29 December 2020	2.634	-	-	-	-	4,900,000
Other employees of the Group									
Seven employees of the Group		5,000,000	29 December 2020	2.634	-	-	-	-	5,000,000
Total					-	-	-	-	11,900,000

The grantees of the RSUs granted under the RSU Scheme as referred to in the table above are not required to pay for the grant of any RSUs under the RSU Scheme. The RSUs granted on 29 December 2020 shall vest immediately upon grant.

Other Information

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 with nominal value of HK\$0.01 each. After deducting the underwriting fees, commissions and estimated expenses, the total net proceeds from the listing were approximately RMB704.9 million (equivalent to approximately HK\$802.7 million). As at 30 June 2021, the proceeds amounting to a total of RMB573.0 million (equivalent to approximately HK\$644.2 million) 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 during the Period (RMB million)	Actual amount used as at 30 June 2021 (RMB million)	Unutilized amount as at 30 June 2021 (RMB million)
To repay the Group’s existing indebtedness and reduce the Group’s financial expenses	45%	317	–	317	–
To expand the Group’s brand and product portfolio by pursuing brand acquisitions or strategic alliances	15%	106	–	106	–
To upgrade the Group’s offline retail stores to smart stores	10%	70	–	70	–
To purchase land and establish the Group’s self-owned advanced smart logistics centre	20%	141	2	9	132
To provide funding for working capital and other general corporate purposes	10%	71	–	71	–
Total	100%	705	2	573	132

As at 30 June 2021, the remaining proceeds of approximately RMB131.9 million (equivalent to approximately HK\$158.5 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 utilised within the next 12 months.

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and enhance its corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**Corporate Governance Code**”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. During the six months ended 30 June 2021, the Company has complied with all applicable code provisions under the Corporate Governance Code. The Company will continue to review and monitor the corporate governance practices to ensure the compliance with the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Upon specific enquiries made to all Directors, each of them has confirmed that he has complied with the required standards set out in the Model Code throughout the six months ended 30 June 2021 and up to the date of this report, 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 during the blackout period for Directors' dealings prior to the publication of the annual results announcement for the year ended 31 December 2020 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 six months ended 30 June 2021.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference. As at the date of this report, the audit committee of the Company 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 interim results of the Group for the six months ended 30 June 2021.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

Mr. Chintamani Aniruddha BHAGAT resigned as a non-executive Director on 26 March 2021. Mr. CHEN Scott Yue was appointed as a non-executive Director on 26 March 2021.

Save as disclosed above, there is no change in the Directors' biographical details which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the publication of the Company's 2020 annual report.

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June

	<i>Notes</i>	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
REVENUE	5	1,204,430	1,087,538
Cost of sales		(580,604)	(666,519)
Gross profit		623,826	421,019
Other income and gains	5	26,849	10,147
Selling and distribution expenses		(428,278)	(410,144)
Administrative expenses		(108,943)	(98,165)
Impairment losses on financial assets, net		(8,331)	(30,451)
Other expenses		(5,538)	(12,902)
Finance costs	7	(28,017)	(29,957)
Share of profit of an associate		377	-
PROFIT/(LOSS) BEFORE TAX	6	71,945	(150,453)
Income tax (expense)/credit	8	(23,701)	17,905
PROFIT/(LOSS) FOR THE PERIOD		48,244	(132,548)
Attributable to:			
Owners of the parent		48,511	(132,878)
Non-controlling interests		(267)	330
		48,244	(132,548)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	10	RMB5.32 cents	RMB(14.56) cents
Diluted	10	RMB5.28 cents	RMB(14.56) cents

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June

	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
PROFIT/(LOSS) FOR THE PERIOD	48,244	(132,548)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods: Exchange differences on translation of foreign operations	1,640	(1,912)
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	6,496	(9,956)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	8,136	(11,868)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	56,380	(144,416)
Attributable to:		
Owners of the parent	56,647	(144,746)
Non-controlling interests	(267)	330
	56,380	(144,416)

