杉杉品牌運營股份有限公司
Shanshan Brand Management Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1749)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

AUDITED ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Shanshan Brand Management Co., Ltd. (the "**Company**") hereby announces the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 (the "**Year**"), together with the comparative figures for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	2019 RMB	2018 RMB
Revenue	5	**1,036,439,097**	1,025,285,807
Cost of sales		**(454,013,907)**	(429,526,121)
Gross profit		**582,425,190**	595,759,686
Other revenue		**4,874,917**	4,055,635
Other gains and losses		**(4,706,603)**	(467,343)
Selling and distribution expenses		**(520,685,505)**	(479,552,238)
Administrative expenses		**(50,652,842)**	(46,088,081)
Impairment loss on trade receivables, net		**(13,593,529)**	(2,500,774)
Impairment loss on other receivables, net		**(956,426)**	—
Finance costs		**(18,199,298)**	(15,241,007)
Share of results of associates		**2,283,711**	4,950,482
Listing expenses		**—**	(13,254,412)
(Loss)/profit before income tax	6	**(19,210,385)**	47,661,948
Income tax expense	8	**(3,967,997)**	(11,994,103)
(Loss)/profit and total comprehensive income for the year		**(23,178,382)**	35,667,845
(Loss)/profit and total comprehensive income for the year attributable to:			
— Owners of the Company		**(16,312,171)**	36,210,435
— Non-controlling interests		**(6,866,211)**	(542,590)
		(23,178,382)	35,667,845
(Loss)/earnings per share attributable to the owners of the Company			
— Basic and dilutive (RMB)	9	**(0.12)**	0.31

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**2019** **RMB**	2018 *RMB*
Non-current assets			
Property, plant and equipment		**57,877,771**	61,058,944
Right-of-use assets		**67,432,907**	—
Intangible assets		**3,803,852**	2,729,691
Interests in associates		**51,157,988**	54,781,061
Prepayments, deposits and other receivables	*11*	**13,816,840**	11,866,413
Deferred tax assets		**18,599,089**	15,465,667
Total non-current assets		**212,688,447**	145,901,776
Current assets			
Inventories		**503,447,118**	461,778,367
Trade and bills receivables	*10*	**188,092,076**	183,246,509
Prepayments, deposits and other receivables	*11*	**60,602,046**	82,276,312
Amount due from immediate holding company		**433,200**	2,870,187
Amounts due from fellow subsidiaries		**156,541**	2,514,500
Income tax recoverable		**2,455,174**	—
Pledged deposits		**33,556,150**	31,540,000
Cash and cash equivalents		**137,475,542**	145,398,494
Total current assets		**926,217,847**	909,624,369

	Notes	**2019**	2018
		RMB	*RMB*
Current liabilities			
Trade and bills payables	*12*	**229,871,356**	218,120,737
Contract liabilities	*13*	**29,326,585**	19,276,709
Other payables and accruals	*14*	**241,361,254**	236,826,765
Interest-bearing bank borrowings	*15*	**180,000,000**	260,000,000
Amount due to immediate holding company		**100,000,000**	—
Amount due to an associate		**83,648**	91,188
Amount due to a fellow subsidiary		**—**	500,000
Amount due to a non-controlling shareholder of a subsidiary		**9,812,410**	3,200,000
Lease liabilities		**23,362,334**	—
Income tax payables		**—**	7,238,341
Total current liabilities		**813,817,587**	745,253,740
Net current assets		**112,400,260**	164,370,629
Total assets less current liabilities		**325,088,707**	310,272,405
Non-current liabilities			
Deferred tax liabilities		**533,688**	—
Lease liabilities		**41,935,819**	—
Total non-current liabilities		**42,469,507**	—
Net assets		**282,619,200**	310,272,405
Capital and reserves			
Share capital	*16*	**133,400,000**	133,400,000
Reserves		**134,037,141**	154,824,135
		267,437,141	288,224,135
Non-controlling interests		**15,182,059**	22,048,270
Total equity		**282,619,200**	310,272,405

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

Ningbo Shanshan Garment Brand Management Co., Ltd ("**Shanshan Garment Brand**"), the predecessor of the Company, was established as a limited liability company in the People's Republic of China ("**PRC**") on 23 August 2011. On 18 May 2016, Shanshan Garment Brand was converted into a joint stock company with limited liability and renamed as Shanshan Brand Management Co., Ltd. The address of its registered office and principal place of business is No. 238, Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, PRC. The Company's overseas-listed foreign shares (the "**H Shares**") have been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 27 June 2018.

