GXG

KEEP GAP \ GRANT DIFFERENCE

ANNUAL REPORT 2023

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GXG | 更适合通勤的青年休闲男装

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...

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CORPORATE INTRODUCTION

Mulsanne Group Holding Limited (the "**Company**", "**Mulsanne**" or "**We**", together with subsidiaries, the "**Group**" or "**Mulsanne Group**") is a leading fashion menswear company based in China, which also covers unisex apparel segments. With our experience and execution capabilities in the fashion industry, we have optimized 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 launching gxg jeans in 2010. In 2020, we launched MODE COMMUTER, a high-quality commuting apparel brand, which helped strengthen the brand portfolio of our Group. 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 integrated omni-channel business model that capitalises on online and offline strengths, delivers a seamless 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. TANG Shun Lam *(Chairman)*(1)
Mr. HUANG Hanji *(Chairman)*(2)
Mr. YANG Herong
Mr. CHEN Scott Yue(3)
Mr. YOUNG Christopher
Mr. TIAN Min
Mr. SUN Weiye(4)

Independent Non-Executive Directors

Mr. GU Jiong
Mr. Paolo BODO(5)
Ms. XU Yanyun(6)
Mr. LIAO Xiaoxin

AUDIT COMMITTEE

Mr. GU Jiong *(Chairman)*
Ms. XU Yanyun
Mr. LIAO Xiaoxin

REMUNERATION COMMITTEE

Mr. GU Jiong *(Chairman)*
Ms. XU Yanyun
Mr. LIAO Xiaoxin
Mr. YANG Herong
Mr. TIAN Min

NOMINATION COMMITTEE

Mr. TANG Shun Lam *(Chairman)*
Mr. GU Jiong
Mr. LIAO Xiaoxin

JOINT COMPANY SECRETARIES

Mr. DING Dade
Ms. NG Sau Mei *(FCG, HKFCG)*

AUTHORIZED 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. TANG Shun Lam was appointed as a non-executive Director and the chairman of the Board on 30 March 2023.

(2) Mr. HUANG Hanji resigned as a non-executive Director and the chairman of the Board on 30 March 2023.

(3) Mr. CHEN Scott Yue resigned as a non-executive Director on 14 December 2023.

(4) Mr. SUN Weiye was appointed as a non-executive Director on 14 December 2023.

(5) Mr. Paolo BODO resigned as an independent non-executive Director on 19 January 2023.

(6) Ms. XU Yanyun was appointed as an independent non-executive Director on 19 January 2023.

CHAIRMAN'S STATEMENT

Dear Shareholders,

2023 is a crucial year for China's economic recovery after the pandemic. Looking back at the past year, China's economy recovered with upward momentum and made remarkable achievements despite continuous headwinds. Consumption recovery is the main theme of China's market in 2023. Driven by the central government's consumption stimulus policies, consumption scenarios were innovated in an integrated way, which boosted new consumption business and hot spots. The consumer discretionary registered a fastest growth in the commodity retail market, among which jewelry and clothing recorded the most prominent growth in retail sales.

Amid an environment of competition and turnaround coexisting, Mulsanne Group rose to the challenge and achieved remarkable results in terms of revenue and profit. For the year ended 31 December 2023, Mulsanne Group recorded a revenue of RMB2,329 million and net profit of RMB37.2 million, representing a year-on-year increase of nearly 300%. Gross profit margin was 52.0%, representing an increase of approximately 3.1 percentage points year-on-year, and an increase of 3.7 percentage points year-on-year as compared to the pre-pandemic period of 2019. During the year, the Group further promoted channel reform, with the total number of offline shops reducing by 100 year-on-year. In place of the simple expansion, we optimized our single-store model with the same store sales growth of self-owned stores under GXG and MODE COMMUTER increased by 24.3% and 25.2% year-on-year, respectively, and the inventory turnover in days reduced by 29 days as compared to the same period last year.

In 2023, GXG, the Company's main brand, took the initiative to break the barrier between business wear and sportswear. On 28 May, we introduced a new brand strategy of repositioning itself as casual youth menswear more suitable for work, catering to the commuting fashion statement of "not too business, not too casual", and proposed the new brand slogan of "GXG to work, just right." In August, we officially announced Mr. Gong Jun as the brand's global spokesperson, and held the Autumn-Winter New Product Launch event, GXG Zero Pressure Commuting, in Shanghai.

In terms of product quality, leveraging on the technology of fabrics to empower product experience, we specially use easy-care, lightweight, highly stain-resistant and wrinkle-resistant technical fabrics to create a variety of zero-pressure products in the categories such as down jackets, overcoats and sweaters, realizing "internal and external improvement with both outstanding style and comfort level". In the winter of 2023 when a large number of high-end and luxury brands as well as professional brands competed fiercely in the down jacket sector, GXG made comprehensive efforts in the category of overcoats and launched GXG zero-pressure overcoats. The launch of the zero-pressure collections drove the overall performance in the overcoat category of the brand to a 33% year-on-year sales increase.

As Generation Z becomes the main consumer group, cross-sector crossover collaborations have become one of the important promotional methods for brands to enter the youth market and meet the diversified needs of young consumers. In 2023, GXG partnered with PLAYBOY to launch a New Year Collaboration Series, which has attracted attention for the Spring Festival in the Year of the Rabbit. In May, GXG introduced the Plabit limited-edition co-branded apparel and potted plush toy gift box for the 520 Festival, and also held offline exhibitions in 13 cities nationwide. gxg jeans continued its collaboration with toyoya, launching a series of apparel in a prominent pixel-style beloved by young consumers. Mulsanne Group has always maintained a keen fashion sense, and continuously explores innovation through sticking to principles amidst change and making breakthroughs while maintaining stability, and thus gaining favor among consumers.

Looking ahead to 2024, China's economic recovery will be on track, with support from favourable policy measures. Consumption is poised to remain a key driver of economic growth. With consumers placing greater emphasis on personal expression and emotional experiences, the demand for customized and scenario-based products and services is set to rise. As a leading fashion company in China, Mulsanne Group is confident in its future prospects. In addition to strengthening our brand competitiveness, we will maintain our strengths and momentum to unlock our brands' full potential, fostering sustainable growth and solidifying our leading position in the China market.

Finally, I would like to take this opportunity to, on behalf of the Board of the Directors, express my heartfelt gratitude to all shareholders, business partners and customers for their continuous faith and support to the Group, and to the staff for their dedication to the Company. The Group will keep developing at a steady pace to continuously maximize returns to our shareholders and deliver products and services of higher quality to our loyal customers.

Chairman of the Board
TANG Shun Lam

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

In 2023, the Group's business, particularly its offline consumer consumption, had recovered. Moreover, as a leading fashion company in China, the Group benefited from its omni-channel strategy and the development in China's domestic economy. As a result, the Group remains confident towards the future of the Chinese fashion industry. To further consolidate its leading position in the fashion apparel industry in China, the Group is committed to implementing the following strategies:

- Navigate brand positioning to explore potential consumer base, and improve members' experience through new retail technologies and advantages;
- Reform organization structure and business model and deepen the integration of online and offline sales channels to improve operational efficiency so as to enable the Group to respond to the market in a faster manner; and
- Continue to improve the management of omni-channels to increase the Group's gross profit margin.

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 year ended 31 December 2023 (the "**Period**"), the total sales revenue was RMB2,329.0 million, representing a slight increase of 0.1%, or RMB2.7 million, from RMB2,326.3 million in 2022. Such increase was primarily attributable to (i) an increase in the sales revenue from the Group's main brand, namely GXG, as a result of the recovery of offline consumer consumption coupled with the improvement in operational efficiency of offline retail channels and (ii) the successful implementation of the Group's brand promotion initiatives.

Revenue by brand

	Year ended 31 December			
	2023		2022	
	RMB'000	***%***	*RMB'000*	*%*
GXG	**2,016,953**	**86.6**	1,847,359	79.4
gxg jeans	**181,333**	**7.8**	218,728	9.4
gxg.kids	**89,016**	**3.8**	199,347	8.6
Mode Commuter	**37,175**	**1.6**	33,335	1.4
Others	**4,572**	**0.2**	27,512	1.2
Total	**2,329,049**	**100.0**	2,326,281	100.0

For the Period, sales revenue from the Group's main brand, namely GXG, increased by 9.2%, or RMB169.6 million, as compared to that in 2022. Such increase was primarily due to recovery of offline consumer consumption coupled with the improvement in operational efficiency of offline retail channels and the successful implementation of the Group's brand promotion initiatives.

For the Period, sales revenue from gxg jeans decreased by 17.1%, or RMB37.4 million, as compared to that in 2022. Such decrease was primarily due to the Group's reduction in the number of gxg jeans stores to enhance store efficiency.

For the Period, sales revenue from gxg.kids decreased by 55.3%, or RMB110.3 million, as compared to that in 2022. Such decrease was primarily due to the reduction in the business scale of gxg.kids as a strategic adjustment to focus more on the Group's main brand, namely GXG.

For the Period, sales revenue from Mode Commuter increased by 11.7%, or RMB3.9 million, as compared to that in 2022, primarily because the Group improved the management of its self-owned Mode Commuter stores and optimized the brand's product offerings.

Revenue by sales channel

	Year ended 31 December			
	2023		2022	
	RMB'000	***%***	*RMB'000*	*%*
Sales of apparel products				
Offline channels				
Self-owned stores	**927,398**	**39.7**	735,163	31.6
Partnership stores	**134,053**	**5.8**	150,626	6.5
Distributor stores	**424,316**	**18.2**	393,403	16.9
Online channels	**834,289**	**35.8**	1,036,195	44.5
Sales of other products	**8,610**	**0.4**	8,084	0.3
Consignment services	**383**	**0.1**	2,810	0.2
Total	**2,329,049**	**100.0**	2,326,281	100.0

Due to the successful implementation of the Group's brand promotion initiatives and improvement of members' experience, which enhanced its products' brand awareness, sales revenue from self-owned stores for the Period increased by 26.1%, or RMB192.2 million, to RMB927.4 million and sales revenue from distributor stores for the Period also increased by 7.9%, or RMB30.9 million, to RMB424.3 million, as compared to that in 2022.

Sales revenue from partnership stores for the Period decreased by 11.0%, or RMB16.5 million, to RMB134.1 million, as compared to that in 2022, primarily due to brand strategic adjustment to sell more old stocks of smaller brands which have higher discounted rates during the Period.

Online channel sales revenue for the Period decreased by 19.5%, or RMB201.9 million, to RMB834.3 million, as compared to that in 2022, mainly due to (i) the negative impact of the overall e-commerce industry and (ii) the Group's reduction of business scale in smaller brands on online channels.

Number of stores by brand

	As at 31 December			
	2023		2022	
	Number of stores	***%***	*Number of stores*	*%*
GXG	**903**	**88.3**	973	86.8
gxg jeans	**65**	**6.4**	80	7.1
gxg.kids	**36**	**3.5**	51	4.5
Mode Commuter	**18**	**1.8**	18	1.6
Total	**1,022**	**100.0**	1,122	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 1,022 as at 31 December 2023 from 1,122 as at the end of 2022.

Number of stores by sales channel

	As at 31 December			
	2023		2022	
	Number of stores	***%***	*Number of stores*	*%*
Self-owned stores	**380**	**37.2**	393	35.0
Partnership stores	**139**	**13.6**	184*	16.4
Distributor stores	**503**	**49.2**	545*	48.6
Total	**1,022**	**100.0**	1,122	100.0

* The figures were inadvertently miscalculated in the Group's 2022 annual results announcement dated 30 March 2023, and the Group does not consider such inadvertent errors to be material. Please refer to the updated and corrected figures presented herein.

Due to the upgrade and consolidation of its offline channels, the Group adjusted its store network during the Period by closing its under-performing offline stores. As a result, the number of offline stores decreased from 1,122 as at 31 December 2022 to 1,022 as at 31 December 2023.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group recorded a total gross profit of RMB1,212.2 million for the Period, representing an increase of 6.5%, or RMB74.3 million, from RMB1,137.9 million in 2022. Gross profit margin increased to 52.0% as compared to 48.9% in 2022. Details of and the reasons for the increase in gross profit are set out below.

Gross profit and gross profit margin by brand

	Year ended 31 December			
	2023		2022	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
	RMB'000	***%***	*RMB'000*	*%*
GXG	**1,091,525**	**54.1**	934,443	50.6
gxg jeans	**80,642**	**44.5**	92,320	42.2
gxg.kids	**20,658**	**23.2**	88,609	44.4
Mode Commuter	**19,095**	**51.4**	15,733	47.2
Others	**263**	**5.8**	6,801	24.7
Total	**1,212,183**	**52.0**	1,137,906	48.9

As the Group (i) controlled retail discount rates on products and product costs and (ii) enhanced brand awareness through effective brand publicity and promotion activities, the overall gross profit margin of the Group increased to 52.0% during the Period.

During the Period, the gross profit of GXG and Mode Commuter increased by RMB157.1 million, or approximately 16.8%, and RMB3.4 million, or approximately 21.7%, respectively, as compared to that in 2022. Such increases in gross profit were primarily due to the increases in their respective revenue. During the Period, the gross profit of gxg jeans and gxg.kids decreased by RMB11.7 million, or approximately 12.7%, and RMB67.9 million, or approximately 76.6%, respectively, as compared to that in 2022, primarily due to the decreases in their respective revenue.

The gross profit margin of GXG, gxg jeans and Mode Commuter during the Period increased to 54.1%, 44.5% and 51.4%, respectively, as compared to 50.6%, 42.2% and 47.2%, respectively, in 2022. Such increases in gross profit margins of GXG, gxg jeans and Mode Commuter were primarily because the Group offered lower retail discount rates on products under these brands and effectively controlled product costs. The gross profit margin of gxg.kids decreased by 21.2 percentage points, as compared to that in 2022, primarily due to the reduction in the business scale of gxg.kids as a strategic adjustment to focus more on the Group's main brand, namely GXG.

Gross profit and gross profit margin by sales channel

	Year ended 31 December			
	2023		2022	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
	RMB'000	***%***	*RMB'000*	*%*
Sales of apparel products				
Offline channels				
Self-owned stores	**650,393**	**70.1**	501,848	68.3
Partnership stores	**24,524**	**18.3**	49,492	32.9
Distributor stores	**194,323**	**45.8**	180,266	45.8
Online channels	**342,447**	**41.0**	405,333	39.1
Sales of other products	**423**	**4.9**	533	6.6
Consignment services	**73**	**19.1**	434	15.4
Total	**1,212,183**	**52.0**	1,137,906	48.9

Gross profit of self-owned stores for the Period increased by RMB148.6 million, or approximately 29.6%, as compared to that in 2022. Such increase was primarily due to an increase in its revenue. Gross profit margin of self-owned stores for the Period increased by 1.8 percentage points to 70.1%, as compared to 68.3% in 2022, primarily because the Group offered lower retail discounts on the products sold during the Period than those sold in 2022.

Gross profit of partnership stores for the Period decreased by RMB25.0 million, or approximately 50.5%, with gross profit margin decreased by 14.6 percentage points to 18.3%, as compared to that in 2022. Such decrease was primarily due to brand strategic adjustment to sell more old stocks of smaller brands which have higher discounted rates during the Period.

Gross profit of distributor stores for the Period increased by RMB14.0 million, or approximately 7.8%, as compared to that in 2022. Such increase was primarily due to an increase in its revenue. Gross profit margin of distributor stores remained stable at 45.8% in both 2022 and 2023.

Gross profit of online channels for the Period decreased by RMB62.9 million, or approximately 15.5%, to RMB342.4 million, as compared to that in 2022, which was primarily due to a decrease in revenue as the Group reduced the business scale of smaller brands on online channels. Gross profit margin of online channels for the Period increased by 1.9 percentage points to 41.0%, as compared to 39.1% in 2022, which was primarily due to the improvement of brand image and optimization of product structure.

OTHER INCOME AND GAINS

Other income and gains for the Period were RMB51.6 million, representing a decrease of 20.2%, or RMB13.1 million, as compared to RMB64.7 million in 2022, mainly due to the decrease in investment income from time deposits and government grants.

SELLING AND DISTRIBUTION EXPENSES

Total selling and distribution expenses for the Period increased by 4.2%, or RMB37.3 million, to RMB920.8 million, as compared to RMB883.5 million in 2022, mainly due to an increase in advertising expenses as the Group increased its brand promotion activities in 2023.

As a result, selling and distribution expenses as a percentage of the Group's total revenue also increased to 39.5% in 2023 from 38.0% in 2022.

ADMINISTRATIVE EXPENSES

Total administrative expenses for the Period remained relatively stable at RMB207.4 million, as compared to RMB205.1 million in 2022.

Total administrative expenses as a percentage of the Group's total revenue also remained relatively stable at 8.9% in 2023, as compared to 8.8% in 2022.

IMPAIRMENT LOSSES ON FINANCIAL ASSETS, NET

The Group's impairment losses on financial assets, net were RMB7.5 million in 2023, as compared to RMB9.0 million in 2022. This was mainly because the Group enhanced its account receivables collection and applied a more stringent credit control policy over its customers.

OTHER EXPENSES

The Group's other expenses for the Period decreased by 58.1%, or RMB11.8 million, to RMB8.5 million, as compared to RMB20.3 million in 2022. This was mainly due to the decrease in impairment and loss on disposal of decoration costs, and impairment of right-of-use assets.

FINANCE COSTS

Finance costs for the Period increased by 7.4%, or RMB4.7 million, to RMB67.8 million, as compared to RMB63.1 million in 2022. The increase was mainly because the Group capitalized its interest on the construction of the Group's headquarters office building in 2022 and it no longer had such capitalization since February 2023.

PROFIT BEFORE TAX

The Group's profit before tax for the Period was RMB51.8 million, representing an increase of 139.8%, or RMB30.2 million, from RMB21.6 million in 2022. The increase was mainly due to an increase in gross profit.

INCOME TAX EXPENSE

Income tax expense for the Period was RMB14.6 million, representing an increase of 18.7%, or RMB2.3 million, as compared to RMB12.3 million in 2022.

PROFIT FOR THE PERIOD

As a result of the foregoing factors, profit for the Period was RMB37.2 million, representing an increase in net profit of 295.7%, or RMB27.8 million, as compared to a profit of RMB9.4 million in 2022.

OPERATING CASH FLOWS

Net operating cash inflow for the Period was RMB297.8 million, primarily due to the cash inflow from operating profit of RMB250.4 million and an increase in working capital of RMB47.4 million. The Group's net operating cash inflow for the Period increased by RMB53.1 million, as compared to RMB244.7 million in 2022, mainly due to (i) its enhanced efforts in promotion and sales of inventories, (ii) strengthening the process of account receivables collection and (iii) stringently controlling various 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 RMB85.8 million, representing a decrease of 32.0%, or RMB40.3 million, from RMB126.1 million in 2022. The relatively higher capital expenditures in 2022 were primarily due to higher costs of construction of the Group's headquarters office building in 2022.

FINANCIAL POSITION

The Group generally funds its operations with bank and other borrowings. As at 31 December 2023, the Group had bank and other borrowings of RMB1,329.8 million (31 December 2022: RMB1,772.2 million). Bank and other borrowings were denominated in RMB and U.S. dollars as at 31 December 2023 and 2022. As at 31 December 2023, the Group had fixed-rate bank borrowings of RMB827.8 million (31 December 2022: RMB1,184.1 million). For details, please see note 24 to the financial statements.

