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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)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 AND CHANGE IN USE OF PROCEEDS

Financial Highlights

- Total revenue for the year ended 31 December 2021 amounted to RMB2,695.2 million, representing a decrease of 5.8%, or RMB166.3 million, as compared to RMB2,861.5 million for the year ended 31 December 2020.
- Net loss for the year ended 31 December 2021 amounted to RMB91.3 million, representing a decrease in net loss of RMB207.9 million, as compared to a net loss of RMB299.2 million for the year ended 31 December 2020.
- As a result of its adjustments in strategy on offline stores operation, the Group's gross profit for the year ended 31 December 2021 amounted to RMB1,327.9 million, representing an increase of 8.4%, or RMB103.2 million, as compared to RMB1,224.7 million for the year ended 31 December 2020. Gross profit margin increased to 49.3% for the year ended 31 December 2021 from 42.8% for the year ended 31 December 2020.

The board (the "**Board**") of directors (the "**Directors**") of Mulsanne Group Holding Limited (the "**Company**") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021 (the "**Period**"), together with the comparative figures for the year ended 31 December 2020.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	**2021 (Unaudited) *RMB'000***	2020 (Audited) *RMB'000*
REVENUE	*5*	**2,695,234**	2,861,496
Cost of sales		**(1,367,363)**	(1,636,841)
Gross profit		**1,327,871**	1,224,655
Other income and gains	*5*	**33,269**	26,992
Selling and distribution expenses		**(928,469)**	(973,918)
Administrative expenses		**(222,477)**	(225,073)
Impairment losses on financial assets, net	*6*	**(240,659)**	(264,485)
Other expenses		**(15,208)**	(23,421)
Finance costs	*7*	**(59,412)**	(56,467)
Share of profit of an associate		**715**	446
LOSS BEFORE TAX	*6*	**(104,370)**	(291,271)
Income tax credit/(expense)	*8*	**13,027**	(7,921)
LOSS FOR THE YEAR		**(91,343)**	(299,192)
Attributable to:			
Owners of the parent		**(89,684)**	(301,348)
Non-controlling interests		**(1,659)**	2,156
		(91,343)	(299,192)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*10*	**RMB(9.83) cents**	RMB(33.0) cents

	2021 (Unaudited) *RMB'000*	2020 (Audited) *RMB'000*
LOSS FOR THE YEAR	**(91,343)**	(299,192)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**95,415**	10,645
Other comprehensive (loss)/income 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	**(79,396)**	44,552
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**16,019**	55,197
TOTAL COMPREHENSIVE LOSS	**(75,324)**	(243,995)
Attributable to:		
Owners of the parent	**(73,665)**	(246,151)
Non-controlling interests	**(1,659)**	2,156
	(75,324)	(243,995)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	**2021 (Unaudited) *RMB'000***	2020 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**267,343**	176,603
Right-of-use assets		**265,829**	238,418
Intangible assets		**43,311**	28,913
Investments in associates		**–**	10,446
Equity investment designated at fair value through other comprehensive income		**11,834**	–
Deferred tax assets		**223,309**	159,311
Total non-current assets		**811,626**	613,691
CURRENT ASSETS			
Inventories		**840,373**	806,389
Right-of-return assets		**53,980**	45,077
Trade and notes receivables	*11*	**427,072**	632,214
Prepayments, other receivables and other assets		**200,899**	339,963
Due from a related party		**223**	228
Pledged short-term deposits		**11,920**	12,960
Cash and cash equivalents		**677,230**	771,692
Total current assets		**2,211,697**	2,608,523
CURRENT LIABILITIES			
Trade and notes payables	*12*	**474,924**	621,148
Other payables and accruals		**238,248**	275,890
Refund liabilities		**122,102**	135,237
Contract liabilities		**63,985**	50,845
Interest-bearing bank and other borrowings	*13*	**971,877**	284,034
Lease liabilities		**114,709**	87,028
Tax payable		**41,093**	18,109
Due to a related party		**128**	131
Total current liabilities		**2,027,066**	1,472,422
NET CURRENT ASSETS		**184,631**	1,136,101
TOTAL ASSETS LESS CURRENT LIABILITIES		**996,257**	1,749,792