The Group is principally engaged in the design, marketing and sale of formal and casual business menswear in the PRC.

At the date of this announcement, in the opinion of the Directors, the Company's immediate and ultimate holding companies are Ningbo Shanshan Co., Ltd. ("**Shanshan**") and Shanshan Holding Co., Ltd. ("**Shanshan Holding**") respectively, both of which were established in the PRC. The issued shares of Shanshan are listed and traded on the Shanghai Stock Exchange.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective on 1 January 2019

The Hong Kong Institute of Certified Public Accountants ("**HKICPA**") has issued a number of new/revised HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features and Negative Compensation
- Amendments to Hong Kong Accounting Standard ("**HKAS**") 19, Plan Amendment, Curtailment or Settlement
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015–2017 Cycle

The impact of the adoption of HKFRS 16 Leases has been summarised in below. The other new/revised HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("**HKAS 17**"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	RMB
Right-of-use assets	43,818,629
Less: rental prepayments	(5,901,670)
Total assets	37,916,959
Lease liabilities (non-current)	28,313,996
Lease liabilities (current)	9,602,963
Total liabilities	37,916,959

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019:

	RMB
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as of 31 December 2018	64,118,520
Less: exemption for short-term leases	(16,717,746)
Less: leases of low-value assets	(20,683)
Less: rental prepayment paid prior to 1 January 2019	(5,901,670)
Operating lease liabilities before discounting at 31 December 2018	41,478,421
Effect of discounting at the incremental borrowing rate at 1 January 2019	(3,561,462)
Total lease liabilities as of 1 January 2019	37,916,959

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 is 5.45%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets (the Group has leased mobile phones, laptop computers and photocopying machines) and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term. For other leases, the Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use assets

The right-of-use assets should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("**HKFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g. a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are recognised at initial recognition and over the lease terms on a net basis.

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use assets at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified as operating leases under HKAS 17 at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before 1 January 2019.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease; (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4; and (iii) the Group relied on the previous assessment as at 31 December 2018 as an alternative to performing an impairment review.

Refundable rental deposits

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. There is no material adjustment to fair value of the rental deposits at initial recognition.

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKAS 19 — Plan Amendments, Curtailment or Settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

Annual Improvements to HKFRSs 2015–2018 Cycle — Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2018 Cycle — Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2018 Cycle — Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015–2018 Cycle –Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Amendments to HKAS 28 — Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("**LTI**") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 Effective for annual periods beginning on or after 1 January 2020

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

Amendments to HKFRS 3 — Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process". Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 — Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Companies Ordinance, Chapter 622 of the laws of Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

(b) Basis of measurement and going concern assumption

The consolidated financial statements have been prepared under the historical cost except for bills receivables, which are stated at fair value, at the end of each reporting period.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company and its subsidiaries.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing the consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2018 annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 16 as described in note 3 above.

5. SEGMENT INFORMATION AND REVENUE

(a) Reportable segment

During the Year, the information reported to the executive Directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, is the financial information of the Group as a whole as reported under HKFRSs. Such information does not contain profit or loss information of particular product or service line or geographical area. Therefore, the executive Directors have determined that the Group has only one single reportable segment which is trading of garments in the PRC. The executive Directors allocate resources and assess performance on an aggregated basis.

(b) Geographic information

During the Year, the Group's operations and non-current assets are situated in the PRC in which all of its revenue was derived.

(c) Information about major customer

During the Year, there is no customer with transactions exceeded 10% of the Group's revenue.