The Group's cash and cash equivalents and pledged deposits totalled RMB1,035.4 million as at 31 December 2023, representing a decrease of 25.3%, or RMB350.4 million, from RMB1,385.8 million as at the end of 2022. Cash and cash equivalents as at 31 December 2023 were RMB192.4 million, among which 91.3% was denominated in RMB, 8.6% in U.S. dollars, and 0.1% in Macau Pataca. Pledged deposits as at 31 December 2023 were RMB843.0 million, among which 99.5% was denominated in RMB and 0.5% in U.S. dollars.

GEARING RATIO

The Group's gearing ratio is calculated by dividing the Group's total borrowings by the Group's total assets. As at 31 December 2023, the Group's gearing ratio was 44.1% (31 December 2022: 50.3%). The decrease in gearing ratio was primarily because the Group reduced pledged borrowings, which pledged certificates of deposits.

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 2023, among the Group's bank loans, RMB113.5 million were secured by mortgages over the Group's leasehold land, RMB444.6 million and US$26.6 million were both secured by the Group's pledged deposits.

As at 31 December 2023, the Group's discounted letter of credit of RMB37.7 million was secured by the Group's pledged deposits.

As at 31 December 2023, the Group's discounted notes receivable of RMB100.0 million were secured by the Group's pledged deposits.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no significant contingent liabilities (as at 31 December 2022: Nil).

EVENTS AFTER THE PERIOD

As at the date of this report, no material event has occurred after 31 December 2023.

HUMAN RESOURCES

As at 31 December 2023, the number of employees of the Group was 508, as compared to 603 as at 31 December 2022. 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 RMB100.0 million, as compared to RMB132.6 million in 2022. The total cost of staff for the Period represents 4.3% of the Group's revenue, as compared to 5.7% in 2022. The decrease was mainly because the number of employees of the Group decreased during the Period.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Director

Mr. YU Yong (余勇), aged 46, was appointed as an executive Director in August 2018. Mr. Yu is the Chief Executive Officer of the Group. He is principally responsible for formulating the development strategies and annual and investment plans, reviewing the financial budgeting and general policies and overseeing the capital operation of the Group. Mr. Yu concurrently holds various positions at subsidiaries of the Company, including the chairman and general manager of Ningbo Chisage Mulsanne E-commerce Co., Ltd. ("**Chisage Mulsanne E-commerce**") and Ningbo Chisage Mulsanne Holding Co., Ltd. ("**Chisage Mulsanne**"), a director and general manager of Ningbo Mulsanne E-commerce Co., Ltd. ("**Mulsanne E-commerce**"), and an executive director and general manager of Shanghai Yuexing Brand Management Co., Ltd., Ningbo Xiaotai E-commerce Co., Ltd. and Ningbo Luokai Equity Investment Co., Ltd.. He has over 22 years of business operation experience in the apparel manufacturing industry. From January 2001 to April 2002, Mr. Yu worked as a general manager at the Changchun branch of Ningbo Beyond Holding Group Co., Ltd. (寧波博洋控股集團有限公司), an apparel manufacturing company, where he managed its daily operations. He also served as the sales director at Ningbo Peacebird Fashion Co., Ltd. (寧波太平鳥時尚服飾股份有限公司), which engaged in design, manufacture and sales of apparel and listed on the Shanghai Stock Exchange (stock code: 603877), from May 2002 to February 2007, during which he was responsible for overseeing the sales of apparel products. Since March 2007, Mr. Yu has been the Chief Executive Officer of the Group.

Mr. Yu graduated from Chongqing University (重慶大學), the PRC, with a college's degree in marketing in July 2014 through an online course. He also obtained an Executive Master of Business Administration (EMBA) degree from Overseas Education College of Shanghai Jiao Tong University (上海交通大學), the PRC, in May 2012.

Non-executive Directors

Mr. TANG Shun Lam (鄧順林), aged 69, joined the Group in March 2023 when he was appointed as a non-executive Director, the chairman of the Board and the chairman of the nomination committee of the Company (the "**Nomination Committee**"). He is principally responsible for coordinating Board affairs and providing strategic advice on the business development and management of the Group. Mr. Tang has been a senior advisor at L Catterton Asia since February 2023 and he previously served as a consultant of Warburg Pincus LLC from January 2007 to January 2023. He holds a number of directorships at various listed companies. Mr. Tang had served as an independent director of Missfresh Limited, a company listed on NASDAQ (ticker symbol: MF) from August 2021 to December 2023. Mr. Tang has served as a director of Secoo Holding Limited, a company listed on NASDAQ (ticker symbol: SECO), since April 2022; as an independent non-executive director of GOGOX HOLDINGS LIMITED, a company listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 2246), since August 2021; and as an independent non-executive director of Infinities Technology International (Cayman) Holding Limited, a company listed on the Stock Exchange (stock code: 1961), since May 2022.

Mr. Tang obtained a bachelor of science in electrical and electronic engineering from the University of Nottingham in the United Kingdom in 1979 and a master of business administration from the University of Bradford in the United Kingdom in 1981.

Mr. YANG Herong (楊和榮), aged 60, was appointed as a non-executive Director in August 2018 and as a member of the remuneration committee of the Company (the "**Remuneration Committee**") in April 2019. He is primarily responsible for providing strategic advice on the business development, operations and management of the Group. Mr. Yang is concurrently a director of Chisage Mulsanne, and a director of Joy Sonic Limited and Chisage Mulsanne E-commerce. He has been an independent non-executive director of Kwung's Holdings Limited (曠世控股有限公司) (a prominent original design manufacturer and supplier of home fragrance products, innovative home products and home decoration products listed on The Stock Exchange, stock code: 1925). Prior to founding the Group in March 2007, Mr. Yang worked at China Construction Bank Corporation (中國建設銀行股份有限公司), where he was the president of the Yinzhou branch from October 1997 to December 2001. During the period between December 2001 to April 2005, he served as the chairman of the board of directors of Ningbo Hehe Import & Export Co., Ltd (寧波合和進出口有限公司). Mr. Yang became the chairman of the board of directors of Ningbo Zhonghui Investment Co., Ltd. (寧波中匯投資有限公司) from May 2005 to October 2007. Since November 2007, he has been the chairman of the board of directors of Zhejiang Chisage Holding Group Co., Ltd. (浙江中哲控股集團有限公司) (currently known as Chisage Holding Group Co., Ltd. (中哲控股集團有限公司)).

Mr. Yang graduated from Huainan Mining Institute (淮南礦業學院) (currently merged into Anhui University of Science & Technology (安徽理工大學)), the PRC, with a bachelor of engineering degree in December 1982. He also received a Master of Business Administration degree from Nanyang Technological University (南洋理工大學), Singapore, in May 2010. Since March 2017, he has been a deputy to National People's Congress of Ningbo City (寧波市人民代表大會).

Mr. YOUNG Christopher (楊晨) (alias Chris Young), aged 52, joined the Group in March 2022 when he was appointed as a non-executive Director. He is primarily responsible for providing strategic advice on the business development, operations and management of the Group. He is also concurrently is a senior advisor of L Catterton Asia, which is the Asian business of L Catterton Management Limited ("**LCML**"), a global consumer-focused private equity firm. L Catterton Asia Advisors ("**LCAA**"), a subsidiary of LCML, is one of the Company's substantial shareholders (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) and manages L Capital Asia 2 Pte. Ltd., one of the Company's controlling shareholders (as defined in the Listing Rules). He is also the founding partner and chief investment officer of Gracejoy Capital, an impact investment fund. Mr. Young has over 30 years' experience in consumer retail, brand, entrepreneurship and venture capital investment. He has gained and built a strong foundation in consumer expertise, transformation strategy and investment in entrepreneur's value building from his professional experience in the United States, China, the European Union (EU) and South East Asia.

Mr. Young obtained a senior executive leadership certificate from Stanford University, the United States, in 2016 and a bachelor of Science degree from University of California, Riverside, the United States, in 1993.

Mr. TIAN Min (田旻), aged 38, joined the Group in October 2022 when he was appointed as a non-executive director and a member of the Remuneration Committee. He is primarily responsible for providing strategic advice on the business development, operations and management of the Group. Mr. Tian has more than 15 years of experience in financial management and investment in consumer retail and e-commerce. Mr. Tian is concurrently a principal of Shanghai office of Ares Asia Private Equity ("**Ares Asia**") and is primarily responsible for investment project negotiation, overall project evaluation and post-investment management. Prior to joining Ares Asia, Mr. Tian was a director of the Shanghai office of Crescent Fund Management Pte. Ltd. ("**Crescent Point**") and was focus on private equity investments in Asia. Prior to joining Crescent Point, Mr. Tian worked in the transaction service group of PricewaterhouseCoopers Consultants (Shenzhen) Limited, Shanghai branch, where he was mainly responsible for providing financial due diligence and post-investment management consultation services to companies and private equity funds in relation to merger and acquisition investments. Prior to that, Mr. Tian also worked at KPMG Huazhen LLP and provided audit services.

Mr. Tian obtained a bachelor's degree in finance from Shanghai University of Finance and Economics (上海財經大學) in the PRC in June 2008.

Mr. SUN Weiye (孫偉業), aged 32, is a vice president of L Catterton Asia, which is the Asian business of LCML and where Mr. SUN is primarily responsible for risk control and post-investment management of private equity investment portfolios. LCAA is one of the Company's substantial shareholders (as defined in the Listing Rules) and manages L Capital Asia 2 Pte. Ltd., one of the Company's controlling shareholders (as defined in the Listing Rules). Mr. SUN is also a non-executive director of various portfolio companies owned by investment funds managed by LCAA. Prior to joining L Catterton Asia, Mr. SUN served as a vice president of Lunar Capital, where he was mainly responsible for the investment, merger and acquisition and post-investment management of private equity investment portfolios in consumer retail. Prior to that, Mr. SUN worked in the corporate finance group of KPMG Advisory (China) Limited, where he was mainly responsible for providing financial advisory services for the merger and acquisition transactions of private equity funds and domestic and foreign companies. Mr. SUN also provided audit services at KPMG Huazhen LLP.

Mr. SUN obtained a bachelor of science degree from Fudan University in the People's Republic of China in July 2013.

Independent Non-executive Directors

Mr. GU Jiong (顧炯), aged 51, joined the Group in April 2019 when he was appointed as an independent non-executive Director, the chairman of each of the audit committee of the Company (the "**Audit Committee**") and the Remuneration Committee and a member of the Nomination Committee. Mr. Gu is mainly responsible for providing independent judgment and advice to the Board. From July 1995 to April 2004, he had worked for Ernst & Young's Shanghai Office and was the senior manager of audit department when he left. Mr. Gu subsequently joined UTStarcom Holdings Corp., a global telecom infrastructure provider of packet optical transport and broadband access products to network operators which is listed on NASDAQ (ticker symbol: UTSI), from April 2004 to December 2009, and he was a financial controller when he left the company. During the period between January 2010 to August 2013, he served as the chief financial officer at BesTV New Media Co., Ltd. (百視通新媒體股份有限公司), which principally provides technical services, content services and marketing services for television terminals, computer terminals and mobile terminals through media source platforms and listed on Shanghai Stock Exchange (stock code: 600637). From September 2013 to August 2016, he has been the chief financial officer of CMC Capital Partners (華人文化產業投資基金) (an investment fund specializing in media and entertainment inside and outside the PRC). From June 2015 to June 2021, Mr. Gu was an independent non-executive director of Xinming China Holdings Limited (新明中國控股有限公司) (a PRC property developer listed on the Stock Exchange, stock code: 2699). From September 2018 to January 2023, Mr. Gu was an independent non-executive director of DaFa Properties Group Limited (大發地產集團有限公司) (a real estate developer listed on the Stock Exchange, stock code: 6111). From March 2017 to July 2023, he had been appointed as the independent director of Amlogic (Shanghai) Co., Ltd. (晶晨半導體（上海）有限公司) (a company which involves in wholesale distribution of electronic parts and electronic communications equipment and listed on Shanghai Stock Exchange, stock code: 688099).

Since September 2016, he has been the chief financial officer and vice president of CMC Holdings Limited (華人文化有限責任公司) (an investment platform focusing on media and entertainment investments). Mr. Gu has been an independent non-executive director of Ascletis Pharma Inc. (歌禮製藥有限公司) (a biotechnology company listed on the Stock Exchange, stock code: 1672) since April 2018. Since December 2020, Mr. Gu has been an independent non-executive director of Vesync Co., Ltd (a small home appliances retailer listed on the Stock Exchange, stock code: 2148). Since November 2022, Mr. GU has been an independent non-executive director of Howkingtech International Holding Limited (濠暻科技國際控股有限公司), a provider for data transmission and processing services for Internet of Things (IoT) and telecommunication equipment listed on the stock Exchange, stock code: 2440).

Mr. Gu received a bachelor's degree in Financial management from Fudan University (復旦大學), the PRC, in July 1995. He has been a non-practicing member of The Chinese Institute of Certified Public Accountants since April 2004.

Ms. XU Yanyun (徐燕芸), aged 61, joined the Group in January 2023 when she was appointed as an independent non-executive Director and a member of each of the Audit Committee and Remuneration Committee. She is primarily responsible for providing independent judgment and advice to the Board. Ms. Xu is the chairman of Zhonghui (Ningbo) Certified Tax Agents Co., Ltd. (中匯（寧波）稅務師事務所有限公司), a certified tax agent which offers comprehensive professional tax consulting services. Ms. Xu has extensive experiences in providing tax services to clients in different industries, handling enterprise related tax matters and unravelling complicated tax matters. Prior to joining Zhonghui (Ningbo) Certified Tax Agents Co., Ltd., Ms. Xu was the chairman and general manager of Ningbo Jinsui Certified Tax Agents Co., Ltd. (寧波市金穗稅務師事務所有限公司), a professional tax intermediary service provider. Ms. Xu previously served as an independent director of Ningbo Construction Co. Ltd. (寧波建工股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601789), from December 2008 to March 2012.

Ms. Xu obtained a bachelor degree in economics and management from the Party School of Zhejiang Provincial Committee of the Communist Party of China (中共浙江省委黨校) in the PRC in December 2003.

Ms. Xu is a vice president of the Ningbo Certified Tax Agents Association (寧波市註冊稅務師協會), a city's representative of the 14th Congress of the City of Ningbo (寧波市第十四次代表大會), a vice president of the Yinzhou District Federation of Industry and Commerce (鄞州區工商業聯合會) and a review expert of the Research Institute of Ningbo Municipal Taxation Bureau of the State Administration of Taxation (國家稅務總局寧波市稅務局科研所).

Mr. LIAO Xiaoxin (廖小新), aged 44, joined the Group in October 2022 when he was appointed as an independent non-executive Director and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee. He is primarily responsible for providing independent judgment and advice to the Board. Mr. Liao is a partner in the Hong Kong office of Zhong Lun Law Firm LLP, a full service business law firm headquartered in the PRC. Mr. Liao has been practicing as a lawyer for over 20 years and is currently admitted to practice in Hong Kong, England and Wales and the PRC. Prior to joining Zhong Lun law Firm LLP, Mr. Liao has also practiced in other law firms in Hong Kong, London and Shenzhen. Mr. Liao has extensive experiences on Hong Kong capital markets matters such as initial public offerings, bond offerings, public takeovers, privatizations and general compliance for listed companies. He also advises clients on cross-border mergers and acquisitions and private equity investments. Since February 2023, Mr. Liao has been an independent non-executive director of IntelliCentrics Global Holdings Ltd., a company listed on the Stock Exchange which operates an universal technology platform for data and information verification (stock code: 6819) (which has voluntarily withdrawn its listing status on the Stock Exchange on 19 April 2024).

Mr. Liao obtained a bachelor of Laws degree from Guangdong University of Foreign Studies (廣東外語外貿大學) in the PRC in June 2001, a master of Laws from King's College London in the United Kingdom in November 2007, a graduate diploma in law from The University of Law in the United Kingdom in August 2008 and subsequently completed the Legal Practice Course at BPP University Law School in the United Kingdom in May 2010. Mr. Liao was admitted as a practicing lawyer in the PRC in July 2002, a solicitor in England and Wales in October 2012 and a solicitor in Hong Kong in May 2018.

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed herein, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules as at the Latest Practicable Date since the last published interim report.

SENIOR MANAGEMENT

Mr. DING Dade (丁大德), aged 48, is the Chief Financial Officer and vice president of finance of the Group and a joint company secretary of the Company. He is primarily responsible for making major operational and management decisions, providing financial advice on the Group's operations, management, business development and project investment, and advising on risk management. Mr. Ding has been a director of Chisage Mulsanne E-commerce since September 2010 and Mulsanne E-commerce since August 2014. Prior to joining the Group, Mr. Ding served as a financial manager at Ningbo Hehe Import & Export Co., Ltd (寧波合和進出口有限公司), a company engaged in exports and imports of apparel, from July 2002 to June 2010. During the period between September 2010 and August 2016, he worked as a financial manager at Ningbo Zhonghui Investment Co., Ltd. (寧波中匯投資有限公司). Mr. Ding was appointed as the Chief Financial Officer and vice president of finance of Chisage Mulsanne in September 2016.

Mr. Ding graduated from Zhejiang College of Finance and Economies (浙江財經學院) (currently known as Zhejiang University of Finance and Economies (浙江財經大學)), the PRC, with a diploma in accountancy in July 1996.

Ms. TU Guangjun (屠光君), aged 46, is the president of new strategies and brand channels of the Group. She is primarily responsible for managing the daily operation of our new brands and designing and developing each brand channel. Ms. Tu is an executive director of Shanghai Yue Benran Brand Management Co., Ltd. (上海悦本然品牌管理有限公司) (formerly known as Yatlas (Shanghai) Brand Management Co., Ltd. (亞鋭(上海)品牌管理有限公司)) and Yatlas Shanghai Clothing Co.Ltd* (亞鋭(上海)服裝服飾有限公司) since September 2020 and September 2023, respectively. Ms. Tu has over 22 years of working experience in the apparel manufacturing industry. Before joining us in July 2007, she served as sales manager at Ningbo Shanshan Ruixiang Sweater Co., Ltd (寧波杉杉瑞祥毛衫有限公司), a company manufacturing and selling apparel products, from June 2000 to December 2002. From May 2003 to August 2006, Ms. Tu worked as manager of marketing department at Ningbo Peacebird Fashion Co., Ltd. (寧波太平鳥時尚服飾股份有限公司), which engaged in design, manufacture and sales of apparel and listed on the Shanghai Stock Exchange (stock code: 603877). She then joined Ningbo Hehe Jessica Clothing Co., Ltd. (寧波合和杰斯卡服飾有限公司), the predecessor of Chisage Mulsanne, as marketing manager at in September 2007 and marketing director in June 2011, and was subsequently promoted as the Chief Operating Officer and vice president of operations at Chisage Mulsanne in September 2016.

Mr. WU Lei (吳磊), aged 36, is the e-commerce president and the general manager of the GXG brand of the Group. He is primarily responsible for transforming the sales mode (online and offline sales) of the GXG brand, operating and managing brands image and each brand under the e-commerce companies of the Group. Mr. Wu is the chairman of the board of directors of Mulsanne E-commerce. He is an executive director of Ningbo Muxin-buer E-commerce Co., Ltd. (寧波慕新不二電子商務有限公司) and Laike (Shanghai) E-commerce Co., Ltd. (萊柯(上海)電子商務有限公司). Mr. Wu is also concurrently an executive director and general manager of Ningbo Zhongyue E-commerce Co., Ltd. (寧波中悦電子商務有限公司), Ningbo Yuexi E-commerce Co., Ltd. (寧波悦惜電子商務有限公司) and Shanghai Yanxiang Trading Co., Ltd. (上海顏相商貿有限公司). When Mr. Wu joined Ningbo Hehe Jessica E-commerce Co., Ltd. (寧波合和杰斯卡電子商務有限公司), the predecessor of Chisage Mulsanne E-commerce, in July 2010, he served as a senior operation officer and became the operation director in April 2012. He was later promoted as vice president of retail and general manager of e-commerce of Chisage Mulsanne in August 2014.