	Note	2021 (Unaudited) *RMB'000*	2020 (Audited) *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**996,257**	1,749,792
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*13*	**87,683**	757,168
Lease liabilities		**128,786**	126,398
Deferred tax liabilities		**39,314**	51,512
Total non-current liabilities		**255,783**	935,078
Net assets		**740,474**	814,714
EQUITY			
Equity attributable to owners of the parent			
Share capital		**8,343**	8,343
Reserves		**724,973**	805,988
		733,316	814,331
Non-controlling interests		**7,158**	383
Total equity		**740,474**	814,714

NOTES TO UNAUDITED FINANCIAL STATEMENTS
31 December 2021

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 ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investment designated at fair value through other comprehensive income, which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and the 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 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 31 December 2021. The Group expects that LPR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's LPR-based borrowings. For the LIBOR-based borrowings, since the interest rates of these borrowings were not replaced by RFRs during the year, the amendments 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 the above-mentioned 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. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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 2021 (Unaudited)			
	Apparel products			
	Offline channels	Online channels	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue				
Sales to external customers	**1,513,716**	**1,158,980**	**22,538**	**2,695,234**
Total revenue	**1,513,716**	**1,158,980**	**22,538**	**2,695,234**
Segment results	**870,899**	**453,909**	**3,063**	**1,327,871**
Other income and gains				**33,269**
Selling and distribution expenses				**(928,469)**
Administrative expenses				**(222,477)**
Impairment losses on financial assets, net				**(240,659)**
Other expenses				**(15,208)**
Finance costs				**(59,412)**
Share of profit of an associate				**715**
Loss before tax				**(104,370)**

	Year ended 31 December 2020 (Audited)			
	Apparel products			
	Offline channels	Online channels	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*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)

Geographic information

(a) *Revenue from external customers*

	2021	2020
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Mainland China	**2,695,234**	2,860,190
Macau	**–**	1,306
Total	**2,695,234**	2,861,496

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

(b) *Non-current assets*

	2021	2020
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Mainland China	**575,448**	442,985
Hong Kong	**1,035**	949
Total	**576,483**	443,934

The non-current asset information above is based on the locations of the assets and excludes investments in associates, equity investment 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 (2020: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021	2020
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of apparel products		
Online channels	**1,158,980**	1,497,305
Offline channels		
Self-owned stores	**847,488**	750,731
Partnership stores	**194,182**	167,836
Distributor stores	**472,046**	422,306
Sale of other products	**12,273**	7,731
Consignment services	**10,265**	15,587
Total	**2,695,234**	2,861,496

Revenue from contracts with customers

(i) Disaggregated revenue information

	2021 **(Unaudited)** ***RMB'000***	2020 (Audited) *RMB'000*
Timing of revenue recognition		
Goods transferred at a point in time	**2,684,969**	2,845,909
Services transferred at a point in time	**10,265**	15,587
Total revenue from contracts with customers	**2,695,234**	2,861,496

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:

	2021 **(Unaudited)** ***RMB'000***	2020 (Audited) *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	**50,845**	57,133

	2021 **(Unaudited)** ***RMB'000***	2020 (Audited) *RMB'000*
Revenue recognised from performance obligations satisfied in previous periods:		
Sale of goods not previously recognised due to constraints on variable consideration	**(2,015)**	3,920

(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 2021, 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

	2021	2020
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Refund liabilities arising from sales return	**122,102**	99,147
Refund liabilities arising from sales rebates	**–**	36,090
	122,102	135,237

An analysis of other income and gains is as follows:

	2021	2020
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**2,426**	4,046
Investment income from time deposits	**–**	3,259
Penalty charges received from distributors	**2,472**	2,860
Government grants*	**22,879**	8,274
Foreign exchange gains, net	**–**	2,657
Gain on terminations of leases, net	**1,979**	2,519
Waiver of a debt in a subsidiary from the non-controlling shareholder	**–**	1,875
Gain on loss of significant influence over an associate	**673**	–
Sale of raw materials	**282**	386
Others	**2,558**	1,116
	33,269	26,992