(d) Revenue

	2019	2018
	RMB	*RMB*
Sale of goods	**1,022,288,154**	1,012,140,760
Trademark of sub-licensing income	**14,150,943**	13,145,047
	1,036,439,097	1,025,285,807

6. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging:

	2019	2018
	RMB	*RMB*
Auditor's remuneration	**896,835**	975,329
Advertising and promotional expenses	**38,746,968**	42,510,373
Amortisation of intangible assets	**410,490**	305,405
Depreciation on property, plant and equipment	**43,610,146**	29,085,652
Depreciation of right-of-use assets	**30,168,797**	—
Impairment loss on trade receivables, net	**13,593,529**	2,500,774
Impairment loss on other receivables, net	**956,426**	—
Cost of inventories sold	**454,013,907**	429,526,121
Expenses relating to leases of low value assets	**33,928**	—
Expenses relating to short-term leases	**26,471,721**	—
Expenses relating to variable lease payment *(note i)*	**5,238,825**	12,166,837
Lease payments under operating leases:		
– minimum lease payments	**—**	48,186,152
Trademark payments *(note ii)*	**1,176,744**	903,313
Staff cost	**99,549,579**	96,316,714

Notes:

(i) Expenses relating to variable lease payment represents the leases of retail stores contain variable lease payment that are based on 11% to 35% sales.

(ii) Trademark payments represent the payment made to a non-controlling shareholder of a subsidiary for the use of "Lubiam" trademark.

7. DIVIDENDS

On 5 June 2019, the Board recommended to distribute the final dividend of RMB0.06 per ordinary share of the Company (the "**Share**") for the shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company on 18 June 2019. Total final dividend of RMB8,004,000 was paid to the Shareholders on 31 July 2019.

The Board does not recommend the payment of any final dividend for the Year (2018: RMB0.06 per Share (tax inclusive) and which was not reflected as a dividend payable in the audited financial statements of 2018).

8. INCOME TAX EXPENSE

Enterprise income tax ("**EIT**") has been provided at the rate of 25% (2018: 25%) on the estimated assessable profit for the years arising from the PRC.

The amounts of income tax expense in the consolidated statements of comprehensive income represent:

	2019	2018
	RMB	*RMB*
Income tax		
— for current year	**5,456,021**	14,781,152
— under provision in respect of prior years	**1,111,710**	—
	6,567,731	14,781,152
Deferred tax	**(2,599,734)**	(2,787,049)
	3,967,997	11,994,103

9. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the Year of RMB16,312,171 (2018: profit attributable to owners of the Company of RMB36,210,435) and the weighted average of 133,400,000 Shares (2018: 117,111,781 Shares) in issue during the Year.

Diluted (loss)/earnings per share

There were no potential dilutive ordinary shares outstanding during the years ended 31 December 2019 and 2018, and hence the diluted (loss)/earnings per share is the same as basic (loss)/earnings per share.

10. TRADE AND BILLS RECEIVABLES

	2019	2018
	RMB	*RMB*
Trade receivables	**254,889,390**	234,510,988
Bills receivables	**2,878,940**	4,818,246
Less: Provision for impairment	**(69,676,254)**	(56,082,725)
	188,092,076	183,246,509

Included in trade and bills receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, as of the end of reporting period.

	2019	2018
	RMB	*RMB*
Within 3 months	**119,371,094**	113,428,898
Over 3 months but within 6 months	**33,400,253**	33,900,577
Over 6 months but within 1 year	**33,844,556**	31,615,880
Over 1 year	**1,476,173**	4,301,154
	188,092,076	183,246,509

The Group offers a general credit period from 30 to 240 days on sale of goods to customers while, business partners with strong financial background may be offered longer credit terms.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	RMB	*RMB*
Prepayments *(Note i)*	**56,077,763**	64,833,190
Deposits and other receivables *(Note ii)*	**19,960,835**	29,972,821
Less: Provision for impairment	**(1,619,712)**	(663,286)
	74,418,886	94,142,725
Less: Non-current portion included in prepayments, deposits and other receivables	**(13,816,840)**	(11,866,413)
	60,602,046	82,276,312

Note i: Prepayments mainly consist of refundable earnest money paid to original equipment manufacturer ("**OEM**") suppliers amounting to RMB16,244,121 (2018: RMB34,929,131), prepayment to suppliers for the supply of inventories amounting to RMB8,648,059 (2018: RMB4,755,206) and other prepayment consist of prepaid rents, prepayment for the fitting out of retail outlets and others.

Note ii: Deposits and other receivables mainly represent refundable earnest money paid to the shopping malls and online platform operators and advances paid to franchisees.