Mr. Wu obtained a bachelor's degree in advertisement from Zhejiang Wanli University (浙江萬里學院), the PRC, in June 2010.

* for identification purpose only

DIRECTORS' REPORT

The Board is pleased to announce the annual report (the "**Annual Report**") and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands with limited liability on 20 November 2015, the shares of which were listed on the Main Board of the Stock Exchange on 27 May 2019 (the "**Listing Date**").

PRINCIPAL BUSINESS

The Company is an investment holding company and the principal businesses of its principal subsidiaries are set out in note 1 to the financial statements.

BUSINESS REVIEW

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year are set out in the Chairman's Statement on pages 4 to 5 and the Management Discussion and Analysis on pages 6 to 14 of this report.

An account of the Group's key relationships with its key stakeholders is provided in the Chairman's Statements on pages 4 to 5 of this report. An analysis of the Group's performance during the year using financial key performance indicators is set out in the Management Discussion and Analysis on pages 6 to 14 of this report.

The Group is committed to enhancing governance, promoting employee benefits and development, protecting the environment, fulfilling social responsibility and achieving sustainable growth. The Group has complied with the relevant laws and regulations that have significant impacts on the operations of the Group. During the Period, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

Principal Risks and Uncertainties

Principal risks and uncertainties faced by the Group include:

- risk relating to the competitive apparel industry in China where the Group operates;
- risk relating to market recognition of the brands of the Group;
- uncertainty as to maintenance of and expansion in offline retail network and online sales network;
- uncertainty as to the achievement in store sales growth;
- uncertainty as to maintenance of optimal inventory levels and lower sales return rates; and
- uncertainty as to expansion in brand and product portfolio of the Group.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 1 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the transaction amounts of the Group's five largest customers accounted for 11.2% of the Group's total revenue (2022: 13.4%), while the transaction amounts of the largest customer accounted for 5.9% of the Group's total revenue (2022: 7.4%).

For the year ended 31 December 2023, the transaction amounts of the Group's five largest suppliers accounted for 23.5% of the Group's total purchase cost (2022: 15.9%), while the transaction amounts of the largest supplier accounted for 6.0% of the Group's total purchase cost (2022: 4.5%).

None of the other Directors, their respective associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any interest in any of the five largest customers or suppliers of the Group during the year ended 31 December 2023.

During the Period, the Group did not experience any significant disputes with its customers or suppliers.

RESULTS

The results of the Group for the year ended 31 December 2023 are set out in the financial statements on pages 54 to 143 of this report.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2023.

DIVIDEND POLICY

Pursuant to the dividend policy adopted by the Company, the declaration of dividends is subject to the discretion of the Board, and, if necessary, the approval of the shareholders of the Company (the "**Shareholders**"). In considering the declaration and payment of dividends, the Board shall take into account the Group's results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by the Company, the Company's capital requirements, future business plans and prospects and any other factors that the Board may consider relevant. Any declaration and payment, as well as the amount, of any dividend will also be subject to the articles of association of the Company (the "**Articles of Association**") and all applicable laws and regulations. The Directors may reassess the dividend policy from time to time.

The Company was not aware of any Shareholders who had waived or agreed to waive any dividend arrangement for the year ended 31 December 2023.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 144 of this report. The summary does not form part of the audited consolidated financial statements.

BANK AND OTHER BORROWINGS

Details of the bank and other borrowings of the Group for the year ended 31 December 2023 are set out in note 24 to the financial statements.

USE OF PROCEEDS FROM THE LISTING

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 as part of its global offering. 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 2023, the proceeds amounting to a total of RMB694.0 million (equivalent to approximately HK$790.7 million) had been used. These proceeds were allocated in accordance with the Prospectus and the announcement of the Company dated 22 May 2019 (the "**Price Reduction Announcement**"). In addition, on 30 March 2022, the Board resolved to change the use of the unutilized net proceeds from the global offering. For details, please refer to the announcement dated 30 March 2022 (the "**2021 Annual Results Announcement**") published by the Company on the websites of the Stock Exchange and the Company. As at 31 December 2023, the summaries of the net proceeds utilized by the Company are set out as follows:

Item	Approximate percentage of total amount	Planned use of proceeds *(RMB million)*	Actual amount used in 2023 *(RMB million)*	Actual amount used as at 31 December 2023 *(RMB million)*	Unutilised amount as at 31 December 2023 *(RMB million)*
To repay the Group's existing indebtedness and reduce the Group's financial expenses	45%	317	–	317	–
To expand the Group's brand and product portfolio by pursuing brand acquisitions or strategic alliances	15%	106	–	106	–
To upgrade the Group's offline retail stores to smart stores	10%	70	–	70	–
To rent, maintain and upgrade warehouses with smart facilities and software	20%	141	28	130	11
To provide funding for working capital and other general corporate purposes	10%	71	–	71	–
Total	100%	705	28	694	11

As at 31 December 2023, the remaining proceeds of approximately RMB10.9 million (equivalent to approximately HK$12.0 million) will continue to be used in accordance with the purposes as set out in the Prospectus, the Price Reduction Announcement and the 2021 Annual Results Announcement and are expected to be fully utilized within the next 12 months.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the year ended 31 December 2023 are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital for the year ended 31 December 2023 are set out in note 26 to the financial statements.

DEBENTURE ISSUED

The Group did not issue any debenture during the Period.

EQUITY-LINKED AGREEMENT

There was no equity-linked agreement entered into by the Company or any of its subsidiaries during the Period or subsisted at the end of the year.

RESERVES

Details of the movements in the reserves of the Company and the Group during the Period are set out in note 28 to the financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the reserves of the Company available for distribution to its Shareholders amounted to approximately RMB331.5 million (2022: approximately RMB2,527.0 million).

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

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

DONATIONS

During the Period, charitable donations made by the Group amounted to approximately RMB0.3 million (2022: RMB50,000).

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the Period. The Directors are also not aware of any material litigation or claims that were pending or threatened against the Group during the Period.

DIRECTORS

The Directors during the year and as at the date of this report are:

Executive Director

Mr. YU Yong *(Chief Executive Officer)*

Non-Executive Directors

Mr. TANG Shun Lam *(Chairman)* (appointed on 30 March 2023)
Mr. HUANG Hanji *(Chairman)* (resigned on 30 March 2023)
Mr. YANG Herong
Mr. CHEN Scott Yue (resigned on 14 December 2023)
Mr. YOUNG Christopher
Mr. TIAN Min
Mr. SUN Weiye (appointed on 14 December 2023)

Independent Non-Executive Directors

Mr. GU Jiong
Mr. Paolo BODO (resigned on 19 January 2023)
Ms. XU Yanyun (appointed on 19 January 2023)
Mr. LIAO Xiaoxin

In accordance with article 83(3) of the Articles of Association, Mr. SUN Weiye will hold office until the next following annual general meeting of the Company and, being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company.

In accordance with article 84 of the Articles of Association, Mr. YU Yong, Mr. YOUNG Christopher and Mr. GU Jiong will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

The particulars of Directors who are subject to re-election at the forthcoming annual general meeting are set out in the relevant circular to the Shareholders.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Director an annual written confirmation of independence in accordance with Rule 3.13 of the Listing Rules, and considers them to be independent as at the date of this report.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 15 to 19 of this report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

The service contract with the executive Director is for a fixed term of three years. The letter of appointment to each of the non-executive Directors and independent non-executive Directors is for a fixed term of three years. The service contract and the letters of appointment are subject to termination in accordance with their respective terms and may be renewed in accordance with the Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of the Directors has entered into, or has proposed to enter into, a service contract or letter of appointment with any member of the Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

EMOLUMENT POLICY

As at 31 December 2023, the Group had a total of 508 employees. 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 Remuneration Committee was set up for reviewing the Group's emolument policy and structure of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices. The remuneration received by Directors and senior management include salaries, bonuses, allowances and benefits in kind and pension scheme contributions complied with the requirements under applicable laws, rules and regulations.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

Details of the emoluments of the Directors and the five highest paid individuals for the Period are set out in notes 8 and 9 to the financial statements.

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

As at 31 December 2023, 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 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 C3 to 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 31 December 2023, the Company had 950,000,000 ordinary Shares in issue.

Save as disclosed above, as at 31 December 2023, none of the Directors or 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 31 December 2023, 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%

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 31 December 2023, the Company had 950,000,000 ordinary Shares in issue.

Save as disclosed above, as at 31 December 2023, 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. 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. The remaining life of the RSU Scheme is approximately five years.

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 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 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 from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the RSUs upon exercise.

The total number of Shares in respect of the RSUs that may be granted and to be granted to a grantee under the RSU Scheme in any 12-month period up to the date of the latest grant shall not exceed 1% of the Company's issued share capital from time to time, such grant must be separately approved by the Shareholders at a general meeting with the grantee and his/her associates abstaining from voting, the Company shall also issue a circular pursuant to the relevant provisions of Chapter 17 of the Listing Rules. For the avoidance of doubt, the RSU Scheme currently only composes of existing Shares.

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 (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 exercise price in respect of the RSUs shall be such price as the Board may in its discretion determine. 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. As at 31 December 2023, an aggregate of 26,100,000 Shares were held by the Trustee and available for grant under the RSU Scheme, representing approximately 2.75% of the Shares in issue as at the date of this report. As at 31 December 2023, RSUs in respect of an aggregate of 10,500,000 Shares, representing approximately 1.1% of the Shares in issue as at the date of this report, had been granted to 10 RSU Participants pursuant to the RSU Scheme.

During the Period, no RSU has been granted under the RSU Scheme and no RSU has been exercised, vested or lapsed. On 6 December 2023, the Company received a deed of forfeiture and release in respect of 900,000 RSUs following the resignation of an employee.

Details of the RSUs granted under the RSU Scheme and details of the movements in RSUs during the Period are set out below:

Name of grantee	Positions held with the Group	Number of Shares represented by RSUs as at 1 January 2023	Date of grant	Exercise price (HK$)	Outstanding as at 1 January 2023	Granted during the year	Exercised during the year	Cancelled/ forfeited during the year	Lapsed during the year	Outstanding as at 31 December 2023	Number of Shares represented by RSUs at 31 December 2023
Director											
Mr. YU Yong	Executive Director and chief executive officer of the Group[(1)]	2,000,000	29 December 2020	2.634	2,000,000	-	-	-	-	2,000,000	2,000,000
Five highest paid individuals for the Period											
Three senior management of the Company		4,300,000	29 December 2020	2.634	4,300,000	–	–	–	–	4,300,000	4,300,000
Director of subsidiaries of the Company											
One director of subsidiaries of the Company		600,000	29 December 2020	2.634	600,000	-	-	-	-	600,000	600,000
Other employees of the Group											
Six employees of the Group[(2)]		4,500,000	29 December 2020	2.634	4,500,000	-	-	900,000	-	3,600,000	3,600,000
Total		**11,400,000**			**11,400,000**	**-**	**-**	**900,000**	**-**	**10,500,000**	**10,500,000**

Note:

(1) For details of Mr. YU Yong's positions held with the Group, please see the section headed "Biographical Details of Directors and Senior Management" in this report.

(2) 900,000 RSUs were forfeited pursuant to the aforementioned deed of forfeiture and release, such Shares have been returned to the Trustee.

Details of the movements in the RSUs under the RSU Scheme are also set out in note 27 to the financial statements.

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.

NON-COMPETITION UNDERTAKING

To safeguard the Group from any potential competition, Mr. YANG Herong (the "**Covenantor**"), being a non-executive Director, has entered into a deed of non-competition (the "**Deed of Non-Competition**") in favor of the Group on 9 May 2019, pursuant to which the Covenantor has unconditionally and irrevocably undertaken with the Group that he will not (except through the Group and any investment or interests held through the Group), and will procure that his close associates (other than any member of the Group) not to, directly or indirectly (including through nominees), either on his own account or in conjunction with or on behalf of any person, firm or company, among other things, invest in, participate in, engage in and/or operate or be interested in (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which competes or is likely to compete, directly or indirectly, with the existing businesses of any member of the Group, namely fashion menswear brands and sportswear in the PRC, during the period commencing from the Listing Date and ending on the earlier of the date that (i) the shares of the Company being cancelled or ceased to be listed on the Stock Exchange; or (ii) the Covenantor is no longer a Director.

For details of the Deed of Non-Competition, please see the section headed "Relationship with Controlling Shareholders – Non-Competition Undertaking" in the Prospectus.

Based on the information and confirmation provided by the Covenantor, the independent non-executive Directors have reviewed the implementation of non-competition undertaking for the Period and are satisfied that the Covenantor has complied with the Deed of Non-Competition.

ON-GOING DISCLOSURE RESPONSIBILITIES UNDER THE LISTING RULES

Save as disclosed in this annual report, the Company has no other disclosure responsibilities under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Mr. YANG Herong is a non-executive Director and a substantial Shareholder, hence a connected person of the Company under Rule 14A.07(1) of the Listing Rules.

The following transactions between the above connected party and the Group constitute non-exempt connected transactions and continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

1. Premises leased from Ningbo Songhe

Chisage Mulsanne, as tenant, entered into a lease agreement (the "**2021 Ningbo Songhe Lease Agreement**") with Ningbo Songhe Apparel Co., Ltd. ("**Ningbo Songhe**"). Ningbo Songhe is a company controlled by Mr. YANG Herong, hence an associate of Mr. YANG Herong and a connected person of the Company under the Listing Rules. Pursuant to such lease, Ningbo Songhe, as landlord, agreed to lease to the Group certain premises in Ningbo, the PRC, with gross floor area of approximately 27,000 square metres for office, warehouse and other ancillary purposes. The term of the lease is for a period of three years, commenced from 1 January 2021 and expiring on 31 December 2023. Other major terms of the leases are listed below:

Landlord	Tenant	Size *sq.m.*	Uses	Payment Schedule	Rent per month *RMB*	Estimated net value of right-of-use asset *RMB*
Ningbo Songhe	Chisage Mulsanne	27,000	Office, warehouse and other ancillary purposes	Payable semiannually in advance	427,308	–

The rentals were determined with reference to the location and size of the leased premises, the historical transaction amounts with Ningbo Songhe, the net value of right-of-use asset of the leased premises, the prevailing market rates of comparable premises and the relevant taxes payable. The depreciation of right-of-use assets and interest expense on lease liabilities under the 2021 Ningbo Songhe Lease Agreement for the Period was RMB4,668,737. The aggregate amount of rental paid by the Group to Ningbo Songhe for the Period was approximately RMB5,127,698.

In anticipation of the expiration of the 2021 Ningbo Songhe Lease Agreement on 31 December 2023, Chisage Mulsanne and Ningbo Songhe had on 27 December 2023 entered into a new lease agreement (the "**2024 Ningbo Songhe Lease Agreement**") to renew the lease of certain premises located at No. 111, Shanshan Road, Haishu District, Ningbo, PRC, with gross floor area of approximately 27,000 square metres. The 2024 Ningbo Songhe Lease Agreement has a term of one year commencing from 1 January 2024 and expiring on 31 December 2024.

Details of the 2024 Ningbo Songhe Lease Agreement will be reported in the next annual report of the Company in accordance with the Listing Rules.

For further details, please refer to the announcements of the Company dated 31 December 2020 and 27 December 2023.

2. Framework apparel manufacturing agreement with Ningbo Chisage Industrial

Ningbo Muyue Garment Co., Ltd. ("**Muyue Garment**"), an indirect wholly-owned subsidiary of the Company, entered into a framework apparel manufacturing agreement (the "**2020 Ningbo Chisage Industrial Framework Manufacturing Agreement**") with Ningbo Chisage Industrial Technology Co., Ltd. ("**Ningbo Chisage Industrial**"), pursuant to which Ningbo Chisage Industrial agreed to manufacture apparel products, in particular tops products, for the Group. Ningbo Chisage Industrial is a company controlled by Mr. YANG Herong, hence an associate of Mr. YANG Herong and a connected person of the Company under the Listing Rules. The term of the framework apparel manufacturing agreement is from 10 June 2020 to 9 June 2023. The manufacturing prices were determined with reference to the cost of material and production cost negotiated between the Group and its suppliers.

The proposed annual cap for aggregate annual procurement amount payable by the Group for the year ended 31 December 2023 was RMB79.4 million. The annual cap under the framework apparel manufacturing agreement was determined with reference to the forecast on production capacity available to the Group, the flexibility of supply chain of Ningbo Chisage Industrial, the historical figures of relevant transactions and the potential increase in procurement volume due to the Group's business expansion plan as well as potential increase in labor costs. The aggregate annual procurement amount payable by the Group to Ningbo Chisage Industrial for the period from 1 January 2023 to 3 April 2023 was RMB26.0 million.

On 3 April 2023, a termination agreement (the "**Termination Agreement**") was entered into between the Muyue Garment and Ningbo Chisage Industrial whereby the 2020 Ningbo Chisage Industrial Framework Manufacturing Agreement was terminated with effect from 3 April 2023 due to internal restructuring of Ningbo Chisage. In view of the Termination Agreement and given the continuous need for the Group in respect of the manufacturing and procurement of apparels products, the Group entered into the framework apparel manufacturing agreement having terms and conditions substantially the same as the 2020 Ningbo Chisage Industrial Framework Manufacturing Agreement with Chisage Apparel Group Co., Ltd. ("**Chisage Apparel**") to maintain the existing level of manufacturing efficiency. Please refer to the sub-section headed "4. Framework apparel manufacturing agreement with Chisage Apparel" below for details.

For further details, please refer to the announcements of the Company dated 1 April 2022 and 3 April 2023.

3. Framework apparel manufacturing agreement with Huai'an Chisage Industrial

Muyue Garment entered into framework apparel manufacturing agreement with Huai'an Chisage Industrial Co., Ltd. ("**Huai'an Chisage Industrial**"), pursuant to which Huai'an Chisage Industrial agreed to manufacture apparel products, in particular trousers products, for the Group. Huai'an Chisage Industrial is a company controlled by Mr. YANG Herong, hence an associate of Mr. YANG Herong and a connected person of the Company under the Listing Rules. The term of the framework apparel manufacturing agreement is from 22 June 2020 to 21 June 2023. The manufacturing prices were determined with reference to the cost of material and production cost negotiated between the Group and its suppliers.

The proposed annual cap for aggregate annual procurement amount payable by the Group for the year ended 31 December 2023 was RMB13.2 million. The annual cap under the framework apparel manufacturing agreement was determined with reference to the forecast on production capacity available to the Group the flexibility of supply chain of Huai'an Chisage Industrial, the historical figures of relevant transactions and the potential increase in procurement volume due to the Group's business expansion plan as well as potential increase in labor costs. The aggregate annual procurement amount payable by the Group to Huai'an Chisage Industrial for the year ended 31 December 2023 was RMB3.9 million.

For further details, please refer to the announcement of the Company dated 1 April 2022.

4. Framework apparel manufacturing agreement with Chisage Apparel

Muyue Garment entered into framework apparel manufacturing agreement with Chisage Apparel, pursuant to which Chisage Apparel agreed to manufacture and supply apparel products, in particular top products, for the Group. Chisage Apparel is a company controlled by Mr. YANG Herong, hence an associate of Mr. YANG Herong and a connected person of the Company under the Listing Rules. The term of the framework apparel manufacturing agreement is from 3 April 2023 to 31 December 2025. The manufacturing prices were determined with reference to the cost of material and production cost negotiated between the Group and its suppliers.