* 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 BEFORE TAX

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

	Note	**2021 (Unaudited) *RMB'000***	2020 (Audited) *RMB'000*
Cost of inventories sold		**1,323,997**	1,650,167
Cost of services provided		**7,713**	13,308
Cost of raw materials sold		**1,399**	6,185
Depreciation of property, plant and equipment		**54,521**	72,019
Impairment of property, plant and equipment		**625**	2,303
Impairment of right-of-use assets		**1,314**	2,841
Depreciation of right-of-use assets		**125,372**	155,518
Gain on terminations of leases, net		**(1,979)**	(2,519)
Amortisation of intangible assets*		**4,913**	3,511
Impairment of trade receivables, net	*12*	**142,098**	225,663
Impairment of other receivables, net		**98,561**	38,822
Write-down of/(reversal of write-down) inventories to net realisable value**		**35,653**	(26,634)
Lease payments not included in the measurement of lease liabilities		**33,278**	32,778
Auditor's remuneration		**4,080**	3,740
Loss on disposal of items of property, plant and equipment, net		**8,447**	10,848
Waiver of a debt in a subsidiary from the non-controlling shareholder		**–**	(1,875)
Foreign exchange differences, net		**1,224**	(2,657)
Employee benefit expenses (excluding directors' and chief executive's remuneration):			
Wages and salaries		**131,632**	110,307
Equity-settled share award expenses		**–**	18,442
Pension scheme contributions***		**12,563**	7,750
Staff welfare expenses		**7,628**	7,516
		151,823	144,015

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

** The write-down/(reversal of 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.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021	2020
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Interest on bank loans	**48,354**	47,045
Interest on lease liabilities	**11,058**	9,422
	59,412	56,467

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 (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 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.

	2021	2020
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Current tax:		
Charge for the year	**50,677**	1,783
Overprovision in prior years	**–**	(1,169)
Deferred tax	**(63,704)**	7,307
Total tax (credit)/charge for the year	**(13,027)**	7,921

A reconciliation of the tax (credit)/expense applicable to loss before tax using the statutory rate in Mainland China to the tax (credit)/expense at the effective tax rate is as follows:

	2021	2020
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Loss before tax	**(104,370)**	(291,271)
At the PRC statutory income tax rate of 25%	**(26,093)**	(72,818)
Lower tax rates for specific provinces or enacted by local authority	**(303)**	3,589
Expenses not deductible for tax	**14,392**	17,141
Adjustments in respect of current tax of previous years	**–**	(1,169)
Tax losses utilised from previous years	**(2,713)**	(932)
Profit attributable to an associate	**(35)**	(22)
Temporary differences and tax losses not recognised	**1,725**	10,901
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**–**	51,231
Tax (credit)/charge at the Group's effective rate	**(13,027)**	7,921

9. DIVIDENDS

The board of directors did not recommend the payment of any final dividend for the year (2020: Nil).

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

The calculation of the basic loss for the year per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the number of ordinary shares of 912,500,000 (2020: 912,500,000) 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 RSU Scheme.

The calculation of the diluted loss per share amount is based on the loss 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 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 RSUs granted by the Company.

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

	2021	2020
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent	**(89,684)**	(301,348)

	Number of shares	
	2021	2020
	(Unaudited)	(Audited)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**912,500,000**	912,500,000
Effect of dilution – weighted average number of ordinary shares arising from the RSUs	**6,751,461**	54,781
	919,251,461*	912,554,781*

* 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 was the same as the basic loss per share amount for the year.

11. TRADE AND NOTES RECEIVABLES

	2021	2020
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Trade receivables	**821,195**	881,296
Notes receivable	**44,020**	46,963
	865,215	928,259
Impairment of trade receivables	**(438,143)**	(296,045)
	427,072	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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As at 31 December 2020, included in the Group's trade receivables is an amount due from the Group's related party of RMB500,000 which is 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:

	2021	2020
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Less than 3 months	**296,549**	350,691
Between 3 and 6 months	**23,542**	63,922
Between 6 and 12 months	**45,705**	81,053
Between 1 and 2 years	**82,225**	303,409
Over 2 years	**373,174**	82,221
	821,195	881,296

12. TRADE AND NOTES PAYABLES

	2021	2020
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Trade payables	**356,824**	491,748
Notes payable	**118,100**	129,400
	474,924	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:

	2021	2020
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Within 3 months	**325,978**	456,777
3 to 6 months	**15,309**	20,981
6 to 12 months	**6,879**	8,288
1 to 2 years	**7,459**	4,959
Over 2 years	**1,199**	743
	356,824	491,748

Included in the trade and notes payables are trade payables of RMB358,000 (2020: RMB13,239,000) 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 2021 (Unaudited)			31 December 2020 (Audited)		
	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 (note (a))	**1-month LIBOR plus 3.90%**	**Within 2022**	**690,591**	1-month LIBOR plus 3.90%	Within 2021	234,171
Current portion of long-term bank loans – secured (note (b))	**5-year LPR**	**Within 2022**	**17,440**	5-year LPR	Within 2021	3,400
Discounted notes receivable	**–**	**Within 2022**	**44,020**	–	Within 2021	46,463
Bank loans – unsecured	**LPR plus 0.05%**	**Within 2022**	**100,000**	–	–	–
Bank loans – unsecured	**LPR plus 0.20%**	**Within 2022**	**50,000**	–	–	–
Discounted letter of credit	**1-year LPR**	**Within 2022**	**69,826**	–	–	–
			971,877			284,034
Non-current						
Bank loan – secured US$226,000,000 bank loan (note (a))	**–**	**–**	**–**	1-month LIBOR plus 3.90%	2022	706,752
Bank loans – secured (note (b))	**5-year LPR**	**2023-2028**	**87,683**	5-year LPR	2022-2028	50,416
			87,683			757,168
			1,059,560			1,041,202

	2021	2020
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**971,877**	284,034
In the second year	**16,260**	714,652
In the third to fifth years, inclusive	**48,780**	23,700
Beyond five years	**22,643**	18,816
	1,059,560	1,041,202

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 RMB105,123,000 (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 RMB20,993,000 (2020: RMB21,654,000).

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

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 2021, the Group implemented a set of effective growth strategies and was less impacted by the COVID-19 pandemic. 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 2022. Moreover, benefiting from its omni-channel strategy and its strength in online sales channel to well adapt to the trend of integrating online and offline operation in the post-pandemic market, the Group remains confident towards its future as a leading fashion company in China. To further consolidate its leading position in the fashion apparel industry in China, the Group is committed to implementing the following growth strategies:

- Adopt continuous innovative marketing initiatives and analysis to explore potential consumer base, and improve members' experience through new retail technologies and advantages;

- Further optimize its leading supply chain network, enhance its customer service capability, and offer products and services with high quality to satisfy customers' needs;

- Reform organization structure and business model and deepen the integration of online and offline sales channels to improve operational efficiency so as to enable the Group to respond to the market in a faster manner; and

- Adjust and implement new brand strategy for different brands to recover the overall sales and gross profit to pre-pandemic level.

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 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 Period, the total sales revenue recorded was RMB2,695.2 million, representing a decrease of 5.8%, or RMB166.3 million, from RMB2,861.5 million in 2020. Such decrease was primarily because of the reduced revenue from gxg jeans, gxg.kids and Yatlas as a result of the brand strategies adjustment implemented by the Group during the Period.

Revenue by brand

	Year ended 31 December			
	2021		2020	
	(Unaudited)		(Audited)	
	RMB'000	*%*	*RMB'000*	*%*
GXG	**2,150,987**	**79.8**	2,106,142	73.6
gxg jeans	**280,265**	**10.4**	444,512	15.5
gxg.kids	**180,358**	**6.7**	212,385	7.4
Yatlas	**21,926**	**0.8**	30,392	1.1
Mode Commuter	**23,039**	**0.9**	1,555	0.1
2XU	**–**	**–**	17,007	0.6
Others	**38,659**	**1.4**	49,503	1.7
Total	**2,695,234**	**100.0**	2,861,496	100.0

For the Period, sales revenue from the Group's main brands, namely GXG, increased by 2.1%, or RMB44.9 million, as compared to that in 2020. The increase in sales revenue from GXG was primarily due to (i) the new brand strategy implemented, which provided enhanced supports in operation resources, distribution channels and manpower for the development of GXG, (ii) the effect of optimization and consolidation on offline channels, and (iii) the growth in average store sales.