Movements in provision for impairment are as follows:

	2019	2018
	RMB	*RMB*
At beginning of year	**663,286**	663,286
Charge for the year, net	**956,426**	—
At end of year	**1,619,712**	663,286

12. TRADE AND BILLS PAYABLES

	2019	2018
	RMB	*RMB*
Bank acceptance bills	**80,700,000**	78,850,000
Trade payables	**149,171,356**	139,270,737
	229,871,356	218,120,737

The trade payables are normally due to be settled within twelve months. The ageing analysis, based on invoice date is as follows:

	2019	2018
	RMB	*RMB*
Within 3 months	**112,360,646**	135,144,803
Over 3 months but within 6 months	**25,435,206**	2,432,881
Over 6 months but within 1 year	**8,560,070**	611,585
Over 1 year	**2,815,434**	1,081,468
	149,171,356	139,270,737

13. CONTRACT LIABILITIES

	2019	2018
	RMB	*RMB*
Contract liabilities arising from:		
Sale of goods	**29,326,585**	19,276,709

Movements in contract liabilities

	2019	2018
	RMB	*RMB*
Balance as at 1 January	**19,276,709**	17,980,376
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of year	**(17,252,053)**	(14,982,516)
Increase in contract liabilities as a result of receipt in advance of sale of goods	**27,301,929**	16,278,849
Balance as at 31 December	**29,326,585**	19,276,709

The contract liabilities primarily relate to the advance consideration received from the customers for trading of garments, revenue from which is recognised when the performance obligation is satisfied by delivering the garments to the customers.

14. OTHER PAYABLES AND ACCRUALS

	2019	2018
	RMB	*RMB*
Other payables and accruals *(Note (i))*	**232,369,776**	226,059,499
Other tax payables	**858,577**	932,432
Refund liabilities *(Note (ii))*	**8,132,901**	9,834,834
	241,361,254	236,826,765

(i): The amounts mainly included the renovation costs payables, deposits received from franchisees and other accrued expenses.

(ii): Refund liabilities are recognised for volume rebate payable to customers.

15. INTEREST-BEARING BANK BORROWINGS

	2019	2018
	RMB	*RMB*
Interest-bearing bank borrowings due for repayment within one year	**180,000,000**	260,000,000

At 31 December 2019, the bank borrowings were unsecured, at fixed interest rate ranges from 5.00% to 5.66% (2018: 4.79% to 5.66%) per annum and repayable within one year.

16. SHARE CAPITAL

	Number of shares	***RMB***
Registered domestic share capital and H Shares		
At 1 January 2018	100,000,000	100,000,000
Issuance of H shares *(note)*	33,400,000	33,400,000
At 31 December 2018 and 31 December 2019	133,400,000	133,400,000

Note: On 27 June 2018 (the "**Listing Date**"), an aggregate of 33,400,000 H Shares of RMB1 each were issued at a price of HK$3.78 per Share (the "**Share Offer**"). The Group raised approximately RMB104,911,782 before any related listing expenses arising from the Share Offer, resulting in an increase in the issued share capital of the Company by RMB33,400,000 and the capital reserve of the Company by RMB61,303,063, which was net off by the related share issue expense of RMB10,208,719.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2019, with the slowdown of global economic growth and increasing uncertainties, China's growth in domestic economy and consumption were slowing down as well. During the Year, the Group continued to follow its strategic plan of recent years, where it continued to improve its product design and cost performance, further optimised and expanded its sales and distribution network, further elevated its brand recognition and awareness by increasing its brand promotion and marketing efforts; strengthened the exploration of the business attire market through ways such as enhancing the customer satisfaction; enhanced the efficiency of every link of its business operations by taking advantage of the innovation and application of the supply chain.

As a fashion brand group deeply engaged in the apparel industry for thirty years, the Group has an extensive distribution network and a strong sales team across most areas in China. The number of retail outlets of the Group increased to 1,280 as at 31 December 2019 from 1,226 (excluding MARCO AZZALI) as at 31 December 2018, including 709 retail outlets under FIRS, 556 retail outlets under SHANSHAN and 15 retail outlets under LUBIAM, representing an increase of approximately 4.4% in the total number of retail outlets under these three brands.