The proposed annual cap for aggregate annual procurement amount payable by the Group for the period from 3 April 2023 to 31 December 2023 is RMB57.0 million. The proposed cap under the framework apparel manufacturing agreement was determined with reference to the forecast on production capacity available to the Group, the seasonality of the demand of apparel products as required by the Group, the historical figures of relevant transactions and the potential increase in procurement volume due to the Group's business expansion plan as well as potential increase in labor costs. The aggregate annual procurement amount payable by the Group to Chisage Apparel for the period from 3 April 2023 to 31 December 2023 was RMB16.0 million.

For further details, please refer to the announcement of the Company dated 3 April 2023.

Annual Review of the Continuing Connected Transactions

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the above continuing connected transactions and have confirmed that such transactions were entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal or better commercial terms; and

(c) in accordance with the agreements governing such transactions, the terms of which are fair and reasonable, and are in the interest of the Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to perform certain procedures in respect of the continuing connected transactions set out above in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above.

The related party transactions mentioned in note 32(a)(i) to the financial statements constituted the connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, and are in compliance with the disclosure requirements in Chapter 14A of the Listing Rules.

Save as disclosed in this report, there were no connected transactions or continuing connected transactions which are required to be disclosed by the Company for the Period in accordance with the provisions concerning the disclosure of connected transactions under Chapter 14A of the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for the pre-emptive rights under the Articles of Association and the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

TAX RELIEF AND EXEMPTION

The Company is not aware of any relief from taxation available to Shareholders by reason of their holdings in the Shares.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Connected Transactions and Continuing Connected Transactions" above and in this report, no Director or any controlling Shareholder has a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its subsidiaries or fellow subsidiaries was a party during the Period and up to the date of this report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the Period was the Company or its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in or debentures of the Company or any other body corporate, and none of the Directors or any of their spouses or minor children were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Period.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this report, none of the Directors or their associates had any interest in any business which directly or indirectly competes or may compete with the businesses of the Group for the Period.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles of Association and subject to the applicable laws, the Company has arranged for appropriate insurance to cover all costs, charges, losses, expenses and liabilities incurred by any Directors or officers in the execution and discharge of his duties or in relation thereto. The relevant provisions in the Articles of Association and such directors and officers liability insurance were in force during the Period and as at the date of this report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% (being the minimum public float prescribed by the Stock Exchange and the Listing Rules) of the Company's entire issued share capital were held by the public as at the date of this report.

AUDIT COMMITTEE

The Audit Committee has jointly reviewed with the Board the accounting principles and practices adopted by the Group, and discussed the Group's internal controls and financial reporting matters with the management. The Audit Committee, together with the Board has also reviewed and discussed the audited consolidated financial statements of the Group for the Period and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

AUDITOR

The financial statements have been audited by Ernst & Young who shall retire at the forthcoming annual general meeting of the Company and, being eligible, offer itself for re-appointment. Since the Listing Date and up to the date of this report, the Company has not changed its auditor.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to the community and achieving sustainable growth. The Group endeavours to comply with the relevant laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, waste reduction and energy saving.

During the Period, the Group has complied with Rule 13.91 of the Listing Rules and the "comply or explain" provisions in the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Listing Rules. Further details of the Group's environmental, social and governance ("**ESG**") matters will be set out in the ESG report to be published by the Company separately and will be made available on the website of the Company and that of the Stock Exchange at the same time as the publication of this annual report.

By Order of the Board
TANG Shun Lam
Chairman

Hong Kong, 30 April 2024

CORPORATE GOVERNANCE REPORT

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 "**Code**") as set out in Part 2 of Appendix C1 to the Listing Rules as its own code of corporate governance.

During the Period, the Company has complied with all applicable code provisions of the Code. The Company will continue to review and monitor its corporate governance practices to ensure the compliance with the Code.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the business operations of the Group, including the corporate governance function. It promotes the success of the Company by directing and supervising its affairs. The Board has general powers for the management and conduct of the Company's business. The day-to-day operations and management are delegated by the Board to the management of the Group, who will implement the strategy and direction as determined by the Board.

From 1 January 2023 to 18 January 2023, the Board comprised nine Directors, with one executive Director, namely Mr. YU Yong; five non-executive Directors, namely Mr. HUANG Hanji (chairman), Mr. YANG Herong, Mr. CHEN Scott Yue, Mr. YOUNG Christopher and Mr. TIAN Min; and three independent non-executive Directors, namely Mr. GU Jiong, Mr. LIAO Xiaoxin and Mr. Paolo BODO.

On 19 January 2023, Mr. Paolo BODO resigned as an independent non-executive Director and Ms. XU Yanyun was appointed as an independent non-executive Director.

On 30 March 2023, Mr. HUANG Hanji resigned as a non-executive Director and the chairman of the Board and Mr. TANG Shun Lam was appointed as a non-executive Director and the chairman of the Board.

On 14 December 2023, Mr CHEN Scott Yue resigned as a non-executive Director and Mr. SUN Weiye was appointed as a non-executive Director.

The biographies of the Directors are set out on pages 15 to 19 of this report under the section headed "Biographical Details of Directors and Senior Management". Save as disclosed in this report, there is no financial, business, family or other material relationship among the members of the Board.

The Board considers that the composition of the Board provides a strong independent element with a balance of skills, experience and diversity of perspectives appropriate for the requirements of the business of the Company.

According to code provision C.2.1 in Part 2 of the Code, the roles of chairman of the Board and chief executive officer shall be separated and performed by different individuals. During the period from 1 January 2023 to 30 March 2023, Mr. HUANG Hanjin was the chairman of the Board, and upon his resignation on 30 March 2023, Mr. TANG Shun Lam was appointed as the chairman of the Board. The chairman of the Board is responsible for coordinating the affairs of the Board and providing strategic advice on the business development and management of the Group. Mr. YU Yong is the chief executive officer of the Group, who is responsible for formulating development strategies, annual and investment plans for the Group, reviewing financial budgets and overall policies as well as supervising capital operation.

The executive Director has entered into a service contract with the Company, and the Company has issued a letter of appointment to each of the non-executive Directors and independent non-executive Directors. The principal particulars of these service contract and letters of appointment are (i) for a fixed term of three years and (ii) subject to termination in accordance with their respective terms. The term of the service contract and the letters of appointment may be renewed in accordance with the Articles of Association and the applicable Listing Rules.

All Directors, including the independent non-executive Directors, are subject to retirement by rotation at least once every three years in accordance with the Listing Rules and the Articles of Association. A retiring Director is eligible for re-election.

The aggregate remuneration (including fees, salaries, bonuses, allowances, benefits in kind and pension scheme contributions) payable to the Directors for the Period was approximately RMB6.9 million.

The remuneration of the Directors is determined with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group. Details of the remuneration of the Directors for the Period are set out in note 8 to the financial statements. In addition, pursuant to code provision E.1.5 in Part 2 of the Code, the annual remuneration of members of the senior management by band for the Period is set out below:

Remuneration band	Number of senior management member
HK$1,000,001 to HK2,000,000	1
HK$2,000,001 to HK$3,000,000	1
HK$6,000,001 to HK$7,000,000	1

During the Period, no amounts have been paid by the Group to the Directors or the five highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

During the Period, the Company has three independent non-executive Directors, which meets the requirement of the Listing Rules that the number of independent non-executive directors must represent at least one-third of the Board and should not be less than three, with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each independent non-executive Director a written confirmation of independence in accordance with Rule 3.13 of the Listing Rules, and considers them to be independent as at the date of this report.

Directors have access to the services of the joint company secretaries to ensure that the Board procedures are followed. Mr. DING Dade was appointed as a joint company secretary of the Company in April 2019. In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. NG Sau Mei of TMF Hong Kong Limited, a company secretarial service provider, as another joint company secretary of the Company, to assist Mr. DING Dade with the duties of the company secretary of the Company. Mr. DING Dade is the primary contact person of Ms. NG Sau Mei in the Company. During the Period, Mr. DING Dade and Ms. NG Sau Mei have undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

According to code provision C.1.4 in Part 2 of the Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. During the year, the Directors participated in continuous professional development by reading materials on the related areas to develop and refresh their knowledge and skills. The following table sets out the compliance status of all Directors in respect of code provision C.1.4 in Part 2 of the Code during the Period:

Director	In compliance with code provision C.1.4 in Part 2
Executive Director	
Mr. YU Yong *(Chief Executive Officer)*	√
Non-Executive Directors	
Mr. TANG Shun Lam *(Chairman)*(1)	
Mr. HUANG Hanji *(Chairman)*(2)	√
Mr. YANG Herong	√
Mr. CHEN Scott Yue(3)	√
Mr. YOUNG Christopher	√
Mr. TIAN Min	√
Mr. SUN Weiye(4)	
Independent Non-Executive Directors	
Mr. GU Jiong	√
Mr. Paolo BODO(5)	√
Mr. LIAO Xiaoxin	√
Ms. XU Yanyun(6)	

Notes:

(1) Mr. TANG Shun Lam was appointed as a non-executive Director and the chairman of the Board on 30 March 2023.

(2) Mr. HUANG Hanji resigned as a non-executive Director and the chairman of the Board on 30 March 2023.

(3) Mr. CHEN Scott Yue resigned as a non-executive Director on 14 December 2023.

(4) Mr. SUN Weiye was appointed as a non-executive Director on 14 December 2023.

(5) Mr. Paolo BODO resigned as an independent non-executive Director on 19 January 2023.

(6) Ms. XU Yanyun was appointed as an independent non-executive Director on 19 January 2023.

According to code provision C.5.1 in Part 2 of the Code, board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the directors, either in person or through electronic means of communication. During the Period, the Board held four meetings, at which the Board discussed and approved the proposals of Company's overall strategy and connected transaction issues. Among the four meetings, the Company (i) considered and approved the proposals of Company's 2022 annual results announcement, 2022 annual report, 2022 ESG report and the change of non-executive Director and the chairman of the Board, (ii) considered and approved the proposals of the Company's 2023 interim results announcement and 2023 interim report, (iii) considered and approved the proposal of the change of independent non-executive Director and (iv) considered and approved the proposal of the change of non-executive Director. An annual general meeting of the Company was held on 21 June 2023.

The table below sets out the details of Board meetings attendance of each Director during the Period:

Director	Number of Board meetings requiring attendance	Number of Board meetings attended
Executive Director		
Mr. YU Yong *(Chief Executive Officer)*	4	3
Non-Executive Directors		
Mr. TANG Shun Lam *(Chairman)*[(1)]	2	2
Mr. HUANG Hanji *(Chairman)*[(2)]	2	2
Mr. YANG Herong	4	3
Mr. CHEN Scott Yue[(3)]	4	2
Mr. YOUNG Christopher	4	4
Mr. TIAN Min	4	4
Mr. SUN Weiye[(4)]	0	0
Independent Non-Executive Directors		
Mr. GU Jiong	4	4
Mr. Paolo BODO[(5)]	1	0
Mr. LIAO Xiaoxin	4	4
Ms. XU Yanyun[(6)]	3	3

Notes:

(1) Mr. TANG Shun Lam was appointed as a non-executive Director and the chairman of the Board on 30 March 2023.

(2) Mr. HUANG Hanji resigned as a non-executive Director and the chairman of the Board on 30 March 2023.

(3) Mr. CHEN Scott Yue resigned as a non-executive Director on 14 December 2023.

(4) Mr. SUN Weiye was appointed as a non-executive Director on 14 December 2023.

(5) Mr. Paolo BODO resigned as an independent non-executive Director on 19 January 2023.

(6) Ms. XU Yanyun was appointed as an independent non-executive Director on 19 January 2023.

Code provision F.2.2 in Part 2 of the Code requires that the chairman of the Board and the chairmen of the audit, remuneration and nomination committees (or another member of the committee in their absence) should attend the general meeting. Other than Mr. YU Yong , Mr. TANG Shun Lam, Mr. LIAO Xiaoxin and Ms. XU Yanyun who attended the annual general meeting of the Company on 21 June 2023, all other Directors did not attend such annual general meeting due to their other business commitments.

Pursuant to code provision C.2.7 in Part 2 of the Code, the chairman should at least annually hold a meeting with the independent non-executive Directors without the presence of other Directors. Apart from regular Board meetings, the chairman of the Board also held one meeting with the independent non-executive Directors without the presence of other Directors during the Period.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision A.2.1 in Part 2 of the Code. The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and written employee guidelines, and the Company's compliance with the Code and disclosure in this Corporate Governance Report.

BOARD COMMITTEES

The Company has three principal Board committees, being the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of the Board committees operates under its terms of reference. The terms of reference of the Board committees are available on the website of the Company and that of the Stock Exchange.

AUDIT COMMITTEE

During the Period, the composition of the Audit Committee changed. The Audit Committee has three members throughout the Period, namely Mr. GU Jiong, Mr. Paolo BODO (resigned as an independent non-executive Director and ceased to be a member of Audit Committee on 19 January 2023), Mr. LIAO Xiaoxin and Ms. XU Yanyun (appointed as an independent non-executive Director and a member of the Audit Committee on 19 January 2023). Mr. GU Joing is the chairman of the Audit Committee. All members of the Audit Committee are independent non-executive Directors. The primary duties of the Audit Committee are to review and supervise the financial reporting process and risk management and internal control systems of the Group and provide advice and comments to the Board.

During the Period, the Audit Committee held two meetings to consider the Company's 2022 annual results announcement, 2022 annual report, 2023 interim results announcement and 2023 interim report. The Audit Committee also assessed the Company's risk management and internal control measures and the effectiveness of the Company's internal audit function. The Audit Committee has jointly reviewed with the Board the audited consolidated financial statements of the Group for the Period, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

The table below sets out the details of meeting attendance of each member of the Audit Committee during the Period:

Director	Number of meetings requiring attendance	Number of meetings attended
Mr. GU Jiong	2	2
Mr. Paolo BODO[(1)]	0	0
Mr. LIAO Xiaoxin	2	2
Ms. XU Yanyun[(2)]	2	2

Notes:

(1) Mr. Paolo BODO resigned as an independent non-executive Director and ceased to be a member of the Audit Committee on 19 January 2023.

(2) Ms. XU Yanyun was appointed as an independent non-executive Director and a member of the Audit Committee on 19 January 2023.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee with written terms of reference in compliance with the Code. The Company has adopted the model described in code provision E.1.2(c)(ii) in Part 2 of the Code in the terms of reference of the Remuneration Committee. During the year ended 31 December 2023, the composition of the Remuneration Committee changed. The Remuneration Committee has five members throughout the Period, being three independent non-executive Directors, namely Mr. GU Jiong, Mr. Paolo BODO (resigned as an independent non-executive Director and ceased to be a member of the Remuneration Committee on 19 January 2023), Mr. LIAO Xiaoxin and Ms. XU Yanyun (appointed as an independent non-executive Director and a member of the Remuneration Committee on 19 January 2023), and two non-executive Directors, namely Mr. YANG Herong and Mr. TIAN Min. Mr. GU Jiong is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations to the Board on employee benefit arrangement.

During the Period, the Remuneration Committee held two meetings to review the remuneration of the Directors and senior management of the Company, the remuneration policy and structure of Directors and senior management of the Company.

The table below sets out the details of meeting attendance of each member of the Remuneration Committee during the Period:

Director	Number of meeting requiring attendance	Number of meeting attended
Mr. GU Jiong	2	2
Mr. Paolo BODO[1]	1	0
Mr. YANG Herong	2	1
Mr. LIAO Xiaoxin	2	2
Mr. TIAN Min	2	2
Ms. XU Yanyun[2]	1	1

Notes:

(1) Mr. Paolo BODO resigned as an independent non-executive Director and ceased to be a member of the Remuneration Committee on 19 January 2023.

(2) Mr. XU Yanyun was appointed as an independent non-executive Director and a member of the Remuneration Committee on 19 January 2023.

NOMINATION COMMITTEE

The Company established the Nomination Committee with written terms of reference in compliance with the Code. During the Period, the composition of the Nomination Committee changed. The Nomination Committee has three members throughout the Period, being one non-executive Director, namely Mr. HUANG Hanji (resigned as a non-executive Director and ceased to be the chairman of the Board and the chairman of the Nomination Committee on 30 March 2023), Mr. TANG Shun Lam (appointed as a non-executive Director, the chairman of the Board and the chairman of the Nomination Committee on 30 March 2023), and two independent non-executive Directors, namely Mr. GU Jiong and Mr. LIAO Xiaoxin. Mr. TANG Shun Lam is the chairman of the Nomination Committee. The Nomination Committee is responsible for reviewing and assessing the composition of the Board and the independence of the independent non-executive Directors and making recommendations to the Board on appointment and removal of Directors.

During the Period the Nomination Committee held three meetings to consider the appointment of Ms. XU Yanyun, Mr. TANG Shun Lam and Mr. SUN Weiye as Directors, to review the structure, size and composition of the Board and the effectiveness of the Board Diversity Policy, and to consider the qualifications of the retiring Directors standing for election at the annual general meeting of the Company held on 21 June 2023.

The table below sets out the details of meeting attendance of each member of the Nomination Committee during the Period:

Director	Number of meeting requiring attendance	Number of meeting attended
Mr. HUANG Hanji[(1)]	2	2
Mr. TANG Shun Lam[(2)]	1	1
Mr. GU Jiong	3	3
Mr. LIAO Xiaoxin	3	3

Notes:

(1) Mr. HUANG Hanji resigned as a non-executive Director and the chairman of the Board and ceased to be the chairman of the Nomination Committee on 30 March 2023.

(2) Mr. TANG Shun Lam was appointed as a non-executive Director, the chairman of the Board and the chairman of the Nomination Committee on 30 March 2023.

Nomination Process

The Company has adopted a nomination policy (the "**Nomination Policy**"), which sets out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors.

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process as set out in the Nomination Policy:

(i) the Nomination Committee will, giving the consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort on suitable candidates;

(ii) the Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertisements, recommendations from an independent agency firm and proposals from Shareholders with due consideration given to the criteria set out in the Nomination Policy;

(iii) the Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as conducting interviews, background checks, presentations and third-party reference checks;

(iv) upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(v) the Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and

(vi) the Board will have the final authority in determining the selection of nominees and all appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be).

Board Diversity Policy

To enhance the effectiveness of the Board and to maintain the high standard of corporate governance, the Company has formulated and adopted the board diversity policy (the "**Board Diversity Policy**") for compliance with the Listing Rules and the code provisions of the Code concerning the diversity of Board members. The Board Diversity Policy sets out the objective and approach to achieve and maintain diversity of the Board.

The Board continuously seeks to enhance its effectiveness and to maintain the highest standards of corporate governance and recognizes diversity at Board level as an essential element in maintaining competitive advantage and sustainable development. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board has a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, fashion, retail marketing, finance, investment, auditing and accounting. The Directors obtained academic degrees in various majors, including business and economies, marketing, business administration, engineering, science and financial management. The independent non-executive Directors have different industry backgrounds, representing one-third of the members of the Board.

In addition, the Company recognizes the importance and value of gender diversity in the Board composition. The Board has striven to increase gender diversity at the Board level with the appointment of the first female Director on the Board since January 2023. We have taken and will continue to take initiatives to enhance female representation on the Board with the assistance of the Nomination Committee when identifying and selecting director candidates to ensure the Board has access to diverse perspectives and enhance skills collaboration. The Company targets to avoid a single gender Board and will timely review the gender diversity of the Board in accordance with the business development of the Group. For details of the gender ratio in the workforce (including senior management) of the Group as at 31 December 2023, please refer to the ESG report of the Company.