For the Period, sales revenue from gxg jeans, gxg.kids and Yatlas decreased by 36.9%, or RMB164.2 million, 15.1%, or RMB32.0 million and 28.0%, or RMB8.5 million, respectively, as compared to that 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.

The Group introduced its new brand, Mode Commuter, in 2020. For the Period, the sales revenue from Mode Commuter increased by 1,337.5%, or RMB21.4 million, as compared to that in 2020, primarily due to the Group's new product developments in Mode Commuter.

During the Period, the Group ceased its cooperation with 2XU and therefore no longer recognized revenue from 2XU.

Revenue by sales channel

	Year ended 31 December			
	2021		2020	
	(Unaudited)		(Audited)	
	RMB'000	*%*	*RMB'000*	*%*
Sales of apparel products				
Offline channels				
Self-owned stores	**847,488**	**31.4**	750,731	26.2
Partnership stores	**194,182**	**7.2**	167,836	5.9
Distributor stores	**472,046**	**17.5**	422,306	14.8
Online channels	**1,158,980**	**43.0**	1,497,305	52.3
Sales of other products	**12,273**	**0.5**	7,731	0.3
Consignment services	**10,265**	**0.4**	15,587	0.5
Total	**2,695,234**	**100.0**	2,861,496	100.0

Since the Group enhanced its management on its offline stores operation, (i) the sales from self-owned stores for the Period increased by 12.9%, or RMB96.8 million, to RMB847.5 million; (ii) the sales from partnership stores for the Period increased by 15.7%, or RMB26.4 million, to RMB194.2 million; and (iii) the sales from distributor stores for the Period increased by 11.8%, or RMB49.7 million, to RMB472.0 million, as compared to that in 2020.

Online channel sales for the Period decreased by 22.6%, or RMB338.3 million, to RMB1,159.0 million as compared to that 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 2020 due to the significant impact of the COVID-19 pandemic. For the Period, online channel sales ranked first with 43.0% in terms of the Group's revenue composition.

Number of stores by brand

	As at 31 December			
	2021		2020	
	Number of stores	*%*	*Number of stores*	*%*
GXG	**992**	**82.8**	999	77.0
gxg jeans	**99**	**8.3**	183	14.1
gxg.kids	**82**	**6.8**	97	7.5
Yatlas	**8**	**0.7**	7	0.5
Mode Commuter	**16**	**1.3**	5	0.4
Others	**1**	**0.1**	6	0.5
Total	**1,198**	**100.0**	1,297	100.0

During the Period, the Group adjusted its brand positioning and marketing strategies by reducing the number of stores to enhance store efficiency. As a result, the total number of offline stores decreased to 1,198 as at 31 December 2021 from 1,297 as at the end of 2020.

Number of stores by sales channel

	As at 31 December			
	2021		2020	
	Number of stores	*%*	*Number of stores*	*%*
Self-owned stores	**398**	**33.2**	385	29.7
Partnership stores	**146**	**12.2**	171	13.2
Distributor stores	**654**	**54.6**	741	57.1
Total	**1,198**	**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 1,198 as at 31 December 2021.

Gross Profit and Gross Profit Margin

The Group recorded a total gross profit of RMB1,327.9 million for the Period, representing an increase of 8.4%, or RMB103.2 million, from RMB1,224.7 million in 2020. Gross profit margin increased from 42.8% for 2020 to 49.3% for the Period.

Gross profit and gross profit margin by brand

	Year ended 31 December			
	2021 (Unaudited)		2020 (Audited)	
	Gross Profit ***RMB'000***	**Gross Profit Margin** *%*	Gross Profit *RMB'000*	Gross Profit Margin *%*
GXG	**1,094,636**	**50.9**	942,940	44.8
gxg jeans	**119,355**	**42.6**	165,161	37.2
gxg.kids	**84,940**	**47.1**	90,600	42.7
Yatlas	**3,273**	**14.9**	5,283	17.4
Mode Commuter	**11,062**	**48.0**	888	57.1
2XU	**–**	**–**	5,694	33.5
Others	**14,605**	**37.8**	14,089	28.5
Total	**1,327,871**	**49.3**	1,224,655	42.8

Since the Group (i) enhanced its management on brand operation, (ii) optimized the structure of product offering by supplying more new products that have higher profit margin, and (iii) provided lower discount rates among all brands and adjusted subsidy policies to its distributors and partners, most of the Group's brands achieved an increase in the gross profit margin during the Period.

