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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

INTERIM FINANCIAL INFORMATION

The board (the "**Board**") of directors (the "**Directors**") of Shanshan Brand Management Co., Ltd. (the "**Company**") is pleased to announce the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018 (the "**Period**"), together with the comparative figures for the corresponding period of 2017 and as at 31 December 2017 as well as selected explanatory notes as set out below. The unaudited condensed consolidated interim financial information for the Period has been reviewed by the audit committee of the Board (the "**Audit Committee**").

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	**For the six months ended 30 June** **2018** ***RMB*** **(unaudited)**	2017 *RMB* (unaudited)
Revenue	5	**499,702,257**	347,271,280
Cost of sales		**(205,749,941)**	(155,372,524)
Gross profit		**293,952,316**	191,898,756
Other revenue		**1,223,781**	801,523
Other gains and losses		**(2,912,820)**	(1,832,071)
Selling and distribution expenses		**(244,201,101)**	(143,016,917)
Administrative expenses		**(19,880,421)**	(25,583,772)
Finance costs		**(7,406,607)**	(5,969,547)
Share of results of associates		**3,370,457**	3,552,157
Listing expenses		**(11,965,961)**	(4,255,663)
Profit before income tax	6	**12,179,644**	15,594,466
Income tax expense	8	**(3,418,761)**	(5,915,322)
Profit and total comprehensive income for the period		**8,760,883**	9,679,144
Profit and total comprehensive income for the period attributable to:			
— Owners of the Company		**9,116,503**	12,697,053
— Non-controlling interests		**(355,620)**	(3,017,909)
		8,760,883	9,679,144
Earnings per share attributable to owners of the Company			
— Basic and diluted	9	**0.09**	0.13

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Notes	As at 30 June 2018 RMB (unaudited)	As at 31 December 2017 RMB (audited)
Non-current assets			
Property, plant and equipment		**51,291,602**	39,269,999
Intangible assets		**2,651,004**	2,604,565
Interests in associates		**55,121,242**	66,370,459
Deferred tax assets		**14,969,885**	12,678,618
Total non-current assets		**124,033,733**	120,923,641
Current assets			
Inventories		**353,897,899**	336,423,934
Trade and bills receivables	10	**153,468,053**	163,328,060
Prepayments and other receivables	11	**174,663,731**	92,971,253
Amount due from immediate holding company		**9,040,304**	14,917,385
Amounts due from fellow subsidiaries		**1,435,808**	1,501,844
Amount due from an associate		**14,284,729**	—
Tax recoverable		**1,291,578**	—
Pledged deposits		**16,900,000**	13,800,000
Cash and cash equivalents		**136,106,698**	102,072,916
		861,088,800	725,015,392
Assets of a disposal group classified as held for sale		**—**	21,898,903
Total current assets		**861,088,800**	746,914,295

	Notes	As at 30 June 2018 RMB (unaudited)	As at 31 December 2017 RMB (audited)
Current liabilities			
Trade and bills payables	12	**179,488,667**	184,153,651
Other payables and accruals	13	**250,568,207**	177,829,716
Interest-bearing bank borrowings	14	**265,000,000**	285,000,000
Amount due to an associate		**—**	4,216,683
Amounts due to non-controlling shareholders of subsidiaries		**3,202,186**	3,200,000
Income tax payables		**—**	10,291,218
		698,259,060	664,691,268
Liabilities of a disposal group classified as held for sale		**—**	19,747,139
Total current liabilities		**698,259,060**	684,438,407
Net current assets		**162,829,740**	62,475,888
Total assets less current liabilities		**286,863,473**	183,399,529
Net assets		**286,863,473**	183,399,529
Capital and reserves			
Share capital	15	**133,400,000**	100,000,000
Reserves		**131,228,233**	60,808,669
		264,628,233	160,808,669
Non-controlling interests		**22,235,240**	22,590,860
Total equity		**286,863,473**	183,399,529

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. GENERAL INFORMATION AND REORGANISATION

(a) 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 (the "**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 headquarters is No. 238, Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang, the PRC. The Company's overseas-listed foreign shares ("**H Shares**") have been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 27 June 2018 (the "**Listing Date**").