The Board strives to ensure that it has the appropriate balance of skills, experience, knowledge and diversity of perspectives that are required to support the execution of its business strategies and in order for the Board to be effective. It has also taken, and will continue to take steps to promote gender diversity at all levels, including but not limited to the Board and the management levels.

Nomination Criteria

In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board.

During the Period, for nomination and appointment of Mr. TANG Shun Lam and Mr. SUN Weiye as non-executive Directors and Ms. XU Yanyun as an independent non-executive Director, the process and criteria set out above have been applied.

BOARD INDEPENDENCE EVALUATION

The Company has established Board independence evaluation mechanism to ensure independent views and inputs are available to the Board. In particular, the Board shall at all times included three independent non-executive Directors and at least one of whom must have appropriate professional qualifications or appropriate accounting or related financial management expertise, which allows the Board to have access to independent advice and effectively exercise independent judgment.

The Company also provides channels through formal and informal means whereby independent non-executive Directors can express their views in an open and candid manner, among others, by conducting periodic Board surveys and reviews, holding meetings with the independent non-executive Directors without the involvement of other Directors and interacting with the Board outside the boardroom.

During the Period, the Board has reviewed the implementation and effectiveness of the above mechanism and considered that it is effective in ensuing that independent views and inputs are provided to the Board. The Board will continue to review the implementation and effectiveness of the mechanism annually.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibilities for maintaining sound and effective risk management and internal control systems in order to safeguard the Group's assets and Shareholders' interests and reviewing the effectiveness of the Company's risk management and internal control systems on an annual basis so as to ensure that risk management and internal control systems in place are adequate. The risk management and internal control systems are implemented to manage, rather than eliminate, the risks to which the Group is exposed. The systems therefore serve to provide reasonable but not absolute assurance against material misstatements or losses. The Company also has an internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems, and reports their findings to the Board on, at least, an annual basis.

The Company has established a sound risk management and internal control system, covering a full range of operations including procurement, quality control, marketing, finance, treasury activities, finance and human resources management, with a complete organizational structure and clear responsibilities and authorizations. The Group's internal control system includes a well-established organizational structure with clearly defined lines of responsibility and authority. The day-to-day departmental operations are entrusted to individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Company from time to time. Each department is also required to keep the Board informed of material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis.

Procedures to identify, evaluate and manage significant risks

1. **Establishment of the risk context:** evaluating and reviewing the effectiveness of the risk management and internal control systems of the Group to reduce the costs of operational risk and ensure compliant operation of the Company.

2. **Formulation of the risk management policies:** ensuring that the Group carries out consistent procedures and criteria for risk identification, measurement and reporting.

3. **Identification of the risks:** identifying any potential risks of various business segments and key procedures.

4. **Evaluation on the risks:** evaluating the impact on business and its likelihood of the risks identified.

5. **Response to the risks:** evaluating the risk management solutions and the effectiveness of risk management.

6. **Report and monitor:** monitoring and reviewing the policies and procedures for risk management, and the measures for managing and effectiveness of controlling significant risks, and reporting the findings to the Board.

Procedures and internal controls for the handling and dissemination of inside information

The Board conducts regular review and assessment of inside information, discusses with the management or authorized persons of the Company about disclosure of inside information and requests them to report to the Board once identified any inside information for dissemination. Inside information disclosure policies are formulated to provide employees with guidelines on reporting and disseminating inside information, confidentiality and compliance with restrictions on trading.

During the Period, the Board has reviewed the effectiveness of the risk management and internal control systems of the Group once to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. In particular, the Board considered the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial reporting functions, as well as the effectiveness of the internal audit functions of the Company. The review was made by discussions with the management of the Company, its internal auditors and the assessment conducted by the Audit Committee. The Board believes that the existing risk management and internal control systems are adequate and effective, in particular, for financial reporting and Listing Rules compliance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Upon specific enquiries made to all Directors, each of them has confirmed that he/she has complied with the required standards set out in the Model Code during the Period and up to the date of this report.

EXTERNAL AUDITOR

Ernst & Young is appointed as the external auditor of the Company.

For the year ended 31 December 2023, the fees paid or payable to Ernst & Young for the audit of the financial statements of the Group were RMB4.7 million.

Fees paid or payable to Ernst & Young for non-audit services provided to the Group in the year were RMB0.1 million. The non-audit services conducted related to tax advisory services.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs of the Group and of the results and cash flow during the Period. A statement from the auditor about its reporting responsibilities on the financial statements is set out on pages 51 to 53 of this report. In preparing the financial statements for the year ended 31 December 2023, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimations that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

SHAREHOLDERS

The Company is incorporated in the Cayman Islands. According to the Articles of Association, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more member(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

To safeguard the interests and rights of the Shareholders, separate resolutions are and will be proposed at general meetings on each substantial issue, including the election of individual Directors.

The procedures for Shareholders to propose a person for election as Director is available on the Company's website (www.gxggroup.cn). Shareholders may lodge written proposal to the company secretary of the Company at 31/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, provided that the minimum length of the period, during which such written notice is given, shall be at least seven days and that the lodgement of such notice shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting. In order to ensure that other Shareholders would have sufficient time to receive and consider the information of the person proposed for election as a Director, Shareholders are urged to lodge their written notice of his intention to propose a person for election as Director as early as practicable in advance of the relevant general meeting and, in any case, not less than 12 business days (as defined in the Listing Rules, i.e. day(s) on which the Stock Exchange is open for business of dealing in securities) before the date scheduled for holding the relevant general meeting, so that the Company can complete the verification procedure with the Company's share registrar, and procure the publication of an announcement and/or the dispatch of a supplementary circular to Shareholders in compliance with the applicable requirements under the Listing Rules. In the event that any such written notice is received by the Company later than the 12th business day before the date of holding the relevant general meeting, the Company will need to consider whether to adjourn the relevant meeting so as to give Shareholders a notice of at least 10 business days of the proposal in accordance with the Listing Rules.

SHAREHOLDERS COMMUNICATION POLICY

The Company is committed to promoting and maintaining transparent, accurate and open communication with its Shareholders and other stakeholders. It has adopted the shareholders communication policy (the "**Shareholders Communication Policy**") to streamline policies and procedures for provision of appropriate and timely information about the Company to the Shareholders, as well as for them to engage actively with the Company and to exercise their rights as Shareholders in an informed manner. According to the Shareholders Communication Policy, information of the Company shall be communicated to its Shareholders mainly through annual reports, interim reports, annual general meetings and other general meetings that may be convened, as well as other publications and corporate communications on the website of the Company and the website of the Stock Exchange. The Shareholders Communication Policy is available on the Company's website (www.gxggroup.cn).

Enquiries about the Company may be put to the Board by contacting the Company or directly by raising the questions at an annual general meeting or extraordinary general meeting. The contact details of the Company are set out in the Company's website (www.gxggroup.cn). Shareholders can also direct their enquiries about their shareholdings to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, whose address is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The Board regularly reviews the Shareholders Communication Policy to ensure its implementation and effectiveness and to reflect current best practices in communications with the Shareholders and the investment community. The most recent review was conducted in March 2023 and the effectiveness of the Shareholders Communication Policy was confirmed.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the Period, the amendments to the Articles of Association were approved by the Shareholders by way of special resolution at the annual general meeting of the Company held on 21 June 2023. The second amended and restated Articles of Association has been available on the websites of the Stock Exchange and the Company (www.gxggroup.cn).

INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report
To the shareholders of Mulsanne Group Holding Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Mulsanne Group Holding Limited (the "Company") and its subsidiaries (the "Group") set out on pages 54 to 143, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of inventories	
As at 31 December 2023, the net carrying value of inventories amounted to RMB566,682,000, after netting off a provision for impairment of RMB76,937,000, representing 18.80% of the Group's total assets. The Group's inventories are carried at the lower of cost and net realisable value which requires management's significant estimation of the net realisable values of the inventories of different brands in different seasons based on the historical experience, current market condition, customer demands and fashion trends, expected selling prices, estimated costs to sell and judgements in determining the appropriate level of inventory provisions against identified surplus or obsolete items. The Group's disclosures about the impairment of inventories are included in notes 2.4 and 3 to the financial statements.	We evaluated management's assessment of the inventory provisions by reviewing the analyses of the ageing with reference to the specification of the inventories of different brands which were categorised by season, and assessing historical and forecasted sales of inventories. We assessed the expected selling prices for each season under different brands by taking reference to the historical pricing of the inventories and estimated costs to sell by reviewing the costs incurred historically. We also attended physical inventory counts, on a sampling basis, to assess the condition of the inventories and to evaluate the provision for slow-moving and obsolete inventories.
Variable consideration for rights of return	
The Group provides rights of return to its customers for certain products within a specified period. These arrangements result in a deduction of gross revenue and give rise to obligations for the Group to provide customers with rights of return. Considerations received or receivable from the customers for products that are expected to be returned are recognised as refund liabilities. The Group uses the expected value method to estimate the amount of products that will be returned from its customers which requires management significant judgement and estimation in determining an appropriate expected sales return rate for the products sold by each brand and their product lifecycles based on the contracted sales return rate, the Group's sales return policy, marketing strategy and the historical sales return rate. The Group's disclosures about the estimation of variable consideration for rights of return by distributors are included in notes 2.4 and 3 to the financial statements.	We reviewed customers' contracts on a sampling basis to test the terms and conditions related to sales returns. We evaluated management's estimates on the expected sales returns by comparing historical sales returns, the contracted sales return rate and the Group's sales return policy with the actual level of returns recorded subsequent to the year end. We also reviewed the calculation of the expected sales returns and the deduction of revenue and the recognition of refund liabilities.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
As at 31 December 2023, the net carrying value of trade receivables amounted to RMB282,935,000, after netting off a loss allowance for impairment of RMB443,853,000, representing 9.39% of the Group's total assets. The impairment of trade receivables is assessed based on the expected credit loss model which requires significant judgements and estimates from management. In assessing the expected credit loss of the trade receivables, management considered various factors such as the age of the balance, existence of disputes, recent historical payment patterns, any other available information concerning the creditworthiness of counterparties and forward-looking information. The assessment is highly judgemental. The Group's disclosures about the impairment of trade receivables are included in notes 2.4, 3 and 18 to the financial statements.	We evaluated the expected credit loss provision methodology used by the Group. We also evaluated management's assessment on the estimates of customers' current financial positions and the forward-looking adjustments by reviewing the detailed analyses of the ageing of the receivables on a sampling basis, reviewing payments received subsequent to the year end and historical payment patterns, reviewing correspondence related to any disputes between the parties involved and market information about the credit status of the counterparties, where available, and evaluating the analyses of influence from macroeconomics on the loss rates of the Group's customers.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the Management Discussion and Analysis of the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Chairman's Statement, the Directors' Report and the Corporate Governance Report, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's Statement, the Directors' Report and the Corporate Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Hooi Wan Yee.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2023

	Notes	2023 *RMB'000*	2022 *RMB'000*
REVENUE	5	**2,329,049**	2,326,281
Cost of sales		**(1,116,866)**	(1,188,375)
Gross profit		**1,212,183**	1,137,906
Other income and gains	5	**51,589**	64,681
Selling and distribution expenses		**(920,769)**	(883,520)
Administrative expenses		**(207,434)**	(205,098)
Impairment losses on financial assets, net		**(7,489)**	(8,996)
Other expenses		**(8,480)**	(20,263)
Finance costs	7	**(67,791)**	(63,080)
PROFIT BEFORE TAX	6	**51,809**	21,630
Income tax expense	10	**(14,564)**	(12,279)
PROFIT FOR THE YEAR		**37,245**	9,351
Attributable to:			
Owners of the parent		**39,567**	12,429
Non-controlling interests		**(2,322)**	(3,078)
		37,245	9,351
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	12	**RMB4.34 cents**	RMB1.36 cents
Diluted	12	**RMB4.34 cents**	RMB1.36 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2023

	2023 RMB'000	2022 RMB'000
PROFIT FOR THE YEAR	**37,245**	9,351
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(46,767)**	(336,361)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Change in fair value of equity investment at fair value through other comprehensive income, net of tax	**(1,850)**	(5,444)
Exchange differences on translation of the Company's financial statements into presentation currency	**34,466**	280,458
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**32,616**	275,014
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(14,151)**	(61,347)
TOTAL COMPREHENSIVE INCOME/(LOSS)	**23,094**	(51,996)
Attributable to:		
Owners of the parent	**25,416**	(48,918)
Non-controlling interests	**(2,322)**	(3,078)
	23,094	(51,996)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**371,105**	311,239
Right-of-use assets	14(a)	**141,502**	217,199
Intangible assets	15	**50,807**	38,591
Equity investment designated at fair value through other comprehensive income	16	**4,540**	6,390
Deferred tax assets	25	**209,734**	217,402
Pledged deposits	20	**446,946**	529,646
Total non-current assets		**1,224,634**	1,320,467
CURRENT ASSETS			
Inventories	17	**566,682**	683,493
Right-of-return assets		**68,603**	47,100
Trade and notes receivables	18	**334,525**	361,657
Prepayments, other receivables and other assets	19	**231,305**	251,295
Pledged deposits	20	**396,099**	603,954
Cash and cash equivalents	20	**192,420**	252,194
Total current assets		**1,789,634**	2,199,693
CURRENT LIABILITIES			
Trade and notes payables	21	**374,638**	439,366
Other payables and accruals	23	**255,032**	203,789
Refund liabilities	5(iii)	**148,504**	109,330
Contract liabilities	22	**21,199**	49,047
Interest-bearing bank and other borrowings	24	**887,459**	1,184,004
Lease liabilities	14(b)	**71,589**	109,637
Tax payable		**17,443**	20,314
Total current liabilities		**1,775,864**	2,115,487
NET CURRENT ASSETS		**13,770**	84,206
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,238,404**	1,404,673

	Notes	2023 RMB'000	2022 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,238,404**	1,404,673
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	**442,352**	588,236
Lease liabilities	14(b)	**47,835**	88,878
Deferred tax liabilities	25	**36,645**	39,081
Total non-current liabilities		**526,832**	716,195
Net assets		**711,572**	688,478
EQUITY			
Equity attributable to owners of the parent			
Share capital	26	**8,343**	8,343
Reserves	28	**702,460**	676,055
		710,803	684,398
Non-controlling interests		**769**	4,080
Total equity		**711,572**	688,478

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TANG Shun Lam
Director

YU Yong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2023

	Attributable to owners of the parent											
	Share capital *RMB'000* (note 26)	Share premium account *RMB'000* (note 28)	Merger reserve *RMB'000* (note 28)	Capital reserve *RMB'000* (note 28)	Fair value reserve of financial assets at fair value through other comprehensive income *RMB'000* (note 28)	Statutory surplus reserve *RMB'000* (note 28)	Share award reserve *RMB'000* (note 27)	Exchange fluctuation reserve *RMB'000* (note 28)	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2022	8,343	734,670	(215,779)	765,360	–	136,492	22,284	53,198	(771,252)	733,316	7,158	740,474
Profit for the year	–	–	–	–	–	–	–	–	12,429	12,429	(3,078)	9,351
Other comprehensive loss for the year:												
Change in fair value of equity investment at fair value through other comprehensive income, net of tax	–	–	–	–	(5,444)	–	–	–	–	(5,444)	–	(5,444)
Exchange differences	–	–	–	–	–	–	–	(55,903)	–	(55,903)	–	(55,903)
Total comprehensive loss for the year	–	–	–	–	(5,444)	–	–	(55,903)	12,429	(48,918)	(3,078)	(51,996)
Transfer of share award reserve upon cancellation/forfeiture of share options	–	–	–	–	–	–	(903)	–	903	–	–	–
At 31 December 2022	8,343	734,670*	(215,779)*	765,360*	(5,444)*	136,492*	21,381*	(2,705)*	(757,920)*	684,398	4,080	688,478

	Attributable to owners of the parent											
	Share capital *RMB'000* (note 26)	Share premium account *RMB'000* (note 28)	Merger reserve *RMB'000* (note 28)	Capital reserve *RMB'000* (note 28)	Fair value reserve of financial assets at fair value through other comprehensive income *RMB'000* (note 28)	Statutory surplus reserve *RMB'000* (note 28)	Share award reserve *RMB'000* (note 27)	Exchange fluctuation reserve *RMB'000* (note 28)	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2023	8,343	734,670	(215,779)	765,360	(5,444)	136,492	21,381	(2,705)	(757,920)	684,398	4,080	688,478
Profit for the year	–	–	–	–	–	–	–	–	39,567	39,567	(2,322)	37,245
Other comprehensive loss for the year:												
Change in fair value of equity investment at fair value through other comprehensive income, net of tax	–	–	–	–	(1,850)	–	–	–	–	(1,850)	–	(1,850)
Exchange differences	–	–	–	–	–	–	–	(12,301)	–	(12,301)	–	(12,301)
Total comprehensive income for the year	–	–	–	–	(1,850)	–	–	(12,301)	39,567	25,416	(2,322)	23,094
Transfer to statutory surplus reserve	–	–	–	–	–	16,359	–	–	(16,359)	–	–	–
Transfer of share award reserve upon cancellation/forfeiture of share options	–	–	–	–	–	–	(1,625)	–	1,625	–	–	–
Acquisition of non-controlling interests	–	–	989	–	–	–	–	–	–	989	(989)	–
At 31 December 2023	8,343	734,670*	(214,790)*	765,360*	(7,294)*	152,851*	19,756*	(15,006)*	(733,087)*	710,803	769	711,572

* These reserve accounts comprise the consolidated reserves of RMB702,460,000 (2022: RMB676,055,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**51,809**	21,630
Adjustments for:			
Impairment of trade and other receivables, net	18, 19	**7,489**	8,996
Impairment of property, plant and equipment	13	**490**	4,774
Impairment of right-of-use assets	14(a)	**449**	4,227
Reversal of write-down of inventories to net realisable value		**(26,250)**	(20,963)
Depreciation of property, plant and equipment	13	**64,798**	62,837
Depreciation of right-of-use assets	14(a)	**107,747**	139,061
Amortisation of intangible assets	15	**7,363**	6,317
Loss on disposal of items of property, plant and equipment, net		**3,180**	8,830
Foreign exchange differences, net		**(7,175)**	(7,859)
Finance costs	7	**67,791**	63,080
Investment income from pledged deposits		**(21,433)**	(28,023)
Interest income from a third party		**(893)**	–
Waiver of debts with related parties		**–**	95
Loss/(gain) on termination of leases, net	14(c)	**126**	(2,407)
Covid-19-related rent concessions from lessors	14(c)	**–**	(977)
		255,491	259,618
Increase in trade and notes receivables		**(24,663)**	(19,414)
Decrease/(increase) in prepayments, other receivables and other assets		**42,621**	(54,261)
Decrease in inventories		**143,061**	177,843
(Increase)/decrease in right-of-return assets		**(21,503)**	6,880
Increase in pledged deposits		**(26,232)**	(4,553)
Decrease in trade and notes payables		**(64,728)**	(35,558)
Decrease in other payables and accruals		**(12,539)**	(30,756)
Increase/(decrease) in refund liabilities		**39,174**	(12,772)
Decrease in contract liabilities		**(27,848)**	(14,938)
Cash generated from operations		**302,834**	272,089
Income tax paid		**(5,057)**	(27,384)
Net cash flows from operating activities		**297,777**	244,705

	Notes	2023 RMB'000	2022 RMB'000
Net cash flows from operating activities		**297,777**	244,705
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(79,973)**	(114,087)
Purchases of intangible assets		**(5,806)**	(12,025)
Proceeds from disposal of items of property, plant and equipment		**1,664**	26
Advances of loans to a third party		**(30,000)**	–
Net cash flows used in investing activities		**(114,115)**	(126,086)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank and other borrowings	29(b)	**1,005,586**	1,943,311
Repayment of bank and other borrowings	29(b)	**(1,404,597)**	(1,223,079)
Decrease/(increase) in pledged deposits		**338,220**	(1,089,104)
Principal portion of lease payments	29(b)	**(111,716)**	(136,254)
Interest paid		**(69,759)**	(58,664)
Net cash flows used in financing activities		**(242,266)**	(563,790)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(58,604)**	(445,171)
Cash and cash equivalents at beginning of year		**252,194**	677,230
Effect of foreign exchange rate changes, net		**(1,170)**	20,135
CASH AND CASH EQUIVALENTS AT END OF YEAR		**192,420**	252,194
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	**192,420**	252,194

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.