During the Year, faced with various challenges such as the adverse impacts from the economic downturn and the structural adjustments of the apparel industry in the PRC, the Group continued to close certain outlets with unsatisfactory performances and overhaul its distribution network in response to the intense competition of the retail market and the weak consumption sentiment. Furthermore, the Group enhanced its brand image and brand awareness by engaging celebrity endorsements and improved the visual effect by upgrading the existing store image. The Board believes that such initiatives taken by the Group have helped improve and exerted positive influence on the Group's financial results and performance for the Year.

FINANCIAL REVIEW

Revenue

The Group generated revenue primarily from sales to distributors, direct sales and franchisee sales. For the Year, the Group's total revenue increased by approximately 1.1% to RMB1,036.4 million from RMB1,025.3 million for the year ended 31 December 2018 (the "**FY2018**"), primarily attributable to an increase of revenue generated from the brand franchisee cooperation arrangement of the SHANSHAN brand and the sale of business attires. Please refer to the sections headed "Revenue by sales channels" and "Revenue by brands" below for details.

Revenue by sales channels

The breakdown of the total revenue by sales channels is as follows:

	31 December			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Sales to distributors	**136,573**	**13.2**	173,282	16.9
Direct sales				
E-commerce platforms	**97,178**	**9.4**	127,157	12.4
Self-operated retail outlets	**156,714**	**15.1**	155,024	15.1
Franchisee sales				
Cooperative arrangements and franchising arrangements in relation to LUBIAM and MARCO AZZALI	**529,110**	**51.0**	495,019	48.3
Work uniforms	**102,714**	**9.9**	61,659	6.0
Trademark sub-licensing income	**14,151**	**1.4**	13,145	1.3
Total	**1,036,440**	**100.0**	1,025,286	100.0

Revenue by brands

The breakdown of the total revenue by brands is as follows:

	31 December			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
FIRS	**442,343**	**42.7**	453,387	44.2
SHANSHAN	**560,761**	**54.1**	521,916	50.9
MARCO AZZALI	**–**	**–**	8,564	0.8
LUBIAM	**19,185**	**1.8**	28,274	2.8
Others	**14,151**	**1.4**	13,145	1.3
Total	**1,036,440**	**100.0**	1,025,286	100.0

Gross profit

For the Year, the Group's gross profit decreased by approximately 2.2% to RMB582.4 million from RMB595.8 million for the FY2018, primarily attributable to the decrease in sales gross margin of the Group.

Other revenue

Other revenue mainly comprises income derived from the sale of raw materials and interest income from banks. For the Year, the Group's other revenue increased by approximately 19.5% to RMB4.9 million from RMB4.1 million for the FY2018, primarily attributable to the increase in sale of raw materials and leftover consumables material to sub-contractors and suppliers amounting to RMB0.9 million and decrease in bank interest income of RMB0.1 million in the Year.

Other gains and losses

Other gains and losses for the Year mainly represented the Group's write-down of inventories of RMB8.3 million and provision of RMB6.6 million made by the Group relating to a contract dispute with a minority shareholder of a Group's subsidiary, which was partly offset by the receipt of government grants of RMB8.0 million.

Other gains and losses for FY2018 mainly represented the Group's write-down of inventories of approximately RMB7.5 million which was partly offset by the exchange gain of RMB4.8 million, and gain of disposal of subsidiary of RMB0.6 million.

Selling and distribution expenses

Selling and distribution expenses mainly include the Group's store and e-commerce expenses, staff costs, advertising and promotional expenses, renovation costs, depreciation on property, plant and equipment and right-of-use assets.

For the Year, the Group's selling and distribution expenses increased by approximately 8.6% to RMB520.7 million from RMB479.6 million for the FY2018, mainly attributable to the increases in (i) revenue sharing fees paid to the franchisees as a result of the increased sales of the SHANSHAN branded products; and (ii) the depreciation of plant, property and equipment and renovation costs.

Administrative expenses

Administrative expenses mainly include staff costs attributable to administrative expenses, travelling expenses, office rental expenses and legal and professional fees.

For the Year, the Group's administrative expenses increased by approximately 10.0% to RMB50.7 million from RMB46.1 million for the FY2018, primarily attributable to the increases in (i) fees paid to legal advisers including the legal costs incurred by a subsidiary of the Group due to a contract dispute with its minority shareholder; and (ii) the increment of salary and allowance paid during the Year.