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. respectively, both of which were established in the PRC. The issued shares of Shanshan are listed and traded on the Shanghai Stock Exchange.

(b) Reorganisation

Pursuant to a group reorganisation which was completed on 26 May 2016 as detailed in the section headed "History, Reorganisation and Corporate Structure" in the prospectus dated 12 June 2018 and issued by the Company (the "**Prospectus**"), the Company became the holding company of the subsidiaries comprising the Group.

2. BASIS OF PREPARATION AND PRESENTATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**"), issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2017 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for period beginning on or after 1 January 2018. This is the first set of the Group's financial statements in which HKFRS 9 and HKFRS 15 have been adopted. Details of any changes in accounting policies are set out in note 3 below.

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 4 below.

These condensed consolidated interim financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the "**HKFRSs**") and should be read in conjunction with the 2017 annual financial statements.

3. CHANGES IN HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 9, Financial Instruments
- HKFRS 15, Revenue from Contracts with Customers
- HK(IFRIC)-Interpretation 22, Foreign Currency Transactions and Advance Considerations
- Amendments to HKFRS 2, Classification and Measurement of Share-based Payment Transactions
- Amendments to HKFRS 4, Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
- Amendments to HKAS 28 included in Annual Improvements to HKFRSs 2014–2016 Cycle, Investments in Associates and Joint Ventures
- Amendments to HKAS 40, Transfers of Investment Property
- Amendments to HKFRS 1 included in Annual Improvements to HKFRSs 2014–2016 Cycle, First-time Adoption of HKFRSs

The impacts of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers have been summarised in notes 3A and 3B respectively as below. The other new or amended HKFRSs that are effective from 1 January 2018 did not have any material impact on the Group's accounting policies.

A. HKFRS 9 Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group.

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost (the "**amortised costs**"); (ii) financial assets at fair value through other comprehensive income ("**FVTOCI**"); or (iii) financial assets at FVTPL (as defined above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "**SPPI criterion**"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVTOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVTOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018. There is no change in their carrying amount as at 1 January 2018 upon the adoption of HKFRS 9.

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**
Amounts due from fellow subsidiaries	Loans and receivables	Amortised cost
Amount due from immediate holding company	Loans and receivables	Amortised cost
Trade and bills receivables	Loans and receivables	Amortised cost
Prepayments and other receivables	Loans and receivables	Amortised cost
Amount due from an associate	Loans and receivables	Amortised cost
Pledged deposits	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("**ECLs**") model". HKFRS 9 requires the Group to recognise ECLs for trade and other receivables and debt financial assets earlier than HKAS 39. Pledged deposits and cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

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. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade and other receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than one year past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Management has concluded that neither the new requirements related to the classification and measurement nor the requirements related to impairment have any impact on the condensed consolidated interim financial statements of the Company.

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 as such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This means that the differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "**DIA**"):

- The determination of the business model within which a financial asset is held.
- Any designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- Any designation of certain investments in equity investments not held for trading as at FVTOCI.

If an investment in a debt investment had a low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

B. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

The Group assessed the impacts of adopting HKFRS 15 on its financial statements. Based on the assessment, the adoption of HKFRS 15 has no significant impact on the Group's revenue recognition.

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's trading of garments are set out below:

Revenue for trading of garments generally includes only one performance obligation. The Group has concluded that revenue from trading of garments should be recognised at the point in time when control of the products is transferred to the customer, generally when the products are delivered to and the risks of obsolescence and loss have been transferred to customer. Therefore, the adoption of HKFRS 15 did not result in any significant impact on the condensed consolidated interim financial statements of the Company.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed consolidated interim 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 2017 annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 9 and HKFRS 15 as described in note 3 above.

5. SEGMENT INFORMATION AND REVENUE

(a) Reportable segment

During the Period, 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 a 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 Period, 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 Period, there was no customer with transactions that exceeding 10% of the Group's revenue.