In the opinion of the directors, the Company does not have an immediate holding company or ultimate holding company. Great World Glory Pte. Ltd. and L Capital Asia 2 Pte. Ltd., which were both incorporated in Singapore, are the controlling shareholders of the Company, as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Joy Sonic Limited ("Joy Sonic")	Hong Kong	United States dollar ("US$") 39,612,903	100	-	Investment holding, sale of apparel products and consultation services
Alpha Sonic Ltd	Cayman Islands	US$1	100	-	Investment holding
Ningbo Chisage Mulsanne Holding Co., Ltd. *(i)*	PRC/ Chinese Mainland	RMB400,000,000	-	100	Design, marketing and sale of apparel products
Ningbo Chisage Mulsanne E-commerce Co., Ltd. *(ii)*	PRC/ Chinese Mainland	RMB10,000,000	-	100	Marketing and sale of apparel products online
Ningbo Mulsanne E-commerce Co., Ltd. *(ii)*	PRC/ Chinese Mainland	RMB5,000,000	-	100	Marketing and sale of apparel products online

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Yuexing Brand Management Co., Ltd. *(ii)*	PRC/ Chinese Mainland	RMB5,000,000	-	100	Marketing and sale of apparel products
Ningbo Yuexing Brand Management Co., Ltd. *(ii)*	PRC/ Chinese Mainland	RMB5,000,000	-	100	Marketing and sale of apparel products
Beijing Yuexing Brand Management Co., Ltd. *(ii)*	PRC/ Chinese Mainland	RMB1,000,000	-	100	Marketing and sale of apparel products
Yuebenran (Shanghai) Brand Management Co., Ltd. *(i)*	PRC/ Chinese Mainland	RMB10,000,000	-	100	Design, marketing and sale of apparel products
GXG Macau Limited ("GXG Macau")	Macau	Macau Pataca ("MOP") 100,000	-	100	Marketing and sale of apparel products
Ningbo Muxin-buer E-commerce Co., Ltd. *(ii)*	PRC/ Chinese Mainland	RMB5,000,000	-	100	Design, marketing and sale of apparel products
Ningbo Muyue Garment Co., Ltd. *(i)*	PRC/ Chinese Mainland	RMB5,000,000	-	100	Design, marketing and sale of apparel products

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Ningbo Luokai Equity Investment Co., Ltd *(ii)*	PRC/ Chinese Mainland	RMB30,000,000	-	100	Equity investment
Ningbo Xiaotai E-commerce Co., Ltd *(ii)*	PRC/ Chinese Mainland	RMB5,000,000	-	100	Design, marketing and sale of apparel products
Shanghai Yanxiang Trading Co., Ltd ("Shanghai Yanxiang") *(ii)(iii)*	PRC/ Chinese Mainland	RMB15,000,000	-	100	Design, marketing and sale of makeup products

Notes:

(i) These entities are wholly-foreign-owned companies established under PRC law.

(ii) These entities are limited liability enterprises established under PRC law.

(iii) In August 2023, the Group acquired a 49% equity interest in Shanghai Yanxiang from the non-controlling shareholder. Upon completion of the acquisition, the Group's shareholding in Shanghai Yanxiang increased to 100%.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2. ACCOUNTING POLICIES

2.1 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 an equity investment designated at fair value through other comprehensive income, which has 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group's policy aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Fair value measurement

The Group measures its equity investment at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, right-of-return assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	30 years
Leasehold improvements	2 – 3 years
Machinery and equipment	3 – 10 years
Motor vehicles	4 years
Computer and office equipment	3 – 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment or intangible assets when completed and ready for use.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 to 10 years.

Trademarks

Purchased trademarks are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At inception or on reassessment of a contract that contains a lease component and non-lease components, the Group adopts the practical expedient not to separate non-lease components and to account for the lease component and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	40 years
Shopping malls, standalone stores, warehouses and offices	2 – 6 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented separately in the statement of financial position.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of shopping malls and standalone stores (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through other comprehensive income.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and notes payables, other payables and accruals and interest-bearing bank and other borrowings.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. The cost of finished goods comprises cost of purchase. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, on internet payment platforms and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer.

(a) Sale of products – distributors and partnership

A significant part of the Group's products is sold to distributors and partnership, who have discretion over both prices and distribution methods for products to be sold in their designated geographical areas.

Revenues are recognised upon delivery, which occurs when distributors pick up goods at the Group's premises or when goods are handed over to a third-party forwarder as designated by the distributor or when goods are accepted by the end customers in partnership stores, the risks of obsolescence and loss have been transferred to the distributors and partnership, and acceptance by distributors and partnership occurs. Acceptance refers to either of the situations that distributors and partnership accept the goods in accordance with the sales contract or the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied and there is no unfulfilled obligation that could affect the distributors' and partnership's acceptance of the products.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Sale of products – distributors and partnership (continued)

Some contracts for the sale of products provide customers with rights of return and volume rebates, giving rise to variable consideration.

(i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(ii) Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

(b) Sale of products – retail

The Group sells its products to end customers via a chain of retail stores of the Group or over third-party online retail platforms such as Tmall.com and Taobao. Revenue is recognised when the Group can reasonably estimate the acceptance by end customers. For offline retail sales, acceptance by end customers is estimated based on historical experience on product returns. For online retail sales, acceptance can normally be estimated when online payment transaction is completed through third-party payment platforms.

(c) Loyalty point programme

The Group has a loyalty point programme, which allows customers to accumulate points that can be redeemed for discounted coupons. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed or expired.

When estimating the stand-alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points. The Group updates its estimates of the points that will be redeemed on a quarterly basis and any adjustments to the contract liability balance are charged against revenue.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates a share unit scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding awards is reflected as additional share dilution in the computation of earnings per share.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Other employee benefits

Retirement benefits

Contributions made to the government retirement benefit fund under defined contribution retirement plans are charged to profit or loss as incurred.

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The subsidiaries established and operating in Chinese Mainland are required to provide certain staff pension benefits to their employees under existing regulations of the PRC. Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the subsidiaries' employees.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in RMB. The functional currency of the Company and certain subsidiaries incorporated outside Chinese Mainland is US$ and the functional currency of the subsidiaries established in Chinese Mainland is RMB, which is the currency of the primary economic environment in which those entities operate. The Group's presentation currency is RMB because the Group's principal operations are carried out in Chinese Mainland. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these entities which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Determining the method to estimate variable consideration and assessing the constraint

Certain contracts for the sale of goods include a right of return that gives rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods with rights of return, given the large number of customer contracts that have similar characteristics.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are constrained until the associated uncertainties are subsequently resolved based on its historical experience, business forecast and the current economic conditions.

Withholding tax arising from the distribution of dividends

The Group's determination, as to whether to accrue deferred tax liabilities in respect of withholding taxes arising from the distributions of dividends by certain PRC subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends. Such judgement is made with reference to the Group's business plan and future cash requirements outside Chinese Mainland.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimating variable consideration for right of return

The Group estimates variable considerations to be included in the transaction price for the sale of goods with rights of return.

The Group has developed a statistical model for forecasting sales returns. The model used the historical return data of each type of product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimating variable consideration for right of return (continued)

The Group updates its assessment of expected returns quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns are sensitive to changes in circumstances and the Group's past experience regarding returns may not be representative of customers' actual returns in the future. As at 31 December 2023, the amount recognised as refund liabilities was RMB148,504,000 (2022: RMB109,330,000) for the expected returns.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the consuming sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 18 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of the reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Details about the carrying amounts of property, plant and equipment, right-of-use assets and intangible assets are set out in notes 13, 14(a) and 15 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses and deductible temporary differences at 31 December 2023 were RMB21,271,000 (2022: RMB26,444,000) and RMB213,395,000 (2022: RMB233,240,000), respectively. The amounts of unrecognised tax losses and deductible temporary differences at 31 December 2023 were RMB59,487,000 (2022: RMB67,644,000) and RMB59,049,000 (2022: RMB42,526,000), respectively. Further details are contained in note 25 to the financial statements.

Provision for slow-moving inventories and net realisable value of inventories

When necessary, allowance is provided for obsolete and slow-moving inventories to adjust the carrying value of inventories to the lower of cost and net realisable value. Management has estimated the allowance for obsolete and slow-moving inventories based on review of an ageing analysis of inventories at the end of the reporting period. The assessment of the provision requires management's judgement and estimates on market conditions. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying amounts of inventories and the write-down/write-back of inventories in the period in which such estimate has been changed. As at 31 December 2023, the Group's inventories amounted to RMB566,682,000 (2022: RMB683,493,000).

Fair value of unlisted equity investment

The unlisted equity investment has been valued based on the discounted cash flow method as detailed in note 34 to the financial statements. The valuation requires the Group to make estimate about the discount rate. In addition, the Group makes estimates about the discount of cash flow for the unlisted equity investment. The Group classifies the fair value of the investment as Level 3. The fair value of the unlisted equity investment at 31 December 2023 was RMB4,540,000 (2022: RMB6,390,000). Further details are included in note 16 to the financial statements.

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.

4. OPERATING SEGMENT INFORMATION (continued)

	Year ended 31 December 2023			
	Apparel products			
	Offline channels RMB'000	Online channels RMB'000	Others RMB'000	Total RMB'000
Segment revenue				
Sales to external customers	1,485,767	834,289	8,993	2,329,049
Total segment revenue	1,485,767	834,289	8,993	2,329,049
Segment results	869,240	342,447	496	1,212,183
Other income and gains				51,589
Selling and distribution expenses				(920,769)
Administrative expenses				(207,434)
Impairment losses on financial assets, net				(7,489)
Other expenses				(8,480)
Finance costs				(67,791)
Profit before tax				51,809

4. OPERATING SEGMENT INFORMATION (continued)

	Year ended 31 December 2022			
	Apparel products			
	Offline channels *RMB'000*	Online channels RMB'000	Others *RMB'000*	Total *RMB'000*
Segment revenue				
Sales to external customers	1,279,192	1,036,195	10,894	2,326,281
Total segment revenue	1,279,192	1,036,195	10,894	2,326,281
Segment results	731,606	405,333	967	1,137,906
Other income and gains				64,681
Selling and distribution expenses				(883,520)
Administrative expenses				(205,098)
Impairment losses on financial assets, net				(8,996)
Other expenses				(20,263)
Finance costs				(63,080)
Profit before tax				21,630

4. OPERATING SEGMENT INFORMATION (continued)

Geographic information

(a) Revenue from external customers

	2023 RMB'000	2022 RMB'000
Chinese Mainland	**2,329,049**	2,326,281

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

(b) Non-current assets

	2023 RMB'000	2022 RMB'000
Chinese Mainland	**562,709**	565,877
Hong Kong	**705**	1,152
Total non-current assets	**563,414**	567,029

The non-current asset information above is based on the locations of the assets and excludes equity investment, deferred tax assets and financial instruments.

Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's total revenue during the year (2022: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of apparel products		
Online channels	**834,289**	1,036,195
Offline channels		
Self-owned stores	**927,398**	735,163
Partnership stores	**134,053**	150,626
Distributor stores	**424,316**	393,403
Sale of other products	**8,610**	8,084
Consignment services	**383**	2,810
Total	**2,329,049**	2,326,281

Revenue from contracts with customers

(i) Disaggregated revenue information

	2023	2022
	RMB'000	*RMB'000*
Timing of revenue recognition		
Goods transferred at a point in time	**2,328,666**	2,323,471
Services transferred at a point in time	**383**	2,810
Total	**2,329,049**	2,326,281

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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:

	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of products	**49,047**	63,985

	2023	2022
	RMB'000	*RMB'000*
Revenue recognised from performance obligations satisfied in previous periods:		
Sale of goods not previously recognised due to constraints on variable consideration	**248**	(3,713)

(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 2023, 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.

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(iii) Refund liabilities

	2023	2022
	RMB'000	*RMB'000*
Refund liabilities arising from sales return	**148,504**	109,330

An analysis of other income and gains is as follows:

	2023	2022
	RMB'000	*RMB'000*
Other income and gains		
Investment income from pledged deposits	**21,433**	28,023
Government grants*	**13,935**	19,642
Foreign exchange gains, net	**7,175**	7,859
Bank interest income	**2,936**	3,975
Penalty charges received from distributors	**1,057**	215
Interest income from a third party	**893**	–
Sale of raw materials	**231**	152
Gain on termination of leases, net	**–**	2,407
Others	**3,929**	2,408
Total other income and gains	**51,589**	64,681

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

6. PROFIT BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Cost of inventories sold		**1,142,806**	1,206,962
Cost of services provided		**310**	2,376
Cost of raw materials sold		**2,030**	2,038
Depreciation of property, plant and equipment	13	**64,798**	62,837
Impairment of property, plant and equipment	13	**490**	4,774
Impairment of right-of-use assets	14(a)	**449**	4,227
Depreciation of right-of-use assets	14(a)	**107,747**	139,061
Loss/(gain) on termination of leases, net	14(c)	**126**	(2,407)
Amortisation of intangible assets*	15	**7,363**	6,317
Impairment of trade receivables, net	18	**6,955**	7,509
Impairment of other receivables, net	19	**534**	1,487
Reversal of write-down of inventories to net realisable value**		**(26,250)**	(20,963)
Lease payments not included in the measurement of lease liabilities	14(c)	**58,072**	36,290
Auditor's remuneration		**5,007**	5,339
Loss on disposal of items of property, plant and equipment, net		**3,180**	8,830
Interest income from a third party		**(893)**	–
Waiver of debts with related parties		**–**	95
Covid-19-related rent concessions from lessors	14(c)	**–**	(977)
Foreign exchange differences, net		**(7,175)**	(7,859)
Employee benefit expenses (excluding directors' and chief executive's remuneration *(note 8)*):			
Wages and salaries		**83,853**	110,260
Pension scheme contributions***		**8,788**	12,098
Staff welfare expenses		**9,208**	9,544
Total		**101,849**	131,902

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

** The reversal of write-down 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:

	2023 RMB'000	2022 RMB'000
Interest on bank loans	**62,696**	59,717
Interest on lease liabilities	**5,574**	9,441
	68,270	69,158
Less: Interest capitalised	**(479)**	(6,078)
Total	**67,791**	63,080

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2023 RMB'000	2022 RMB'000
Fees	**900**	900
Other emoluments:		
Salaries, allowances and benefits in kind	**2,981**	1,267
Performance related bonuses	**2,970**	4,154
Pension scheme contributions	**68**	66
Subtotal	**6,019**	5,487
Total	**6,919**	6,387

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to or receivable by independent non-executive directors during the year were as follows:

	2023 RMB'000	2022 RMB'000
GU Jiong	300	300
LIAO Xiaoxin**	300	53
XU Yanyun*	283	–
Paolo BODO*	17	300
YUAN Tao**	–	247
Total	900	900

* Paolo BODO resigned as an independent non-executive director on 19 January 2023 and XU Yanyun was appointed as an independent non-executive director on 19 January 2023.

** YUAN Tao resigned as an independent non-executive director on 28 October 2022 and LIAO Xiaoxin was appointed as an independent non-executive director on 28 October 2022.

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

(b) Executive director, non-executive directors and the chief executive

	Salaries, allowance and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2023				
Executive director:				
YU Yong (chief executive)	2,981	2,970	68	6,019
Non-executive directors:				
TANG Shun Lam*	–	–	–	–
YANG Herong	–	–	–	–
YOUNG Christopher	–	–	–	–
TIAN Min	–	–	–	–
SUN Weiye**	–	–	–	–
HUANG Hanji*	–	–	–	–
CHEN Scott Yue**	–	–	–	–
Subtotal	–	–	–	–
Total	2,981	2,970	68	6,019

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive director, non-executive directors and the chief executive (continued)

	Salaries, allowance and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2022				
Executive director:				
YU Yong (chief executive)	1,267	4,154	66	5,487
Non-executive directors:				
HUANG Hanji	–	–	–	–
YANG Herong	–	–	–	–
CHEN Scott Yue	–	–	–	–
YOUNG Christopher***	–	–	–	–
TIAN Min****	–	–	–	–
WANG Jun***	–	–	–	–
LIN Lin****	–	–	–	–
Subtotal	–	–	–	–
Total	1,267	4,154	66	5,487

* HUANG Hanji resigned as a non-executive director on 30 March 2023 and TANG Shun Lam was appointed as a non-executive director on 30 March 2023.

** CHEN Scott Yue resigned as a non-executive director on 14 December 2023 and SUN Weiye was appointed as a non-executive director on 14 December 2023.

*** WANG Jun resigned as a non-executive director on 29 March 2022 and YOUNG Christopher was appointed as a non-executive director on 29 March 2022.

**** LIN Lin resigned as a non-executive director on 28 October 2022 and TIAN Min was appointed as a non-executive director on 28 October 2022.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director who is also the chief executive (2022: one director who is also the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2022: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	4,513	2,159
Performance related bonuses	6,026	6,178
Pension scheme contributions	206	180
Total	10,745	8,517

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$2,000,000	2	2
HK$2,000,001 to HK$3,000,000	1	1
HK$3,000,001 to HK$6,000,000	–	1
HK$6,000,001 to HK$7,000,000	1	–
Total	4	4

10. 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 (2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

10. INCOME TAX (continued)

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

The provision for Chinese Mainland corporate income tax is based on the statutory rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008. Certain subsidiaries of the Group are qualified as small and micro enterprises and are subject to a preferential income tax rate of 5% (2022: 2.5%).

	2023	2022
	RMB'000	*RMB'000*
Current – Charge for the year	**3,832**	6,605
Deferred *(note 25)*	**10,732**	5,674
Total tax charge for the year	**14,564**	12,279

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

	2023	2022
	RMB'000	*RMB'000*
Profit before tax	**51,809**	21,630
At the PRC statutory income tax rate of 25%	**12,952**	5,408
Lower tax rates for specific provinces or enacted by local authority	**(3,151)**	(1,551)
Expenses not deductible for tax	**6,791**	8,011
Tax losses utilised from previous years	**(7,610)**	(154)
Income not subject to tax	**(839)**	–
Temporary differences and tax losses not recognised	**5,588**	565
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries *(note 25)*	**833**	–
Tax charge at the Group's effective rate	**14,564**	12,279

11. DIVIDENDS

The board of directors did not recommend the payment of any final dividend for the year (2022: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the number of ordinary shares of 912,500,000 (2022: 912,500,000) in issue during the year. The number of shares for the current year has been arrived at after eliminating the shares of the Company held under the restricted share unit scheme ("RSU Scheme").