Interim Condensed Consolidated Statement of Financial Position

30 June 2021

	<i>Notes</i>	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	210,214	176,603
Right-of-use assets		227,860	238,418
Intangible assets	12	29,837	28,913
Investments in associates		10,823	10,446
Deferred tax assets		163,285	159,311
Total non-current assets		642,019	613,691
CURRENT ASSETS			
Inventories	13	766,623	806,389
Right of return assets		19,641	45,077
Trade and notes receivables	14	512,706	632,214
Prepayments, other receivables and other assets	15	401,069	339,963
Due from a related party	21(b)(i)	228	228
Pledged short-term deposits	16	43,790	12,960
Cash and cash equivalents	16	747,913	771,692
Total current assets		2,491,970	2,608,523
CURRENT LIABILITIES			
Trade and notes payables	17	319,027	621,148
Other payables and accruals	18	157,135	275,890
Refund liabilities		48,079	135,237
Contract liabilities		56,684	50,845
Interest-bearing bank and other borrowings	19	638,300	284,034
Lease liabilities		78,229	87,028
Tax payable		31,702	18,109
Due to a related party	21(b)(ii)	131	131
Total current liabilities		1,329,287	1,472,422
NET CURRENT ASSETS		1,162,683	1,136,101
TOTAL ASSETS LESS CURRENT LIABILITIES		1,804,702	1,749,792

Interim Condensed Consolidated Statement of Financial Position

30 June 2021

	<i>Notes</i>	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		1,804,702	1,749,792
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	19	768,434	757,168
Lease liabilities		125,377	126,398
Deferred tax liabilities		39,313	51,512
Total non-current liabilities		933,124	935,078
Net assets		871,578	814,714
EQUITY			
Equity attributable to owners of the parent			
Share capital		8,343	8,343
Reserves		862,635	805,988
		870,978	814,331
Non-controlling interests		600	383
Total equity		871,578	814,714

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the parent								Total	Non-controlling interests	Total equity
	Share capital	Share premium account	Merger reserve	Capital reserve	Statutory surplus reserve	Share award reserve	Exchange fluctuation reserve	Accumulated losses			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021 (audited)	8,343	734,670	(208,429)	765,360	135,504	22,284	37,179	(680,580)	814,331	383	814,714
Profit for the period	-	-	-	-	-	-	-	48,511	48,511	(267)	48,244
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	8,136	-	8,136	-	8,136
Total comprehensive income for the period	-	-	-	-	-	-	8,136	48,511	56,647	(267)	56,380
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	-	490	490
De-registration of a subsidiary	-	-	-	-	-	-	-	-	-	(6)	(6)
At 30 June 2021 (unaudited)	8,343	734,670*	(208,429)*	765,360*	135,504*	22,284*	45,315*	(632,069)*	870,978	600	871,578

For the six months ended 30 June 2020

	Attributable to owners of the parent								Total	Non-controlling interests	Total equity
	Share capital	Share premium account	Merger reserve	Capital reserve	Statutory surplus reserve	Share award reserve	Exchange fluctuation reserve	Accumulated losses			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020 (audited)	8,343	734,670	(205,542)	762,473	135,504	-	(18,018)	(379,232)	1,038,198	(1,773)	1,036,425
Loss for the period	-	-	-	-	-	-	-	(132,878)	(132,878)	330	(132,548)
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(11,868)	-	(11,868)	-	(11,868)
Total comprehensive loss for the period	-	-	-	-	-	-	(11,868)	(132,878)	(144,746)	330	(144,416)
At 30 June 2020 (unaudited)	8,343	734,670	(205,542)	762,473	135,504	-	(29,886)	(512,110)	893,452	(1,443)	892,009

* These reserve accounts comprise the consolidated reserves of RMB862,635,000 in the consolidated statement of financial position as at 30 June 2021.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June

	<i>Notes</i>	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		71,945	(150,453)
Adjustments for:			
Impairment of trade and other receivables, net	6	8,331	30,451
Impairment of property, plant and equipment	6	515	1,214
Write-down/(reversal of write-down) of inventories to net realisable value	6	31,817	(5,322)
Depreciation of property, plant and equipment	11	28,417	43,067
Depreciation of right-of-use assets	6	58,835	81,628
Amortisation of other intangible assets	12	1,900	1,318
Loss on disposal of items of property, plant and equipment, net	6	2,700	3,425
Foreign exchange differences, net	6	(42)	1,614
Finance costs	7	28,017	29,957
Gain on terminations of leases, net		(1,333)	(900)
Share of profit of an associate		(377)	-
Gain on de-registration of a subsidiary		(6)	-
Investment income from time deposits	5	-	(1,787)
		230,719	34,212
Decrease in trade and notes receivables		64,740	180,534
Increase in prepayments, other receivables and other assets		(60,797)	(51,394)
Increase in an amount due from a related party		-	(3)
Decrease in inventories		7,949	280,355
Decrease in right of return assets		25,436	40,901
Decrease in trade and notes payables		(302,121)	(486,610)
Decrease in other payables and accruals		(120,234)	(52,020)
Decrease in refund liabilities		(87,158)	(92,886)
Increase in contract liabilities		5,839	611
Increase in pledged short-term deposits		(30,830)	(25,984)
		(266,457)	(172,284)
Cash used in operations		(266,457)	(172,284)
Income tax paid		(26,281)	(71,728)
		(292,738)	(244,012)
Net cash flows used in operating activities		(292,738)	(244,012)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June