(d) Revenue

	Six months ended 30 June	
	2018	2017
	RMB	*RMB*
	(unaudited)	(unaudited)
Sale of goods	**490,834,332**	339,983,545
Trademark sub-licensing income	**8,867,925**	7,287,735
	499,702,257	347,271,280

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2018	2017
	RMB	*RMB*
	(unaudited)	(unaudited)
Auditor's remuneration *(note)*	**—**	—
Advertising and promotional expenses	**12,433,238**	12,620,284
Amortisation on intangible assets	**145,732**	697,684
Depreciation on property, plant and equipment	**12,731,598**	6,463,346
Cost of inventories sold	**205,749,941**	155,372,524
Lease payments under operating leases:		
— minimum lease payments	**18,770,680**	11,145,116
— contingent rents	**6,086,541**	9,365,605
Trademark payments	**563,905**	599,398
Staff costs	**47,298,654**	43,274,987

Note: Auditor's remuneration for the period was borne by the Company's immediate holding company.

7. DIVIDENDS

No dividends were paid, declared or proposed during the Period. The Board has determined that no dividend will be paid in respect of the Period.

8. INCOME TAX EXPENSE

Enterprise income tax has been provided at the rate of 25% for each of the six months period ended 30 June 2017 and 2018 on the estimated assessable profit for the periods arising from the PRC.

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

	Six months ended 30 June	
	2018	2017
	RMB	*RMB*
	(unaudited)	(unaudited)
Provision of income tax for current period	**5,710,028**	6,035,636
Deferred tax	**(2,291,267)**	(120,314)
Income tax expense	**3,418,761**	5,915,322

9. EARNINGS PER SHARE

Basic earnings per share is calculated based on the profit attributable to owners of the Company and the weighted average number of shares in issue during the respective periods.

	Six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
Profit for the period attributable to owners of the Company *(RMB)*	**9,116,503**	12,697,053
Weighted average number of shares in issue during the period	**100,553,591**	100,000,000
Basic earnings per share *(RMB)*	**0.09**	0.13

Diluted earnings per share is the same as the basic earnings per share as there are no dilutive potential shares in existence during the current and prior periods.

10. TRADE AND BILLS RECEIVABLES

	As at 30 June 2018	As at 31 December 2017
	RMB	*RMB*
	(unaudited)	(audited)
Trade receivables	**210,644,046**	206,877,027
Bills receivables	**2,359,332**	11,809,173
Less: provision for impairment	**(59,535,325)**	(55,358,140)
	153,468,053	163,328,060

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

	As at 30 June 2018 *RMB* (unaudited)	As at 31 December 2017 *RMB* (audited)
Within 3 months	**87,286,221**	96,868,762
Over 3 months but within 6 months	**22,932,714**	39,222,650
Over 6 months but within 1 year	**43,249,118**	25,123,210
Over 1 year	**—**	2,113,438
	153,468,053	163,328,060

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

11. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2018 *RMB* (unaudited)	As at 31 December 2017 *RMB* (audited)
Prepayments	**92,380,529**	67,606,880
Other receivables	**82,946,488**	26,027,659
Less: provision for impairment	**(663,286)**	(663,286)
	174,663,731	92,971,253

12. TRADE AND BILLS PAYABLES

	As at 30 June 2018 *RMB* (unaudited)	As at 31 December 2017 *RMB* (audited)
Bank acceptance bills	**46,000,000**	37,000,000
Trade payables	**133,488,667**	147,153,651
	179,488,667	184,153,651

Included in trade and bills payables are trade creditors with the following ageing analysis, based on invoice dates, as at the end of reporting period:

	As at 30 June 2018 *RMB* (unaudited)	As at 31 December 2017 *RMB* (audited)
Within 3 months	**101,279,572**	109,023,694
Over 3 months but within 6 months	**24,328,349**	17,794,544
Over 6 months but within 1 year	**6,155,466**	10,832,045
Over 1 year	**1,725,280**	9,503,368
	133,488,667	147,153,651

13. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2018 *RMB* (unaudited)	As at 31 December 2017 *RMB* (audited)
Other payables and accruals	**212,087,902**	148,727,081
Other tax payables	**5,751,558**	3,197,153
Receipt in advance	**24,876,445**	17,980,376
Sales rebate	**7,852,302**	7,925,106
	250,568,207	177,829,716

14. INTEREST-BEARING BANK BORROWINGS

	As at 30 June 2018 *RMB* (unaudited)	As at 31 December 2017 *RMB* (audited)
Interest-bearing bank borrowings due for repayment within one year	**265,000,000**	285,000,000

As at 31 December 2017, bank borrowings were unsecured, arranged at fixed interest rates ranging from 4.79% to 5.44% per annum and repayable within one year.

As at 30 June 2018, bank borrowings were unsecured, arranged at fixed interest rates ranging from 5.20% to 5.44% per annum and repayable within one year.

15. SHARE CAPITAL

	Number of shares	*RMB*
Registered domestic share capital and H Shares		
At 1 January 2017, 31 December 2017 and 1 January 2018 (audited)	100,000,000	100,000,000
Issuance of H Shares *(note)*	33,400,000	33,400,000
At 30 June 2018 (unaudited)	**133,400,000**	**133,400,000**

Note: On 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

On the Listing Date, the Company successfully listed its H Shares on the Main Board of the Stock Exchange. We would like to take this opportunity to thank all customers, shareholders (the "**Shareholders**"), business partners, employees and other relevant parties of the Company for their faithful support and trust.

For the first half of 2018, the Group continued to leverage the advantages in the combination of its two core own brands (i.e. FIRS and SHANSHAN) to drive the steady growth of its results. During the Period, the Group followed its strategic plan to further optimize and expand the sales and distribution network, further elevate its brand recognition and awareness by increasing its brand promotion and marketing efforts, and continuously enhance its informatization operation system and its supply chain management capabilities.

To improve its operating efficiency and implement stringent cost control measures, the Group formulated plans for and made adjustments to some outlets based on their operational performance. During the Period, the Group's retail network increased to 1,110 outlets as at 30 June 2018 from 919 outlets (excluding MARCO AZZALI) as at 30 June 2017, with 707 outlets under FIRS, 383 outlets under SHANSHAN and 20 outlets under LUBIAM, representing an increase of approximately 20.8% in the total number of retail outlets under such three brands. The retail outlets under the three brands achieved operation results that meet the Company's expectations.

FINANCIAL REVIEW

Revenue

The Group generates revenue primarily from franchisee sales, direct sales and sales to distributors. For the Period, the Group's total revenue increased by 43.9% to RMB499.7 million from RMB347.3 million for the six months ended 30 June 2017, primarily attributable to the significant increase of revenue from the SHANSHAN's brand franchisee cooperation. Please see 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:

	Six months ended 30 June			
	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
Sales to distributors	**89,365**	**17.9**	83,530	24.0
Direct sales				
E-commerce platforms	**64,844**	**13.0**	70,085	20.2
Self-operated retail outlets	**84,018**	**16.8**	64,788	18.7
Franchisee sales				
Cooperative arrangements	**227,099**	**45.4**	80,066	23.1
Franchising arrangements in relation to MARCO AZZALI[note] and LUBIAM	**7,453**	**1.5**	8,061	2.3
Work uniforms	**18,055**	**3.6**	33,453	9.6
Trademark sub-licensing income	**8,868**	**1.8**	7,288	2.1
Total	**499,702**	**100**	347,271	100

Note: representing the cumulative franchising sales revenue from JIC Garments (Ningbo) Co., Ltd. ("**JIC Garments**"), a subsidiary of MARCO AZZALI, up to March 2018.