Gross profit and gross profit margin by sales channel

	Year ended 31 December			
	2021		2020	
	(Unaudited)		(Audited)	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
	RMB'000	***%***	*RMB'000*	*%*
Sales of apparel products				
Offline channels				
Self-owned stores	**584,781**	**69.0**	498,707	66.4
Partnership stores	**70,205**	**36.2**	53,557	31.9
Distributor stores	**215,913**	**45.7**	189,434	44.9
Online channels	**453,909**	**39.2**	480,277	32.1
Sales of other products	**511**	**4.2**	401	5.2
Consignment services	**2,552**	**24.9**	2,279	14.6
Total	**1,327,871**	**49.3**	1,224,655	42.8

Gross profit of self-owned stores, partnership stores and distributor stores for the Period increased by RMB86.1 million, RMB16.6 million and RMB26.5 million, respectively, with gross profit margin increased by 2.6 percentage points, 4.3 percentage points and 0.8 percentage points, respectively, to 69.0%, 36.2% and 45.7%, respectively, as compared to that in 2020. The increases in gross profit and gross profit margin of self-owned stores, partnership stores and distributor stores for the Period were mainly due to (i) the enhanced management measures implemented on the Group's offline stores operation, (ii) the relatively lower discount rates provided for products through offline channels as a result of the Group's adjustment in marketing strategies, and (iii) the decrease in pandemic relief subsidies provided to partnership stores and distributor stores.

Gross profit of online channels for the Period decreased by RMB26.4 million, which was in line with the decrease in revenue, while gross profit margin increased by 7.1 percentage points, primarily due to (i) the lower discount rates provided for online channels, and (ii) the optimized structure of product offering, which offered more new products that have higher profit margin.

Other Income and Gains

Other income and gains for the Period were RMB33.3 million, representing an increase of 23.2%, or RMB6.3 million, as compared to RMB27.0 million in 2020, mainly due to the increase in government subsidies.

Selling and Distribution Expenses

Total selling and distribution expenses for the Period decreased by 4.7%, or RMB45.4 million, to RMB928.5 million as compared to RMB973.9 million in 2020, mainly due to (i) a decrease in commission expenses for online sales during the Period, which was line with the decrease in revenue from online channels, and (ii) a decrease in store decoration expenses. Selling and distribution expenses as a percentage of the Group's total revenue remained relatively stable at 34.5% as compared to 34.0% in 2020.

Administrative Expenses

Total administrative expenses for the Period remained relatively stable at RMB222.5 million as compared to RMB225.1 million in 2020. Total administrative expenses as a percentage of the Group's total revenue remained relatively stable at 8.3% for the Period as compared to 7.9% in 2020.

Impairment Losses on Financial Assets, Net

Impairment losses on financial assets, net, for the Period decreased by 9.0%, or RMB23.8 million, to RMB240.7 million as compared to RMB264.5 million in 2020. This was mainly due to an increase in aged trade receivables and other receivables, and an increase in the related expected credit loss rates.

Other Expenses

The Group's other expenses for the Period decreased by 35.0%, or RMB8.2 million, to RMB15.2 million as compared to RMB23.4 million in 2020, mainly due to a decrease in the expenses arising from the disposal of raw materials.

Finance Costs

Finance costs for the Period increased by 5.1%, or RMB2.9 million, to RMB59.4 million as compared to RMB56.5 million in 2020. The increase was mainly due to an increase in interest on bank loans and lease liabilities.

Loss before Tax

The Group's loss before tax for the Period was RMB104.4 million, representing a decrease in loss before tax of RMB186.9 million, from a loss before tax of RMB291.3 million in 2020. The decrease in loss before tax was mainly due to the increase in gross profit.

Income Tax Credit/Expenses

Income tax credit for the Period was RMB13.0 million, as compared to the income tax expense of RMB7.9 million in 2020.