	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(56,923)	(48,904)
Purchases of intangible assets	(10,439)	(2,957)
Purchase of a shareholding in an associate	–	(8,000)
Proceeds from disposal of items of property, plant and equipment	764	–
Net cash flows used in investing activities	(66,598)	(59,861)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank and other borrowings	500,407	550,000
Repayment of bank and other borrowings	(80,000)	(50,000)
Principal portion of lease payments	(56,764)	(65,992)
Interest paid	(27,082)	(28,924)
Capital injection from non-controlling interests	490	–
Net cash flows from financing activities	337,051	405,084
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(22,285)	101,211
Cash and cash equivalents at beginning of period	771,692	820,788
Effect of foreign exchange rate changes, net	(1,494)	2,392
CASH AND CASH EQUIVALENTS AT END OF PERIOD	747,913	924,391
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	747,913	924,391

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

1. CORPORATE INFORMATION

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

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

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

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention. 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 accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4
and IFRS 16

Amendment to IFRS 16

Interest Rate Benchmark Reform – Phase 2

*Covid-19-Related Rent Concessions beyond
30 June 2021 (early adopted)*

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in US\$ and RMB based on the London Interbank Offered Rate (“LIBOR”) and Loan Prime Rate (“LPR”) in Mainland China, respectively, as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

- (b) Amendment to IFRS 16 issued in March 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and the amendment did not have any 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 channel. There are two operating segments of the sale of apparel products: offline channels and online channels. Offline channels refer to offline network of retail outlets including self-owned stores and partnership stores, and offline network of distributors, and online channels refer to online retail platforms, such as Tmall.com, Taobao, Vipshop, TikTok and WeChat Mini Programs.

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

Segment information by sales channels:

	Six months ended 30 June 2021			
	Apparel products			Total (Unaudited) RMB'000
	Offline channels (Unaudited) RMB'000	Online channels (Unaudited) RMB'000	Others (Unaudited) RMB'000	
Segment revenue				
External customers	710,126	484,078	10,226	1,204,430
Total revenue	710,126	484,078	10,226	1,204,430
Segment results	422,575	198,749	2,502	623,826
Other income and gains				26,849
Selling and distribution expenses				(428,278)
Administrative expenses				(108,943)
Impairment losses on financial assets, net				(8,331)
Other expenses				(5,538)
Finance costs				(28,017)
Share of profit of an associate				377
Profit before tax				71,945

Notes to Interim Condensed Consolidated Financial Information

30 June 2021

4. OPERATING SEGMENT INFORMATION (continued)

Segment information by sales channels: (continued)

	Six months ended 30 June 2020			
	Apparel products			Total (Unaudited) RMB'000
	Offline channels (Unaudited) RMB'000	Online channels (Unaudited) RMB'000	Others (Unaudited) RMB'000	
Segment revenue				
External customers	413,920	661,674	11,944	1,087,538
Total revenue	413,920	661,674	11,944	1,087,538
Segment results	202,272	216,470	2,277	421,019
Other income and gains				10,147
Selling and distribution expenses				(410,144)
Administrative expenses				(98,165)
Impairment losses on financial assets, net				(30,451)
Other expenses				(12,902)
Finance costs				(29,957)
Loss before tax				(150,453)

Geographic information

(a) Revenue from external customers

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Mainland China	1,204,430	1,086,580
Macau	–	958
Total	1,204,430	1,087,538

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

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4. OPERATING SEGMENT INFORMATION (continued)

Geographic information (continued)

(b) *Non-current assets*

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Mainland China	466,552	442,985
Hong Kong	1,359	949
Total	467,911	443,934

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 reporting period (six months ended 30 June 2020: one).

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Customer A	N/A*	138,748

* The corresponding revenue of the customer is not disclosed as the revenue did not account for 10% or more of the Group's revenue during the reporting period.