Impairment loss on trade receivables

For the Year, the Group's impairment loss on trade receivables increased to RMB13.6 million from RMB2.5 million for the FY2018, mainly attributable to (i) the slow in repayment of outstanding receivables from distributors; and (ii) economic uncertainties of domestic market in the forthcoming year.

Finance costs

Finance costs mainly include interests on bank borrowings of the Group, borrowing interests paid to immediate holding company and interest expenses on lease liabilities.

For the Year, the Group's finance costs increased by approximately 19.7% to RMB18.2 million from RMB15.2 million for the FY2018. The control of finance costs of the Group was relatively stable. The increase is mainly caused by the interest expenses on lease liabilities of RMB2.9 million resulted from the adoption of HKFRS 16 in 2019.

Income tax expense

Income tax expense mainly represents the income tax payable by the Group according to the relevant PRC tax laws and regulations. For the Year, the Group's income tax expense decreased by approximately 66.7% to RMB4.0 million from RMB12.0 million for the FY2018, primarily due to the turnaround from profit before tax to loss before tax.

Loss/Profit for the year

As a result of the foregoing, the Group recorded net loss for the Year of RMB23.2 million compared with net profit of RMB35.7 million for the FY2018. The turnaround from net profit to net loss was primarily attributable to (i) a decrease in sales gross margin; and (ii) the increases in (a) selling and distribution expenses of the Group; and (b) the provision for impairment on trade receivables and other receivables, which was partly offset by the absence of listing expenses for the Year.

WORKING CAPITAL MANAGEMENT

	31 December	
	2019	2018
Average inventory turnover days	**388**	339
Average trade receivables turnover days	**65**	62
Average trade payables turnover days	**180**	171

The Group's average inventory turnover days increased from 339 days as at 31 December 2018 to 388 days as at 31 December 2019, primarily attributable to the purchase of SHANSHAN branded products from the Group's OEM Suppliers in order to support the expansion of the retail outlets of the SHANSHAN brand and to meet the strong market demand for the SHANSHAN branded products.

The Group's average trade receivables turnover days remained relatively stable, increasing from 62 days as at 31 December 2018 to 65 days as at 31 December 2019.

The Group's average trade payables turnover days remained relatively stable, increasing from 171 days as at 31 December 2018 to 180 days as at 31 December 2019.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a solid statement of financial position for the Year. As at 31 December 2019, the Group's cash and cash equivalents decreased to RMB137.5 million from RMB145.4 million as at 31 December 2018, and its pledged deposits for the Year increased to RMB33.6 million from RMB31.5 million as at 31 December 2018. The decrease in the cash and cash equivalents was primarily attributable to the use of proceeds from the Share Offer.

As at 31 December 2019 and 31 December 2018, the Group's total bank borrowings amounted to approximately RMB180.0 million and RMB260.0 million, respectively. The bank borrowings as at 31 December 2019 carried fixed interest rates range from 5.0% to 5.7% per annum (31 December 2018: fixed interest rates range from 4.8% to 5.7% per annum). All bank borrowings were denominated in RMB and repayable within a year from the respective year end dates. The Group's gearing ratios (total borrowings over total assets of the Group) were approximately 15.8% and 24.6% as at 31 December 2019 and 31 December 2018, respectively.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Year. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. Surplus cash will be invested appropriately so that the Group will have adequate cash for its business operation and business development.

FOREIGN EXCHANGE RISK AND HEDGING

The Group's exposure to currency risk is minimal, as most of the Group's transactions are denominated in RMB while the net proceeds from the Share Offer and any payment of dividends to the holders of H Shares were or will be made in Hong Kong dollars. The Group does not implement any foreign currency hedging policy but will closely monitor its exposure to any exchange rates.

USE OF PROCEEDS FROM THE SHARE OFFER

On the Listing Date, the Company's H Shares were listed on the Main Board of the Stock Exchange. The total net proceeds from the Share Offer amounted to approximately HK$66.4 million (equivalent to approximately RMB55.2 million). As at 31 December 2019, a total amount of RMB46.2 million of the proceeds from the Share Offer had been utilised for the following purposes which are consistent with that disclosed in the Prospectus.