Loss for the Period

As a result of the foregoing factors, loss for the Period was RMB91.3 million, representing a decrease in net loss of RMB207.9 million, as compared to a loss of RMB299.2 million in 2020.

Operating Cash Flows

Net operating cash inflow for the Period was RMB177.7 million, primarily due to the cash inflow from operating profit of RMB424.4 million and a decrease in working capital of RMB246.7 million. The Group's net operating cash inflow for the Period decreased by RMB68.9 million as compared to a net operating cash inflow of RMB246.6 million in 2020, mainly due to (i) the cash used during the Period for settling payment liability accrued in 2020, and (ii) an increase in cash used in procurement expenses.

Capital Expenditures

The Group's capital expenditures include payments for logistics base construction, property, plant and equipment and intangible assets. During the Period, the Group's capital expenditures amounted to RMB169.9 million, representing an increase of 26.5%, or RMB35.6 million, from RMB134.3 million in 2020. The increase was due to the increase in costs of 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 31 December 2021, the Group had bank and other borrowings of RMB1,059.6 million. Bank and other borrowings were denominated in RMB and U.S. dollars as at 31 December 2021 and 2020. As at 31 December 2021, the Group did not have fixed-rate bank borrowings (31 December 2020: Nil). For details, please see note 13 of the "Notes to Unaudited Financial Statements".

The Group's cash and cash equivalents and pledged short-term deposits totalled RMB689.2 million as at 31 December 2021, representing a decrease of 12.2%, or RMB95.5 million, from RMB784.7 million as at the end of 2020. Cash and cash equivalents as at 31 December 2021 were RMB677.3 million, among which 87.5% was denominated in RMB, 7.5% in U.S. dollars, 4.6% in Hong Kong dollars, and 0.4% in Macau Pataca. Pledged short-term deposits as at 31 December 2021 were RMB11.9 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 2021, the Group's gearing ratio was 35.0% (31 December 2020: 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 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 31 December 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 31 December 2021, the Group's RMB105.1 million bank loans were secured by mortgages over the Group's leasehold land.

Contingent Liabilities

As at 31 December 2021, the Group had no significant contingent liabilities (as at 31 December 2020: Nil).

Events after the Period

As at the date of this announcement, no material event has occurred after 31 December 2021.

Human Resources

As at 31 December 2021, the number of employees of the Group was 831 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 RMB146.4 million as compared to RMB140.6 million in 2020. The total cost of staff for the Period represented 5.4% of the Group's revenue as compared to 4.9% in 2020. The increase was mainly due to an increase in recruiting management personnel for enhancing the Group's operations management.

OTHER INFORMATION

Final Dividend

The Board does not recommend the payment of any final dividend for the year ended 31 December 2021.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and enhance its corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**Corporate Governance Code**") set out in 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 2021, the Company complied with all applicable code provisions set out in the Corporate Governance Code. The Company will continue to review and monitor its corporate governance practices to ensure the compliance with the Corporate Governance Code.

Further information on the corporate governance practices of the Company will be set out in the corporate governance report contained in the annual report of the Company for the year ended 31 December 2021.

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 2021 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 the annual results announcement for the year ended 31 December 2020 without notification to the chairman of the Board.

To avoid 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 2021, a total of approximately RMB624.8 million (equivalent to approximately HK$709.6 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 2021 *(RMB million)*	Actual amount used as at 31 December 2021 *(RMB million)*	Unutilised amount as at 31 December 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	54	61	80
To provide funding for working capital and other general corporate purposes	10%	71	–	71	–
Total	100%	705	54	625	80

As at 31 December 2021, the remaining proceeds of approximately RMB80.1 million (equivalent to approximately HK$93.1 million) will be used to rent, maintain and upgrade warehouses with smart facilities and software as described in the paragraph headed "Change In Use of Proceeds" below and are expected to be fully utilized within the next three years.

Change In Use of Proceeds

As stated in the section headed "Future Plans and Use of Proceeds" in the Prospectus, except for the purchase of land and establishment of the self-owned advanced smart logistics centre, the Group's business objectives and the relevant use of proceeds as set out in the Prospectus have been completed.