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

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

	2023 *RMB'000*	2022 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**39,567**	12,429

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**912,500,000**	912,500,000
Effect of dilution – weighted average number of ordinary shares arising from the RSUs	**–**	4,060,126
Total	**912,500,000**	916,560,126

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Leasehold improvements *RMB'000*	Machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Computer and office equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2023							
At 1 January 2023:							
Cost	–	253,233	30,564	16,088	54,870	205,951	560,706
Accumulated depreciation and impairment	–	(179,604)	(15,505)	(8,649)	(45,709)	–	(249,467)
Net carrying amount	–	73,629	15,059	7,439	9,161	205,951	311,239
At 1 January 2023, net of accumulated depreciation and impairment	–	73,629	15,059	7,439	9,161	205,951	311,239
Additions	–	32,257	235	10,607	861	105,456	149,416
Depreciation provided during the year *(note 6)*	(7,959)	(44,610)	(3,650)	(3,672)	(4,907)	–	(64,798)
Impairment *(note 6)*	–	(490)	–	–	–	–	(490)
Disposals	–	(2,191)	(407)	(1,895)	(206)	–	(4,699)
Transfers	281,800	4,327	–	–	675	(306,365)	(19,563)
At 31 December 2023, net of accumulated depreciation and impairment	273,841	62,922	11,237	12,479	5,584	5,042	371,105
At 31 December 2023:							
Cost	281,800	261,001	30,192	18,511	56,020	5,042	652,566
Accumulated depreciation and impairment	(7,959)	(198,079)	(18,955)	(6,032)	(50,436)	–	(281,461)
Net carrying amount	273,841	62,922	11,237	12,479	5,584	5,042	371,105

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Computer and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022							
At 1 January 2022:							
Cost	–	250,039	29,176	12,896	53,333	149,422	494,866
Accumulated depreciation and impairment	–	(169,328)	(10,294)	(7,118)	(40,783)	–	(227,523)
Net carrying amount	–	80,711	18,882	5,778	12,550	149,422	267,343
At 1 January 2022, net of accumulated depreciation and impairment	–	80,711	18,882	5,778	12,550	149,422	267,343
Additions	–	56,077	1,193	4,712	2,122	57,089	121,193
Depreciation provided during the year *(note 6)*	–	(49,490)	(5,211)	(2,654)	(5,482)	–	(62,837)
Impairment *(note 6)*	–	(4,774)	–	–	–	–	(4,774)
Disposals	–	(8,895)	–	(397)	(29)	–	(9,321)
Transfers	–	–	195	–	–	(560)	(365)
At 31 December 2022, net of accumulated depreciation and impairment	–	73,629	15,059	7,439	9,161	205,951	311,239
At 31 December 2022:							
Cost	–	253,233	30,564	16,088	54,870	205,951	560,706
Accumulated depreciation and impairment	–	(179,604)	(15,505)	(8,649)	(45,709)	–	(249,467)
Net carrying amount	–	73,629	15,059	7,439	9,161	205,951	311,239

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The recoverable amounts of certain leasehold improvements and right-of-use assets for non-performing shopping malls and standalone stores have been determined to be nil since management has a plan to shut down these non-performing shopping malls and standalone stores in the near future and no material cash flow is expected. Impairment provisions for leasehold improvements and right-of-use assets of RMB490,000 (2022: RMB4,774,000) and RMB449,000 (2022: RMB4,227,000) (note 14(a)), respectively, were recognised in profit or loss during the year.

14. LEASES

The Group as a lessee

The Group has lease contracts for shopping malls, standalone stores, warehouses and offices used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 years, and no ongoing payments will be made under the terms of these land leases. Leases of shopping malls and standalone stores generally have lease terms between 2 and 5 years while certain shopping malls and standalone stores have lease terms of 12 months or less. Warehouses generally have lease terms between 2 and 6 years and offices generally have lease terms of 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land *RMB'000*	Properties *RMB'000*	Total *RMB'000*
As at 1 January 2022	20,993	244,836	265,829
Additions	–	129,786	129,786
Reductions as a result of termination of leases	–	(35,128)	(35,128)
Depreciation charge	(661)	(138,400)	(139,061)
Impairment	–	(4,227)	(4,227)
As at 31 December 2022 and 1 January 2023	20,332	196,867	217,199
Additions	–	50,586	50,586
Reductions as a result of termination of leases	–	(18,087)	(18,087)
Depreciation charge	(661)	(107,086)	(107,747)
Impairment	–	(449)	(449)
As at 31 December 2023	**19,671**	**121,831**	**141,502**

At 31 December 2023, the Group's leasehold land with a net carrying amount of approximately RMB19,671,000 (2022: RMB20,332,000) was pledged to secure general banking facilities granted to the Group (note 24(a)).

14. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	**198,515**	243,495
New leases	**50,586**	129,786
Reductions as a result of termination of leases	**(17,961)**	(37,535)
Accretion of interest recognised during the year	**5,574**	9,441
Covid-19-related rent concessions from lessors	**–**	(977)
Payments	**(117,290)**	(145,695)
Carrying amount at 31 December	**119,424**	198,515
Analysed into:		
Current portion	**71,589**	109,637
Non-current portion	**47,835**	88,878

	2023 RMB'000	2022 RMB'000
Analysed into:		
Lease liabilities repayable:		
Within one year	**71,589**	109,637
In the second year	**35,160**	59,263
In the third to fifth years, inclusive	**12,675**	29,615
Total	**119,424**	198,515

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

The Group applied the practical expedient to all eligible Covid-19-related rent concessions granted by the lessors during the year ended 31 December 2022.

As at 31 December 2022, included in the current lease liabilities is an amount of RMB4,809,000 due to the Group's related party.

14. LEASES (continued)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	**5,574**	9,441
Depreciation charge of right-of-use assets	**107,747**	139,061
Loss/(gain) on termination of leases, net	**126**	(2,407)
Expense relating to short-term leases (included in selling and distribution expenses and administrative expenses)	**58,072**	36,290
Covid-19-related rent concessions from lessors	**–**	(977)
Impairment of right-of-use assets	**449**	4,227
Total amount recognised in profit or loss	**171,968**	185,635

(d) The total cash outflow for leases is disclosed in note 29(c) to the financial statements.

15. INTANGIBLE ASSETS

	Software *RMB'000*	Trademarks *RMB'000*	Total *RMB'000*
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation	**36,917**	**1,674**	**38,591**
Transfers	**19,563**	**–**	**19,563**
Amortisation provided during the year	**(6,800)**	**(563)**	**(7,363)**
Exchange realignment	**–**	**16**	**16**
At 31 December 2023	**49,680**	**1,127**	**50,807**
At 31 December 2023:			
Cost	**80,617**	**3,600**	**84,217**
Accumulated amortisation	**(30,937)**	**(2,473)**	**(33,410)**
Net carrying amount	**49,680**	**1,127**	**50,807**
31 December 2022			
Cost at 1 January 2022, net of accumulated amortisation	41,655	1,656	43,311
Additions	459	696	1,155
Transfers	365	–	365
Amortisation provided during the year	(5,562)	(755)	(6,317)
Exchange realignment	–	77	77
At 31 December 2022	36,917	1,674	38,591
At 31 December 2022:			
Cost	61,054	3,600	64,654
Accumulated amortisation	(24,137)	(1,926)	(26,063)
Net carrying amount	36,917	1,674	38,591

16. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 RMB'000	2022 RMB'000
Equity investment designated at fair value through other comprehensive income		
Unlisted equity investment, at fair value		
EUME Branding Management (Ningbo) Co., Ltd.	**4,540**	6,390

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature.

17. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	**155**	761
Decorations	**7,526**	12,212
Finished goods	**559,001**	670,520
Total	**566,682**	683,493

18. TRADE AND NOTES RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	**726,788**	755,334
Notes receivable	**51,590**	44,840
Total	**778,378**	800,174
Impairment of trade receivables	**(443,853)**	(438,517)
Net carrying amount	**334,525**	361,657

18. TRADE AND NOTES RECEIVABLES (continued)

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.

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

	2023 ***RMB'000***	2022 *RMB'000*
Less than 3 months	**215,792**	248,563
Between 3 and 6 months	**32,682**	33,976
Between 6 and 12 months	**36,513**	42,743
Between 1 and 2 years	**24,363**	54,036
Over 2 years	**417,438**	376,016
Total	**726,788**	755,334

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 ***RMB'000***	2022 *RMB'000*
At beginning of year	**438,517**	438,143
Impairment losses, net *(note 6)*	**6,955**	7,509
Amount written off as uncollectible	**(1,619)**	(7,135)
At end of year	**443,853**	438,517

18. TRADE AND NOTES RECEIVABLES (continued)

The increase (2022: increase) in the loss allowance was mainly due to the following significant changes in the gross carrying amount:

(i) Increase in the loss allowance of RMB43,180,000 (2022: RMB9,885,000) mainly due to an increase in trade receivables aged over two years;

(ii) Decrease in the loss allowance of RMB36,225,000 mainly due to a decrease in trade receivables aged less than two years (2022: decrease in the loss allowance of RMB517,000 mainly due to a decrease in trade receivables aged less than one year); and

(iii) Decrease in the loss allowance of RMB1,619,000 (2022: RMB7,135,000) as a result of the write-off of certain defaulted trade receivables.

The Group's notes receivable are all aged within six months and were neither past due nor impaired.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2023

	Gross carrying amount *RMB'000*	Expected credit loss rate	Expected credit loss *RMB'000*
Defaulted receivables	**10,798**	**100.00%**	**10,798**
Trade receivables from online channels and self-owned stores	**66,835**	**0.11%**	**73**
Other trade receivables aged:			
Less than 6 months	**182,923**	**3.77%**	**6,903**
Between 7 and 12 months	**35,701**	**7.00%**	**2,500**
Between 1 and 2 years	**23,890**	**70.90%**	**16,938**
Over 2 years	**406,641**	**100.00%**	**406,641**
Total	**726,788**	**61.07%**	**443,853**

18. TRADE AND NOTES RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix: (continued)

As at 31 December 2022

	Gross carrying amount *RMB'000*	Expected credit loss rate	Expected credit loss *RMB'000*
Defaulted receivables	10,994	100.00%	10,994
Trade receivables from online channels and self-owned stores	96,417	0.11%	103
Other trade receivables aged:			
Less than 6 months	191,821	7.14%	13,689
Between 7 and 12 months	40,015	17.17%	6,872
Between 1 and 2 years	51,203	81.98%	41,975
Over 2 years	364,884	100.00%	364,884
Total	755,334	58.06%	438,517

As at 31 December 2023, the Group discounted certain notes receivable (the "Discounted Notes") with carrying amounts in aggregate of RMB49,590,000 (2022: RMB44,840,000). The Discounted Notes have a maturity from one to six months (2022: one to six 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 31 December 2023, the Group recognised the proceeds received from the discount of the Discounted Notes with an amount of RMB49,590,000 (2022: RMB44,840,000) as short-term loans, because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Notes.

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 *RMB'000*	2022 *RMB'000*
Other receivables	**275,846**	280,880
Prepaid expenses	**29,384**	22,831
Prepayments	**42,231**	55,118
Tax recoverable	**20,016**	30,139
Others	**–**	765
	367,477	389,733
Impairment	**(136,172)**	(138,438)
Total	**231,305**	251,295

Other receivables mainly represent deposits and advances to third parties. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. As at 31 December 2023, except for the defaulted other receivables of RMB135,291,000 (2022: RMB138,252,000), the probability of default applied ranged from 0.05% to 2.00% (2022: 0.05% to 2.00%) and the loss given default was estimated to be 100% (2022: 100%). In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied where there were no comparable companies as at 31 December 2023 was 2.00% (2022: 2.00%).

Included in the prepayments, other receivables and other assets are prepayments of RMB14,183,000 (2022: RMB24,670,000) to the Group's related party.

The movements in the loss allowance for impairment of other receivables were as follows:

	2023 *RMB'000*	2022 *RMB'000*
At beginning of year	**138,438**	134,612
Impairment losses, net	**534**	1,487
Amount written off as uncollectible	**(3,382)**	(565)
Exchange realignment	**582**	2,904
Total	**136,172**	138,438

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2023	*2022*
	RMB'000	RMB'000
Cash and bank balances	**192,420**	252,194
Time deposits	**843,045**	1,133,600
Subtotal	**1,035,465**	1,385,794
Less: Pledged time deposits:		
Restricted bank balance	**(711)**	–
Pledged for notes payable *(note 21)*	**(41,994)**	(16,473)
Pledged for letters of credit *(note 24)*	**(19,025)**	(50,000)
Pledged for bank loans *(note 24)*	**(781,315)**	(1,067,127)
Cash and cash equivalents	**192,420**	252,194
Denominated in RMB	**175,606**	228,483
Denominated in US$	**16,645**	23,529
Denominated in HK$	**25**	43
Denominated in MOP	**144**	139
Total	**192,420**	252,194
Pledged time deposits:		
Current	**396,099**	603,954
Non-current	**446,946**	529,646
Total	**843,045**	1,133,600

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and 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. Time deposits are made for varying periods of between one month and two years depending on the maturities of the underlying notes payable, letters of credit and bank loans secured by these deposits, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

At 31 December 2023, the restricted bank balance amounting to RMB711,000 was frozen pursuant to the civil ruling issued by Zhejiang Province Ningbo Yinzhou District People's Court for settlement of trade payable.

21. TRADE AND NOTES PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables	**164,668**	296,666
Notes payable	**209,970**	142,700
Total	**374,638**	439,366

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

	2023 RMB'000	2022 RMB'000
Within 3 months	**153,975**	248,143
3 to 6 months	**3,264**	25,865
6 to 12 months	**1,138**	8,875
1 to 2 years	**4,106**	10,920
Over 2 years	**2,185**	2,863
Total	**164,668**	296,666

Included in the trade and notes payables are trade payables of RMB2,083,000 (2022: RMB1,080,000) 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.

The Group's notes payable amounting to RMB209,970,000 (2022: RMB142,700,000) as at the end of the reporting period are secured by the pledge of certain of the Group's time deposits amounting to RMB41,994,000 (2022: RMB16,473,000) (note 20).

22. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	2023 *RMB'000*	2022 *RMB'000*
Short-term advances received from customers		
Sale of products	**17,262**	46,312
Loyalty points programme	**3,937**	2,735
Total	**21,199**	49,047

Contract liabilities include short-term advances received to deliver products. The decrease in contract liabilities in 2023 was mainly due to the decrease in short-term advances received from customers in relation to the sale of products at the end of the year.

23. OTHER PAYABLES AND ACCRUALS

	2023 *RMB'000*	2022 *RMB'000*
Other payables	**133,993**	87,714
Accrued payroll	**49,733**	62,792
Accrued expenses	**48,565**	36,264
Taxes payable other than corporate income tax	**22,741**	17,019
Total	**255,032**	203,789

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

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2023			31 December 2022		
	Effective interest rate	Maturity	*RMB'000*	Effective interest rate	Maturity	*RMB'000*
Current						
Current portion of long-term bank loans – secured *(note (a))*	5-year LPR*	Within 2024	25,805	5-year LPR	Within 2023	22,450
Current portion of long-term US$29,600,000 bank loan – secured *(note (b))*	3-month LIBOR* plus 1.14%	Within 2024	34,325	3-month LIBOR plus 1.14%	Within 2023	20,615
Bank loans – secured *(note (c))*	3.20% -3.25%	Within 2024	244,569	3.15% -3.70%	Within 2023	387,194
Discounted notes receivable – secured *(note (d))*	–	Within 2024	100,000	–	Within 2023	215,980
Discounted letter of credit – secured *(note (e))*	2.50%	Within 2024	37,650	1.48%	Within 2023	100,000
Bank loans – unsecured	3.40% -3.85%	Within 2024	240,520	3.45% -3.70%	Within 2023	262,841
Discounted notes receivable – unsecured	–	Within 2024	99,590	–	Within 2023	44,840
Discounted letter of credit – unsecured	2.80% -3.50%	Within 2024	105,000	2.00% -3.24%	Within 2023	130,084
Total – current			887,459			1,184,004
Non-current						
Bank loans – secured *(note (a))*	5-year LPR	2025 -2028	87,713	5-year LPR	2024-2028	98,663
US$29,600,000 bank loan – secured *(note (b))*	3-month LIBOR plus 1.14%	Within 2025	154,615	3-month LIBOR plus 1.14%	2024-2025	185,573
Bank loans – secured *(note (c))*	3.40%	Within 2025	200,024	3.25% – 3.40%	2024-2025	304,000
Total – non-current			442,352			588,236
Total			1,329,811			1,772,240

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

	2023 RMB'000	2022 RMB'000
Analysed into:		
Bank loans and other borrowings repayable:		
Within one year or on demand	**887,459**	1,184,004
In the second year	**380,444**	159,986
In the third to fifth years, inclusive	**61,908**	419,387
Beyond five years	**–**	8,863
Total	**1,329,811**	1,772,240

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

Notes:

(a) The bank loans of RMB113,518,000 (2022: RMB121,113,000) 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 RMB19,671,000 (2022: RMB20,332,000) (note 14(a)).

(b) The US$29,600,000 bank loan is secured by the pledge of certain of the Group's time deposits amounting to approximately RMB228,962,000 (2022: RMB236,832,000) (note 20).

(c) The bank loans of RMB444,593,000 (2022: RMB691,194,000) are secured by the pledge of certain of the Group's time deposits amounting to approximately RMB476,818,000 (2022: RMB758,715,000) (note 20).

(d) The discounted notes receivable of RMB100,000,000 (2022: RMB215,980,000) are secured by the pledge of certain of the Group's time deposits amounting to approximately RMB75,535,000 (2022: RMB71,580,000) (note 20).

(e) The discounted letter of credit of RMB37,650,000 (2022: RMB100,000,000) is secured by the pledge of certain of the Group's time deposits amounting to approximately RMB19,025,000 (2022: RMB50,000,000) (note 20).

(f) Except for the bank loan of US$29,600,000 (2022: US$29,600,000) which is denominated in US$, all loans are in RMB.

25. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Impairment of trade and other receivables RMB'000	Impairment of inventories RMB'000	Provision of sales return RMB'000	Accrued employee benefits RMB'000	Accrued sales rebate RMB'000	Accrued expenses RMB'000	Decelerated depreciation for tax purposes RMB'000	Impairment of property, plant and equipment RMB'000	Lease liabilities RMB'000	Unrealised profit from inter-company transactions RMB'000	Tax losses RMB'000	Total deferred tax assets RMB'000
At January 2022	134,123	30,854	17,031	5,389	7,158	9,284	2,962	892	53,659	843	14,353	276,548
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	184	(5,957)	(1,473)	(869)	(7,158)	(359)	(2,574)	(22)	(11,012)	285	12,091	(16,864)
At 31 December 2022 and 1 January 2023	134,307	24,897	15,558	4,520	–	8,925	388	870	42,647	1,128	26,444	259,684
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	(1,267)	(7,909)	4,417	480	–	3,216	(388)	(492)	(16,774)	(1,128)	(5,173)	(25,018)
At 31 December 2023	**133,040**	**16,988**	**19,975**	**5,000**	**–**	**12,141**	**–**	**378**	**25,873**	**–**	**21,271**	**234,666**

25. DEFERRED TAX (continued)

The movements in deferred tax assets and liabilities during the year are as follows: (continued)

Deferred tax liabilities

	Decelerated depreciation for tax purposes *RMB'000*	Right-of-use assets *RMB'000*	Withholding taxes *RMB'000*	Total *RMB'000*
At 1 January 2022	–	53,814	38,739	92,553
Deferred tax credited to profit or loss during the year *(note 10)*	–	(11,190)	–	(11,190)
At 31 December 2022 and 1 January 2023	–	42,624	38,739	81,363
Deferred tax charged/(credited) to profit or loss during the year *(note 10)*	2,573	(17,692)	833	(14,286)
Settlement during the year	–	–	(5,500)	(5,500)
At 31 December 2023	**2,573**	**24,932**	**34,072**	**61,577**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2023 ***RMB'000***	2022 *RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**209,734**	217,402
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(36,645)**	(39,081)
	173,089	178,321

25. DEFERRED TAX (continued)

Deferred tax assets have not been recognised in respect of the following items:

	2023	2022
	RMB'000	*RMB'000*
Tax losses	**59,487**	67,644
Deductible temporary differences	**59,049**	42,526
	118,536	110,170

The Group has tax losses arising in Chinese Mainland of RMB43,464,000 (2022: RMB62,841,000) that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose.