Use of proceeds from the Share Offer:

	Planned amount	Actual utilised amount as at 31 December 2019	Actual utilised amount during the Year	Actual unutilised amount as at 31 December 2019	Expected timeframe of full utilisation of unutilisation amount
	RMB (million)	*RMB(million)*	*RMB (million)*	*RMB (million)*	
Retail network	20.9	20.9	17.0	—	—
Brand promotion and marketing	13.6	13.5	7.7	0.1	Q2 2020
Information technology system	10.7	1.8	1.5	8.9	Q2 2020
Warehouses and logistics center	4.5	4.5	1.2	—	—
General working capital	5.5	5.5	—	—	—
Total	55.2	46.2	27.4	9.0	

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 669 employees (31 December 2018: 701 employees). Employee costs, including Directors' emoluments, amounted to approximately RMB99.5 million for the Year. The remuneration policy for the Directors and the senior management focuses on their experience, level of responsibility and general market conditions. Any discretionary bonus and other performance bonus are linked to the profit performance of the Group and the performance of the individual Directors and senior management. The Group provides and arranges on-the-job training for the employees.

The remuneration committee of the Company (the "**Remuneration Committee**") reviews and recommends to the Board for consideration and approval of the remuneration and compensation packages of the Directors and the senior management with reference to the salaries paid by comparable companies in the market, time commitment and responsibilities of the Directors and the senior management as well as the Group's financial performance.

ENVIRONMENTAL MANAGEMENT

Being a socially and environmentally responsible enterprise, the Group is dedicated to achieving environmental-friendly and sustainable development by abiding by relevant laws and regulations, including the newly revised "Environmental Protection Law of the People's Republic of China" and the regulations implemented by the environmental protection bureaus of the relevant PRC local governments. The Group has also attained the ISO14001 Environment Management Systems Certification. A corporate social responsibility report of the Group will be issued in accordance with the Environmental, Social and Governance Reporting Guide as contained in Appendix 27 to the Listing Rules and will be included in the annual report of the Company for the Year which will be published on the respective websites of the Stock Exchange and the Company and despatched to the Shareholders in due course.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Except for the acquisition of right-of-use assets which were recognised under HKFRS16 in connection with the operating leases of office premises, warehouses and retail stores entered by the Group, the Group did not have any significant investments, material acquisitions or disposals of assets, subsidiaries, associates or joint ventures during the Year.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus regarding the upgrading of the information technology system of the Group, there was no plan for material investments or capital assets as at 31 December 2019.

CAPITAL STRUCTURE

There was no change in the capital structure of the Company as at 31 December 2019 as compared with that as at 31 December 2018.

CONTINGENT LIABILITIES

On 24 February 2020, the International Court of Arbitration has made the final verdict and the Group needs to pay the royalty amounting of USD750,000 from 2014 to 2018 with interest under the service agreement and its respective legal cost. The Group has made provision for such litigation and related expenses.

Save as disclosed above, the Group had no material contingent liabilities (31 December 2018: Nil).

PLEDGE OF ASSETS

As at 31 December 2019, the Group pledged deposits of RMB33,556,150 (31 December 2018: RMB31,540,000) to secure outstanding bank acceptance bills. Save for the pledged deposits, the Group did not pledge any of its assets as securities for outstanding bank acceptance bills.

OUTLOOK AND STRATEGIES

Looking into the year of 2020, the apparel retail industry is still facing intensive challenges in view of the potential slowdown trend of Chinese economy and consumption growth, along with the impact of the novel coronavirus pneumonia epidemic. Meanwhile, there is a rapid increase in the number of consumers who pursue distinguished lifestyles, and their demand for personalized and fashionable products continue to increase. As a fashion brand group which has been deeply engaged in the apparel industry for 30 years, benefiting from the diversified brand portfolio and sound operation management, we remain fully confident towards our future prospects. We will continue to maintain and strengthen our position in the industry, and we are committed to pursuing the following strategies we advocate, including developing new retail business and expanding online trademark licensing business to reduce operating costs and expenses; taking commodity operation as the core and forming a responsive and flexible supply chain system through continuously deepening the cooperation between the upstream and downstream partners of the industrial chain and optimizing the internal business process of the Company, thereby improving the Company's inventory turnover rate.