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5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Revenue from contracts with customers		
Sale of apparel products		
Online channels	484,078	661,674
Offline channels		
Self-owned stores	431,051	265,037
Partnership stores	79,328	68,661
Distributor stores	199,747	80,222
Sale of other products	6,274	3,098
Consignment services	3,952	8,846
Total	1,204,430	1,087,538

Disaggregated revenue information for revenue from contracts with customers

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Timing of revenue recognition		
Goods transferred at a point in time	1,200,478	1,078,692
Services transferred at a point in time	3,952	8,846
Total revenue from contracts with customers	1,204,430	1,087,538

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Other income and gains		
Government grants	21,611	1,108
Bank interest income	1,701	3,175
Gain on terminations of leases, net	1,333	900
Penalty charges received from distributors	966	1,776
Foreign exchange gains, net	42	–
Investment income from time deposits	–	1,787
Sale of raw materials	18	386
Others	1,178	1,015
	26,849	10,147

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6. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Cost of inventories sold	545,391	664,353
Cost of services provided	3,396	7,488
Cost of raw materials sold	622	6,185
Depreciation of property, plant and equipment	28,417	43,067
Impairment of items of property, plant and equipment	515	1,214
Depreciation of right-of-use assets	58,835	81,628
Amortisation of intangible assets	1,900	1,318
Impairment of trade receivables	8,305	30,587
Impairment/(reversal of impairment) of other receivables	26	(136)
Write-down/(reversal of write-down) of inventories to net realisable value	31,817	(5,322)
Lease payments not included in the measurement of lease liabilities	27,421	9,981
Auditor's remuneration	880	780
Loss on disposal of items of property, plant and equipment, net	2,700	3,425
Gain on de-registration of a subsidiary	(6)	–
Foreign exchange differences, net	(42)	1,614
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	60,874	48,850
Pension scheme contributions	5,843	1,898
Staff welfare expenses	3,593	3,687
	70,310	54,435

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Interest on bank and other borrowings	22,958	24,801
Interest on lease liabilities	5,059	5,156
	28,017	29,957

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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% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for the Hong Kong subsidiary, Joy Sonic Limited, which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 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 current income tax in Mainland China is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law, except for certain subsidiaries of the Group, which were entitled to a preferential income tax rate of 2.5% (2020: 5%) for small and micro enterprises during the reporting period.

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Current tax:		
Charge for the period	27,369	3,668
Deferred tax	(3,668)	(21,573)
Total tax charge/(credit) for the period	23,701	(17,905)

9. DIVIDENDS

The board of directors did not declare the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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

The calculation of the basic earnings (six months ended 30 June 2020: loss) per share amounts is based on the profit (six months ended 30 June 2020: loss) for the period attributable to ordinary equity holders of the parent, and the number of ordinary shares of 912,500,000 (six months ended 30 June 2020: 912,500,000) in issue during the period. The number of shares for the current period has been arrived at after eliminating the shares of the Company held under the restricted share unit scheme.

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

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

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	48,511	(132,878)
	Number of shares Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Shares		
Number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	912,500,000	912,500,000
Effect of dilution – weighted average number of ordinary shares arising from the RSUs	6,897,564	–
	919,397,564	912,500,000*

* 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 period and were ignored in the calculation of diluted loss per share. Therefore, the diluted loss per share amount was the same as the basic loss per share amount for the period.

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11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Carrying amount at beginning of period/year	176,603	146,981
Additions	68,082	135,131
Depreciation provided during the period/year	(28,417)	(72,019)
Impairment	(515)	(2,303)
Transfers	(2,075)	(19,827)
Disposals	(3,464)	(11,333)
Exchange realignment	–	(27)
Carrying amount at end of period/year	210,214	176,603

12. INTANGIBLE ASSETS

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Carrying amount at beginning of period/year	28,913	10,758
Additions	759	1,916
Transfers	2,075	19,827
Amortisation provided during the period/year	(1,900)	(3,511)
Exchange realignment	(10)	(77)
Carrying amount at end of period/year	29,837	28,913

13. INVENTORIES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Raw materials	739	3,949
Decorations	17,749	12,502
Finished goods	748,135	789,938
	766,623	806,389

Notes to Interim Condensed Consolidated Financial Information

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14. TRADE AND NOTES RECEIVABLES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Trade receivables	816,988	881,296
Notes receivable	–	46,963
	816,988	928,259
Impairment of trade receivables	(304,282)	(296,045)
	512,706	632,214