In order to implement its new retail strategy in the long term, the Group originally designated RMB194.6 million, which was revised to RMB141.0 million (equivalent to approximately HK$160.6 million) due to the reduction of the offer price as further detailed in the Price Reduction Announcement, of net proceeds from the Global Offering (the "**Net Proceeds**") to purchase land and establish a self-owned advanced smart logistics centre.

However, as the land price of the preferred areas was at a relatively high level in 2019 and the land size of the logistics centre was planned to cover a gross floor area of approximately 200,000 to 250,000 sq.m., the Net Proceeds of RMB141.0 million was not sufficient for the Group to materialize its land acquisition and construction of logistics centre as planned. As a result, to facilitate the development of the advanced smart logistics centre, the Group utilized RMB60.9 million of the Net Proceeds to upgraded its existing warehouses with smart facilities and software and kept its efforts in identifying suitable land parcels.

Due to the shortage of suitable land parcels, continued high land prices and local policies in the past three years, the Group was not able to materialize its plan to purchase land and establish its self-owned advanced smart logistics centre as at the date of this announcement. Consequently, the Board has resolved to re-allocate the remaining RMB80.1 million (equivalent to approximately HK$93.1 million) of the Net Proceeds to rent and maintain its existing warehouses and a new warehouse, which is expected to have a gross floor area of approximately 70,000 to 80,000 sq.m., and upgrade such warehouses with smart facilities and software, which the Group considers to be an acceptable alternative solution to its original business plan. The Group expects the new warehouse will come into operation by 2024. Upon the completion of the new warehouse, the Group expects to have a similar level of logistics capacity as provided by the originally planned advanced smart logistics centre.

In the event that the Group enters into a lease for the new warehouse, it may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules. Further announcement(s) will be made by the Company in accordance with the applicable requirements of the Listing Rules as and when appropriate.

The use of proceeds after the change is set out as follows:

Item	Unutilized proceeds from the Global Offering		Use plan for the unutilized proceeds from the Global Offering[1]		
	Allocation of the unutilized proceeds from the Global Offering for new use *(RMB million)*	Percentage of the unutilized proceeds from the Global Offering	Remaining period in 2022 *(RMB million)*	2023 *(RMB million)*	2024 *(RMB million)*
To rent, maintain and upgrade warehouses with smart facilities and software	80	100%	30	30	20

Note:

(1) The expected timeline and plan for utilising the remaining proceeds is based on the best estimation of the future market conditions made by the Group as at the date of this announcement. It will be subject to change based on the development of market conditions.

Despite the above change in use of the proceeds, the Board believes that the Group's development direction is still in line with that disclosed in the Prospectus. The above-mentioned change in use of the unutilized net proceeds is in the interests of the Group and its shareholders as a whole, and it will not have any material adverse effect on the existing business and operations of the Group.

Audit Committee

The Company has established the audit committee with written terms of reference. As at the date of this announcement, the audit committee comprises three independent non-executive Directors, namely Mr. GU Jiong, Mr. YUAN Tao and Mr. Paolo BODO. Mr. GU Jiong is the chairman of the audit committee. The primary duties of the audit committee are to review the Company's financial information, and oversee the Company's financial reporting system, risk management and internal control systems.

The audit committee has jointly reviewed with the Board the unaudited consolidated financial results of the Group for the year ended 31 December 2021, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

Publication of the 2021 Unaudited and Audited Annual Results and 2021 Annual Report

The auditing process for the annual results of the Group for the year ended 31 December 2021 has not been completed as at the date of this announcement. Due to lockdowns and restrictions in force in parts of China to combat the COVID-19 outbreak, the auditor of the Company is unable to obtain certain necessary documents and information (including but not limited to audit confirmation letters) to complete the audit verification procedures. The unaudited results contained herein have not been agreed by the Company's auditors as required under Rule 13.49(2) of the Listing Rules. This unaudited annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.gxggroup.cn).

An announcement relating to the audited results and the material differences (if any) as compared with the unaudited consolidated financial results for the year ended 31 December 2021 contained herein will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The Company expects the audit will be completed on or before 29 April 2022. The Company will issue further announcement(s) as and when necessary if there are other material developments in the completion of the auditing process.

The annual report of the Company for the year ended 31 December 2021 will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

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

Hong Kong, 30 March 2022

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