EVENTS AFTER THE REPORTING PERIOD

Since January 2020, the outbreak of coronavirus disease (COVID-19) (the "**COVID-19 Pandemic**") is expected to affect the domestic business environment in China. As at the date of this announcement, management of the Group is yet to be able to estimate the overall impact of the COVID-19 Pandemic on the financial performance and trading position of the Group. Pending the development of the COVID-19 Pandemic subsequent to the date of this announcement, further spread of the COVID-19 Pandemic may have impact on the trading position of the Group, the extent to which could not be estimated as at the date of this announcement. The Group will closely monitor the situation of the COVID-19 Pandemic and react actively to any of its impact on the financial position and operating results of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, the Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Board firmly believes that conducting the businesses of the Group in a transparent and responsible manner and following good corporate governance practices serve its long-term interests and those of the Shareholders. Various measures have been adopted to enhance the management efficiency of the Company and thus to protect the interest of the Shareholders.

The Company has adopted the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has applied the principles of the CG Code as described in this corporate governance report and has complied with all the applicable code provisions as set out in the CG Code during the Year except for the following deviations:

Pursuant to code provision A.4.2 of the CG Code, every Director should be subject to retirement by rotation at least once every three years. The first session of the Board shall retire the office by rotation on 14 May 2019. As it concerns the entire Board, various factors were considered to ensure the senior management of the Company appropriately continues. Therefore, the first session of the Board continued to perform their duties until the election of the second session of the Board, which was re-elected at the annual general meeting of the Company (the "**AGM**") held on 5 June 2019 (the "**2019 AGM**"). Since then, the Company has rectified its compliance with the code provision A.4.2 of the CG Code.

Pursuant to code provision E.1.2 of the CG Code, the chairman of the Board (the "**Chairman**") should attend the AGM. However, Mr. Zhuang, the Chairman, was unable to attend the 2019 AGM due to other business engagements. In the absence of the Chairman, Mr. Cao, an executive Director, acted as chairman of the 2019 AGM to ensure an effective communication with the Shareholders. Mr. Zhuang had followed up with Mr. Cao for any opinions or concerns of the Shareholders expressed at the 2019 AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct governing the securities transactions by the Directors and the supervisors of the Company (the "**Supervisors**") on terms no less exacting than the required standard set out in the Model Code. Following a specific enquiry made by the Company with each of the Directors and the Supervisors, all the Directors and the Supervisors have confirmed that they had complied with the Model Code during the Year.

REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. Au Yeung Po Fung, Mr. Wang Yashan and Mr. Wu Xuekai. Mr. Au Yeung Po Fung who has the appropriate professional qualifications as required by the Listing Rules is the chairman of the Audit Committee.

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed the internal control and financial reporting matters for the Year. The Audit Committee has also reviewed the annual results of the Group for the Year.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's results for the Year contained in the financial information set out on pages 2 to 18 of this announcement have been agreed by the Group's independent auditor, BDO Limited ("**BDO**"), to the amounts set out in the Group's consolidated financial statements for the Year as approved by the Board. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by HKICPA and consequently no assurance has been expressed by BDO in this preliminary announcement.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the Year (2018：RMB0.06 per share (pre-tax), representing a total amount of RMB8,004,000 (pre-tax)).

There is no arrangement that a Shareholder has waived or agreed to waive any dividends.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND 2019 ANNUAL REPORT

This annual results announcement is published on the HKExnews website of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk and on the Company's website at http://www.chinafirs.com. The 2019 Annual Report will be available on both websites and will be despatched to the Shareholders in due course.

By Order of the Board
Shanshan Brand Management Co., Ltd.
Zhuang Wei
Chairman

Ningbo, the PRC, 30 March 2020

As at the date of this announcement, the Board comprises:

Executive Directors:
Mr. Cao Yang
Mr. Luo Yefei
Ms. Yan Jingfen

Non-executive Directors:
Mr. Zhuang Wei *(Chairman)*
Mr. Yang Feng
Ms. Hui Ying

Independent Non-executive Directors:
Mr. Au Yeung Po Fung
Mr. Wang Yashan
Mr. Wu Xuekai