The Group's trading terms with its customers (other than retail customers) are mainly on credit as well as advances. The credit period is generally one month to three months, extending up to one year for major customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As at 30 June 2021, included in the Group's trade receivables are amounts due from the Group's related parties of RMB500,000 (31 December 2020: RMB500,000) 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:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Within 3 months	182,806	350,691
3 to 6 months	80,682	63,922
6 to 12 months	142,863	81,053
1 to 2 years	304,873	303,409
Over 2 years	105,764	82,221
	816,988	881,296

As at 30 June 2021, the Group discounted certain notes receivable (the "Discounted Notes") with carrying amounts in aggregate of nil (31 December 2020: RMB46,463,000). The Discounted Notes have a maturity from one to five months as at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Discounted Notes have a right of recourse against the Group if the PRC banks or the counterparties default.

As at 30 June 2021, the Group recognised the proceeds received from the discount of the Discounted Notes with an amount of nil (31 December 2020: RMB46,463,000) (note 19), because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Notes.

Notes to Interim Condensed Consolidated Financial Information

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15. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Other receivables	263,725	253,486
Prepaid expenses	55,688	44,904
Prepayments	81,264	70,591
Tax recoverable	38,893	9,589
Others	516	866
	440,086	379,436
Impairment	(39,017)	(39,473)
	401,069	339,963

As at 30 June 2021, included in the prepayment, other receivables and other assets are prepayments of nil (31 December 2020: RMB17,558,000) to the Group's related party and other receivables of RMB2,000,000 (31 December 2020: RMB2,000,000) from the Group's related party, respectively.

16. CASH AND CASH EQUIVALENTS AND PLEDGED SHORT-TERM DEPOSITS

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Cash and bank balances	747,913	771,692
Short-term time deposits	43,790	12,960
	791,703	784,652
Less: Pledged short-term deposits:		
Pledged for notes payable	(3,790)	(12,960)
Pledged for letter of credit	(40,000)	-
Cash and cash equivalents	747,913	771,692
Denominated in RMB	600,546	659,234
Denominated in US\$	97,571	112,317
Denominated in HK\$	49,714	32
Denominated in MOP	82	109
Cash and cash equivalents	747,913	771,692

Notes to Interim Condensed Consolidated Financial Information

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16. CASH AND CASH EQUIVALENTS AND PLEDGED SHORT-TERM DEPOSITS (continued)

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits were pledged for notes payable and letter of credit with a maturity from three to six months. The bank balances and pledged short-term deposits are deposited with creditworthy banks with no recent history of default.

17. TRADE AND NOTES PAYABLES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Trade payables	282,677	491,748
Notes payable	36,350	129,400
	319,027	621,148

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

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Within 3 months	244,925	456,777
3 to 6 months	20,484	20,981
6 to 12 months	7,567	8,288
1 to 2 years	9,519	4,959
Over 2 years	182	743
	282,677	491,748

As at 30 June 2021, included in the trade and notes payables are trade payables of RMB11,564,000 (31 December 2020: RMB13,239,000) due to the Group's related parties which were repayable within 120 days, which represents credit terms similar to those offered by the related parties to their major customers.

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

Notes to Interim Condensed Consolidated Financial Information

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18. OTHER PAYABLES AND ACCRUALS

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Other payables	74,769	110,435
Accrued payroll	48,389	62,847
Accrued expenses	29,776	52,121
Taxes payable other than corporate income tax	4,201	50,487
	157,135	275,890

Other payables are non-interest-bearing and repayable on demand.

19. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 June 2021 (unaudited)			As at 31 December 2020 (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 (note(a))	1-month LIBOR plus 3.90%	Within 2022	232,050	1-month LIBOR plus 3.90%	Within 2021	234,171
Current portion of long-term bank loan – secured bank loan (note(b))	5-year LPR	Within 2022	6,250	5-year LPR	Within 2021	3,400
Discounted notes receivable (note 14)	–	–	–	–	Within 2021	46,463
Bank loans – unsecured	3.90%	within 2022	100,000	–	–	–
Discounted letter of credit	2.60%–3.80%	Within 2022	300,000	–	–	–
			638,300			284,034
Non-current						
Bank loans – secured US\$226,000,000 bank loans (note(a))	1-month LIBOR plus 3.90%	2022	700,461	1-month LIBOR plus 3.90%	2022	706,752
Bank loan – secured bank loan (note(b))	5-year LPR	2022-2028	67,973	5-year LPR	2022-2028	50,416
			768,434			757,168
			1,406,734			1,041,202

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19. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	638,300	284,034
In the second year	711,361	714,652
In the third to fifth years, inclusive	32,700	23,700
Beyond five years	24,373	18,816
	1,406,734	1,041,202

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) The bank loans of RMB74,223,000 (31 December 2020: RMB53,816,000) 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 RMB21,324,000 (31 December 2020: RMB21,654,000).