The Group has tax losses arising in Macau of RMB68,000 (2022: RMB4,803,000) that will expire in one to three years for offsetting against future taxable profits of GXG Macau in which the losses arose.

The Group also has tax losses arising in Hong Kong of RMB15,955,000 (2022: Nil) that will expire in one to five years for offsetting against future taxable profits of Joy Sonic in which the losses arose.

Deferred tax assets have not been recognised in respect of the above items as they have arisen in subsidiaries which have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated since 1 January 2008. The applicable rate is 5% for the Group.

At 31 December 2023, deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of RMB681,450,000 (2022: RMB774,790,000) that are subject to withholding taxes of the Group's subsidiaries established in Chinese Mainland. The aggregate amount of temporary differences associated with investments in subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB77,114,000 at 31 December 2023 (2022: RMB21,791,000). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future due to the Group's business development in Chinese Mainland.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

26. SHARE CAPITAL

	2023	2022
	RMB'000	*RMB'000*
Authorised:		
10,000,000,000 (2022: 10,000,000,000) ordinary shares of HK$0.01 each	**88,181**	88,181
Issued and fully paid:		
950,000,000 (2022: 950,000,000) ordinary shares of HK$0.01 each	**8,343**	8,343

27. SHARE AWARD SCHEME

The Company operates an RSU Scheme for the purpose to incentivise executives for their contribution to the Group and to motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group. Eligible participants of the RSU Scheme include the 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 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.

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.

The board of directors 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 of directors 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.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the RSU Scheme as an equity-settled plan.

27. SHARE AWARD SCHEME (continued)

The following RSUs were outstanding under the RSU Scheme during the year:

	2023 Weighted average exercise price *HK$ per share*	**2023** Number of shares *'000*	2022 Weighted average exercise price *HK$ per share*	2022 Number of shares *'000*
At 1 January	**2.634**	**11,400**	2.634	11,900
Cancelled/forfeited during the year	**2.634**	**(900)**	2.634	(500)
At 31 December		**10,500**		11,400

During the year, no share award expense (2022: Nil) was charged to profit or loss.

28. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statement of changes in equity on pages 58 to 59 of the financial statements.

Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

Statutory surplus reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currency is not RMB.

Merger reserve

The merger reserve represents the paid-up capital and capital reserve of the subsidiaries acquired by the Company pursuant to the reorganisation. Additionally, it also includes the difference of the consideration and the changes in the carrying amount of non-controlling interests.

28. RESERVES (continued)

Capital reserve

The capital reserve of the Group represents the share premium contributed by the shareholders of the Company.

Fair value reserve

The fair value reserve represents the fair value change of equity investment at fair value through other comprehensive income.

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB50,586,000 (2022: RMB129,786,000) and RMB50,586,000 (2022: RMB129,786,000), respectively, in respect of lease arrangements for shopping malls, standalone stores, warehouses and offices.

During the year, the Group had non-cash reductions to right-of-use assets and lease liabilities of RMB18,087,000 (2022: RMB35,128,000) and RMB17,961,000 (2022: RMB37,535,000), respectively, in respect of termination of leases for certain shopping malls and standalone stores.

(b) Changes in liabilities arising from financing activities

Interest-bearing bank and other borrowings

	2023 ***RMB'000***	2022 *RMB'000*
At beginning of year	**1,772,240**	1,059,560
Changes from financing cash flows:		
Proceeds from bank and other borrowings	**1,005,586**	1,943,311
Repayment of bank and other borrowings	**(1,404,597)**	(1,223,079)
Interest paid	**(64,185)**	(49,223)
Non-cash changes:		
Discounted notes receivable derecognised on maturity	**(44,840)**	(77,320)
Interest expense	**62,217**	52,501
Deferred finance charges	**–**	1,138
Foreign exchange movement	**3,390**	65,352
At end of year	**1,329,811**	1,772,240

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

Lease liabilities

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**198,515**	243,495
Changes from financing cash flows:		
Principal portion of lease payments	**(111,716)**	(136,254)
Interest paid	**(5,574)**	(9,441)
Non-cash changes:		
New leases	**50,586**	129,786
Interest expense	**5,574**	9,441
Covid-19-related rent concessions from lessors	**–**	(977)
Reduction as a result of termination of leases	**(17,961)**	(37,535)
At end of year	**119,424**	198,515

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within operating activities	**58,072**	36,290
Within financing activities	**117,290**	145,695
Total	**175,362**	181,985

30. CONTINGENT LIABILITIES

The Company entered into a joint venture agreement (the "JV Agreement") with Million Success Resources Limited ("Million Success") with effect from 2 December 2019 to establish a joint venture company in the PRC. On 30 July 2020, the Company received a letter (the "Letter") from the PRC legal advisers to Million Success asserting, among other things, termination of the JV Agreement, breach of the JV Agreement by the Company and a claim for liquidated damages of RMB50,000,000. The Company does not accept any allegations made in the Letter and intends to rigorously defend its rights under the JV Agreement and any proceedings that may be brought by Million Success. The directors, based on the advice from the Group's PRC legal counsel and the current circumstances known to them, have grounds to believe that the Company has a valid defence against the allegation and, accordingly, the Group has not provided for any claim arising from the allegation.

31. COMMITMENTS

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

	2023	2022
	RMB'000	*RMB'000*
Buildings	**83,635**	40,210
Software	**–**	6,240
Total	**83,635**	46,450

32. RELATED PARTY TRANSACTIONS

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

Name	**Relationship**
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
Huai'an Chisage Industrial Co., Ltd. ("Huai'an Chisage Industrial")	An entity controlled by a director
Chisage Apparel Group Co., Ltd. ("Chisage Apparel")	An entity controlled by a director
Ningbo Wenmo Garment Co., Ltd. ("Wenmo Garment")*	An entity controlled by a director

* Wenmo Garment has ceased to be an entity controlled by a director since 27 January 2022.

32. RELATED PARTY TRANSACTIONS (continued)

(a) The Group had the following transactions with related parties during the year:

	Notes	2023 RMB'000	2022 RMB'000
Purchases of products from:			
Ningbo Chisage Industrial	(i)	**26,019**	36,304
Chisage Apparel	(i)	**16,033**	–
Huai'an Chisage Industrial	(i)	**3,866**	6,648
Depreciation of right-of-use assets:			
Songhe Apparel	(ii)	**4,594**	4,594
Wenmo Garment	(ii)	**–**	491
Interest expense on lease liabilities:			
Songhe Apparel	(ii)	**75**	293
Wenmo Garment	(ii)	**–**	200

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 relating to the leases of warehouses and offices from related parties pursuant to the terms of the agreements signed between the Group and the related parties. The Group's lease liabilities due to the related parties are included in note 14(b) to the financial statements.

(b) Outstanding balances with related parties:

(i) Trade payables

	2023 RMB'000	2022 RMB'000
Ningbo Chisage Industrial	**1,993**	–
Huai'an Chisage Industrial	**90**	1,080
Total	**2,083**	1,080

32. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties: (continued)

(ii) Prepayments, other receivables and other assets

	2023 RMB'000	2022 RMB'000
Chisage Apparel	**14,183**	–
Ningbo Chisage Industrial	–	24,670
Total	**14,183**	24,670

(iii) Lease liabilities

	2023 RMB'000	2022 RMB'000
Songhe Apparel	–	4,809

The balances with related parties are unsecured, interest-free and repayable on demand, except for the balances detailed elsewhere in notes 14(b), 19 and 21 to the financial statements.

The balances with related parties listed in (i) to (iii) above are trade in nature.

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

	2023 RMB'000	2022 RMB'000
Short-term employee benefits	**15,390**	12,893
Pension scheme contributions	**216**	209
Total compensation paid to key management personnel	**15,606**	13,102

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

The related party transactions in respect of purchases of goods from Ningbo Chisage Industrial, Chisage Apparel and Huai'an Chisage Industrial above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

33. 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

31 December 2023

	Financial assets at fair value through other comprehensive income		
	Equity investment *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Trade and notes receivables	–	334,525	334,525
Equity investment designated at fair value through other comprehensive income	4,540	–	4,540
Financial assets included in prepayments, deposits and other receivables	–	139,674	139,674
Pledged deposits	–	843,045	843,045
Cash and cash equivalents	–	192,420	192,420
Total	4,540	1,509,664	1,514,204

33. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

Financial assets (continued)

31 December 2022

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	Equity investment		
	RMB'000	*RMB'000*	*RMB'000*
Trade and notes receivables	–	361,657	361,657
Equity investment designated at fair value through other comprehensive income	6,390	–	6,390
Financial assets included in prepayments, deposits and other receivables	–	142,442	142,442
Pledged deposits	–	1,133,600	1,133,600
Cash and cash equivalents	–	252,194	252,194
Total	6,390	1,889,893	1,896,283

Financial liabilities at amortised cost

	2023	2022
	RMB'000	*RMB'000*
Trade and notes payables	**374,638**	439,366
Financial liabilities included in other payables and accruals	**182,558**	123,978
Interest-bearing bank and other borrowings	**1,329,811**	1,772,240
Total	**1,887,007**	2,335,584

34. 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 assessed that the fair values of cash and cash equivalents, pledged 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 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.

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 and other 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 and other borrowings as at 31 December 2023 were assessed to be insignificant.

The fair value of unlisted equity investment designated at fair value through other comprehensive income has been estimated using the discounted cash flow method based on assumptions that are not supported by observable market prices or rates. The directors believe that the estimated fair value resulting from the valuation technique, which is recorded in the consolidated statement of financial position, and the related change in fair values, which is recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period. For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2023:

	Valuation technique	Significant unobservable input	Range (weighted average)	Sensitivity of fair value to the input
Unlisted equity investment	Discounted cash flow method	Weighted average cost of capital rate	15% (2022: 15.00%)	1% increase/(decrease) in weighted average cost of capital rate would result in a (decrease)/ increase in fair value by RMB(281,000)/ RMB327,000 (2022: RMB(447,000)/ RMB529,000)
		Discounts for lack of marketability rate	30% (2022: 30.00%)	5% increase/(decrease) in discounts for lack of marketability rate would result in a (decrease)/ increase in fair value by RMB(324,000)/ RMB324,000 (2022: RMB(457,000)/ RMB457,000)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	**Significant observable inputs (Level 2)** *RMB'000*	**Significant unobservable inputs (Level 3)** *RMB'000*	**Total** **RMB'000**
Equity investment designated at fair value through other comprehensive income	**–**	**–**	**4,540**	**4,540**

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Equity investment designated at fair value through other comprehensive income	–	–	6,390	6,390

The Group did not have any financial liabilities measured at fair value as at 31 December 2023 and 2022.

During the year, 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 (2022: Nil).

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

31 December 2023

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *RMB'000*	(Decrease)/ increase in equity *RMB'000*
US$	**50**	**(943)**	**(943)**
US$	**(50)**	**943**	**943**
RMB	**50**	**(5,706)**	**(5,706)**
RMB	**(50)**	**5,706**	**5,706**

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

31 December 2022

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *RMB'000*	(Decrease)/ increase in equity *RMB'000*
US$	50	(1,031)	(1,031)
US$	(50)	1,031	1,031
RMB	50	(7,830)	(7,830)
RMB	(50)	7,830	7,830

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (arising from foreign currency denominated financial instruments) and the Group's equity (due to exchange differences on translation of foreign operations).

2023

	Increase/ (decrease) in rate of foreign currency *%*	**Increase/ (decrease) in profit before tax** *RMB'000*	**Increase/ (decrease) in equity** *RMB'000*
If the RMB weakens against the US$	**5**	**(6,877)**	**(6,169)**
If the RMB strengthens against the US$	**(5)**	**6,877**	**6,169**
If the RMB weakens against the HK$	**5**	**2**	**2**
If the RMB strengthens against the HK$	**(5)**	**(2)**	**(2)**
If the RMB weakens against the MOP	**5**	**7**	**49**
If the RMB strengthens against the MOP	**(5)**	**(7)**	**(49)**

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

2022

	Increase/ (decrease) in rate of foreign currency *%*	Increase/ (decrease) in profit before tax *RMB'000*	Increase/ (decrease) in equity *RMB'000*
If the RMB weakens against the US$	5	(7,617)	(7,510)
If the RMB strengthens against the US$	(5)	7,617	7,510
If the RMB weakens against the HK$	5	2	2
If the RMB strengthens against the HK$	(5)	(2)	(2)
If the RMB weakens against the MOP	5	7	35
If the RMB strengthens against the MOP	(5)	(7)	(35)

Credit risk

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of senior management.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	726,788	726,788
Notes receivable**	51,590	–	–	–	51,590
Financial assets included in prepayments, other receivables and other assets					
– Normal**	140,555	–	–	–	140,555
– Doubtful**	–	–	135,291	–	135,291
Pledged deposits					
– Not yet past due	843,045	–	–	–	843,045
Cash and cash equivalents					
– Not yet past due	192,420	–	–	–	192,420
Total	1,227,610	–	135,291	726,788	2,089,689

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade receivables*	–	–	–	755,334	755,334
Notes receivable**	44,840	–	–	–	44,840
Financial assets included in prepayments, other receivables and other assets					
– Normal**	142,628	–	–	–	142,628
– Doubtful**	–	–	138,252	–	138,252
Pledged deposits					
– Not yet past due	1,133,600	–	–	–	1,133,600
Cash and cash equivalents					
– Not yet past due	252,194	–	–	–	252,194
Total	1,573,262	–	138,252	755,334	2,466,848

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the financial statements.

** The credit quality of the notes receivable and financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 18 and 19 to the financial statements.

Since the Group trades mainly with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by sales channel. At 31 December 2023, the Group had certain concentrations of credit risk as 26.3% (2022: 26.8%) and 43.3% (2022: 44.2%) of the Group's trade receivables were due from the Group's largest debtor and five largest debtors, respectively.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings to meet its working capital requirements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2023					
	On demand *RMB'000*	**Less than 3 months** *RMB'000*	**3 to 12 months** *RMB'000*	**1 to 5 years** *RMB'000*	**Over 5 years** *RMB'000*	**Total** *RMB'000*
Interest-bearing bank and other borrowings	**–**	**196,978**	**724,067**	**461,700**	**–**	**1,382,745**
Trade and notes payables	**–**	**263,266**	**111,372**	**–**	**–**	**374,638**
Financial liabilities included in other payables and accruals	**182,558**	**–**	**–**	**–**	**–**	**182,558**
Lease liabilities	**–**	**23,957**	**52,886**	**48,635**	**–**	**125,478**
Total	**182,558**	**484,201**	**888,325**	**510,335**	**–**	**2,065,419**

	As at 31 December 2022					
	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to 12 months *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Interest-bearing bank and other borrowings	–	337,888	886,585	619,556	9,067	1,853,096
Trade and notes payables	–	204,141	235,225	–	–	439,366
Financial liabilities included in other payables and accruals	123,978	–	–	–	–	123,978
Lease liabilities	–	38,745	76,274	91,976	–	206,995
Total	123,978	580,774	1,198,084	711,532	9,067	2,623,435

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, lease liabilities, trade and notes payables, other payables and accruals and an amount due to a related party, less cash and cash equivalents and pledged deposits. Capital represents equity attributable to the owners of the parent. The gearing ratios as at the end of the reporting period were as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Interest-bearing bank and other borrowings	**1,329,811**	1,772,240
Lease liabilities	**119,424**	198,515
Trade and notes payables	**374,638**	439,366
Other payables and accruals	**255,032**	203,789
Less: Cash and cash equivalents	**(192,420)**	(252,194)
Pledged deposits	**(843,045)**	(1,133,600)
Net debt	**1,043,440**	1,228,116
Equity attributable to owners of the parent	**710,803**	684,398
Capital and net debt	**1,754,243**	1,912,514
Gearing ratio	**59%**	64%

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Intangible assets	**6**	7
Investments in subsidiaries	**1,267,447**	3,399,716
Total non-current assets	**1,267,453**	3,399,723
CURRENT ASSETS		
Prepayments, other receivables and other assets	**1,253**	1,319
Due from subsidiaries	**389**	2,415
Pledged deposits	**4,193**	4,123
Cash and cash equivalents	**10,706**	18,505
Total current assets	**16,541**	26,362
CURRENT LIABILITIES		
Other payables and accruals	**695**	1,510
Interest-bearing bank and other borrowings	**34,325**	20,615
Due to a subsidiary	**563,202**	523,696
Total current liabilities	**598,222**	545,821
NET CURRENT LIABILITIES	**(581,681)**	(519,459)
TOTAL ASSETS LESS CURRENT LIABILITIES	**685,772**	2,880,264
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**154,615**	185,537
Net assets	**531,157**	2,694,727
EQUITY		
Share capital	**8,343**	8,343
Reserves *(note)*	**522,814**	2,686,384
Total equity	**531,157**	2,694,727

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Information about the statement of financial position of the Company at the end of the reporting period is as follows: (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account *RMB'000*	Capital reserve *RMB'000*	Share award reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	(Accumulated losses)/retained profits *RMB'000*	Total equity *RMB'000*
At 1 January 2022	734,670	765,317	22,284	(143,343)	2,036,718	3,415,646
Total comprehensive loss for the year	–	–	–	280,458	(1,009,720)	(729,262)
Transfer of share award reserve upon the cancellation/forfeiture of share options	–	–	(903)	–	903	–
At 31 December 2022 and 1 January 2023	734,670	765,317	21,381	137,115	1,027,901	2,686,384
Total comprehensive loss for the year	–	–	–	34,466	(2,198,036)	(2,163,570)
Transfer of share award reserve upon cancellation/forfeiture of share options	–	–	(1,625)	–	1,625	–
At 31 December 2023	**734,670**	**765,317**	**19,756**	**171,581**	**(1,168,510)**	**522,814**

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2024.

FIVE YEAR FINANCIAL SUMMARY

Results	Year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**2,329,049**	2,326,281	2,695,234	2,861,496	3,721,376
Gross profit	**1,212,183**	1,137,906	1,327,871	1,224,655	1,798,735
Profit/(loss) before tax	**51,809**	21,630	(104,370)	(291,271)	322,862
Income tax (expense)/credit	**(14,564)**	(12,279)	13,027	(7,921)	(114,694)
Profit/(loss) for the year	**37,245**	9,351	(91,343)	(299,192)	208,168

Assets, Liabilities and Equity	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**3,014,268**	3,520,160	3,023,323	3,222,214	3,899,888
Total liabilities	**2,302,696**	2,831,682	2,282,849	2,407,500	2,863,463
Total equity	**711,572**	688,478	740,474	814,714	1,036,425