Revenue by brands

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

	Six months ended 30 June			
	2018		2017	
	RMB'000	***%***	*RMB'000*	*%*
FIRS	**215,790**	**43.2**	219,453	63.2
SHANSHAN	**250,975**	**50.2**	91,725	26.4
MARCO AZZALI[note]	**7,241**	**1.4**	11,638	3.4
LUBIAM	**16,828**	**3.4**	17,167	4.9
Others	**8,868**	**1.8**	7,288	2.1
Total	**499,702**	**100**	347,271	100

Note: representing the cumulative sales revenue from JIC Garments, a subsidiary of MARCO AZZALI, up to March 2018.

Gross profit

For the Period, the Group's gross profit increased by 53.2% to RMB294.0 million from RMB191.9 million for the six months ended 30 June 2017, primarily attributable to an increase in the total revenue of the Group.

Other revenue

Other revenue mainly includes sundry income derived from the sale of raw materials and received from the franchisees by the Group as well as interest income from banks. For the Period, the Group's other revenue increased by approximately 50.0% to RMB1.2 million from RMB0.8 million for the six months ended 30 June 2017, primarily attributable to the increase of sundry income as a result of the expansion of the SHANSHAN branded franchisee retail outlets.

Other gains and losses

Other gains and losses mainly include the Group's impairment loss on trade receivables and written down of inventories. For the Period, the Group's other gains and losses increased by 61.1% to RMB2.9 million from RMB1.8 million for the six months ended 30 June 2017, primarily attributable to an increase in the impairment loss on trade receivables.

Selling and distribution expenses

Selling and distribution expenses mainly include store and e-commerce expenses, staff costs, advertising and promotional expenses, as well as renovation costs and depreciation of the Group.

For the Period, the Group's selling and distribution expenses increased by approximately 70.8% to RMB244.2 million from RMB143.0 million for the six months ended 30 June 2017, mainly attributable to an increase in the revenue sharing fee the Company paid to the franchisees as a result of the increased sales of SHANSHAN branded products.

Administrative expenses

Administrative expenses mainly include staff costs attributable to administrative expenses, traveling expenses and trademark payments of the Group.

For the Period, the Group's administrative expenses decreased by approximately 22.3% to RMB19.9 million from RMB25.6 million for the six months ended 30 June 2017, mainly due to (i) a decrease in administrative costs as a result of the disposal of a subsidiary JIC Garments and (ii) a decrease in agency service expenses.

Finance costs

Finance costs mainly include interests on bank borrowings of the Group.

For the Period, the Group's finance costs increased by approximately 23.3% to RMB7.4 million from RMB6.0 million for the six months ended 30 June 2017, primarily due to an increase in total bank borrowings and bank interest rate.

Income tax expense

Income tax expense mainly represents the income tax payable by the Group according to the relevant PRC tax rules. For the Period, the Group's income tax expense decreased by approximately 42.4% to RMB3.4 million from RMB5.9 million for the six months ended 30 June 2017, primarily due to a decrease in deferred tax on the impairment on trade receivables.

Profit for the Period

As a result of the foregoing, the Group's net profit for the Period decreased by approximately 9.3% to RMB8.8 million from RMB9.7 million for the six months ended 30 June 2017, while it increased by 48.7% compared with that for the six months ended 30 June 2017 after adding back the listing expenses.

WORKING CAPITAL MANAGEMENT

	Six months ended 30 June 2018	Year ended 31 December 2017
Average inventory turnover days	307	284
Average trade receivables turnover days	58	83
Average trade payables turnover days	162	178

The Group's average inventory turnover days increased from 284 days as at 31 December 2017 to 307 days as at 30 June 2018, primarily attributable to the purchase of SHANSHAN branded products from OEM suppliers under the purchase agreement in order to support the expansion of the SHANSHAN branded retail outlets and to meet the strong demand for the SHANSHAN branded products.

The Group's average trade receivables turnover days decreased from 83 days as at 31 December 2017 to 58 days as at 30 June 2018, primarily attributable to an increase in the sales of SHANSHAN branded products and a decrease in the customer's credit.