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

20. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Contracted, but not provided for:		
Buildings	97,664	60,969
Machinery and equipment	6,030	9,800
	103,694	70,769

Notes to Interim Condensed Consolidated Financial Information

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21. RELATED PARTY TRANSACTIONS

Details of the Group's principal related parties are as follows:

Name	Relationship
Glory Cayman Holding Limited (" Glory Cayman ")	An entity controlled by a controlling shareholder
Glorious Cayman Ltd. (" Glorious Cayman ")	An entity controlled by a controlling shareholder
Zhejiang Chisage Holding Group Co., Ltd. (" Chisage Holding ")	An entity controlled by a director
Ningbo Songhe Apparel Co., Ltd. (" Songhe Apparel ")	An entity controlled by a director
Ningbo Chisage Industrial Technology Co., Ltd. (" Ningbo Chisage Industrial ")	An entity controlled by a director
Huaian Chisage Industrial Co., Ltd. (" Huaian Chisage Industrial ")	An entity controlled by a director
Ningbo Wenmo Garment Co., Ltd. Co., Ltd. (" Wenmo Garment ")	An entity controlled by a director

Notes to Interim Condensed Consolidated Financial Information

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21. RELATED PARTY TRANSACTIONS (continued)

- (a) In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties during the period:

	Notes	Six months ended 30 June	
		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Purchases of products from:			
Huaian Chisage Industrial	(i)	1,207	973
Ningbo Chisage Industrial	(i)	21,991	14,403
Depreciation of right-of-use assets:			
Songhe Apparel	(ii)	2,297	1,822
Chisage Holding	(ii)	–	3,112
Wenmo Garment	(ii)	2,947	–
Interest expense on lease liabilities:			
Songhe Apparel	(ii)	276	89
Chisage Holding	(ii)	–	153
Wenmo Garment	(ii)	1,322	–
Rental fees to:			
Chisage Holding	(iii)	1,983	–

Notes:

- (i) The purchases from related parties were made according to the published prices and conditions offered by the related parties to their major customers.
- (ii) The depreciation of right-of-use assets and interest expense on lease liabilities were charged to profit or loss under IFRS 16 relating to the lease of the warehouses and offices from related parties pursuant to the terms of the agreements signed between the Group and the related parties.
- (iii) The rental fees were paid for the lease of the warehouses from the related party. The rental fees were charged pursuant to the terms of the agreements signed between the Group and the related party.

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21. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

(i) Due from a related party

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Glorious Cayman	228	228

(ii) Due to a related party

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Glory Cayman	131	131

The balances with related parties are unsecured, interest-free and repayable on demand.

(c) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Short term employee benefits	7,689	4,524
Pension scheme contributions	66	37
Total compensation paid to key management personnel	7,755	4,561

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22. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets at amortised cost

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Trade and notes receivables	512,706	632,214
Financial assets included in prepayments, other receivables and other assets	224,708	214,013
Due from a related party	228	228
Pledged short-term deposits	43,790	12,960
Cash and cash equivalents	747,913	771,692
	1,529,345	1,631,107

Financial liabilities at amortised cost

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Trade and notes payables	319,027	621,148
Financial liabilities included in other payables and accruals	104,545	162,556
Interest-bearing bank and other borrowings	1,406,734	1,041,202
Due to a related party	131	131
Lease liabilities	203,606	213,426
	2,034,043	2,038,463

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

All the carrying amounts of the Group's financial instruments approximate to their fair values.

Management has determined that the fair values of cash and cash equivalents, pledged short-term deposits, trade and notes receivables, financial assets included in prepayments, other receivables and other assets, trade and notes payables, financial liabilities included in other payables and accruals, amounts due from/to a related party and the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

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23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee once a year for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings and lease liabilities as at 30 June 2021 were assessed to be insignificant.

The Group did not have any financial assets measured at fair value as at 30 June 2021 (31 December 2020: Nil).

The Group did not have any financial liabilities measured at fair value as at 30 June 2021 (31 December 2020: Nil).

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2020: Nil).