The Group's average trade payables turnover days remained relatively stable, decreasing from 178 days as at 31 December 2017 to 162 days as at 30 June 2018.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a solid balance sheet. As at 30 June 2018, the Group's cash and cash equivalents increased to RMB136.1 million from RMB102.1 million as at 31 December 2017, and the pledged deposits increased to RMB16.9 million from RMB13.8 million as at 31 December 2017. The increase in the cash and cash equivalents was primarily attributable to the initial public offering. Cash and cash equivalents were denominated in RMB.

As at 30 June 2018 and 31 December 2017, the Group's total bank borrowings amounted to approximately RMB265.0 million and RMB285.0 million respectively. All bank borrowings were denominated in RMB. Details of the bank borrowings of the Group are set out in note 14 to the condensed consolidated interim financial statements. The Group's gearing ratio (total borrowings over total assets of the Group) was approximately 26.9% and 32.8% as at 30 June 2018 and 31 December 2017 respectively.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

On the Listing Date, the Company's H Shares were listed on the Main Board of the Stock Exchange (the "**Listing**"). The total net proceeds from the Listing amounted to approximately HK$66.4 million (equivalent to approximately RMB55.2 million). As at 30 June 2018, the Group had no plan to change the use of proceeds as stated in the Prospectus in relation to the Listing.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the Period (30 June 2017: nil).

CONTINGENT LIABILITIES

As at 30 June 2018, the Group had no material contingent liabilities.

EVENT AFTER THE PERIOD

On 23 August 2018, the Company entered into two lease agreements with Shanshan Fashion Industrial Park Suqian Co., Ltd. (杉杉時尚產業園宿遷有限公司), a wholly-owned subsidiary of Shanshan, in relation to the leasing of certain properties in Suqian, the PRC, by the Company for warehouse and dormitory use.

On 23 August 2018, Lubiam (Ningbo) Apparel Co., Ltd. (寧波魯比昂姆服飾有限公司) ("**Lubiam Apparel**"), a non-wholly owned subsidiary of the Company, entered into a new lease agreement (the "**New Lease Agreement**") with Shanshan in relation to the leasing of certain properties in Ningbo, the PRC, by Lubiam Apparel for office use. The lease agreement entered into between Lubiam Apparel and Shanshan on 17 November 2016 prior to the Listing was also terminated and superseded by the New Lease Agreement with effect from 31 August 2018.

In addition, on 23 August 2018, the Company entered into a supplemental lease agreement with Shanshan in relation to the adjustment of certain leased areas and termination of the leasing of certain properties under the lease agreement entered into between the Company and Shanshan on 17 November 2016, which constituted part of the continuing connected transactions of the Company under the Listing Rules upon Listing.

Details of the continuing connected transactions are set out in the announcement of the Company dated 23 August 2018.

OUTLOOK AND PLANS

In the second half of 2018, the Group will grasp the market development opportunities and continue to make full use of its effective and extensive sales and distribution network so as to stabilise and actively expand the development of sales network, increase its brand promotion and marketing efforts, further enhance its information technology systems and its supply chain, logistics and inventory management capabilities. Meanwhile, the Group will also keep improving its operation system, strengthen its risk management measures and continuously enhance its growth potential and operational efficiency.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board and the Company's management are committed to maintaining high standards of corporate governance. The Board firmly believes that conducting the Group's business in a transparent and responsible manner and following good corporate governance practices serve its long-term interests and the Shareholders' interests. The Board considers that the Company has complied with all the code provisions of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules during the period from the Listing Date to 30 June 2018.

AUDIT COMMITTEE

The Audit Committee comprises all the three independent non-executive Directors, namely Mr. Au Yeung Po Fung (committee chairman), Mr. Wang Yashan and Mr. Wu Xuekai. The Audit Committee has reviewed with the Company's management team the Company's unaudited condensed consolidated interim results for the Period.

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

The Company did not redeem any of its H Shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such H Shares during the period from the Listing Date to 30 June 2018.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. In response to specific enquiries made by the Company with them, all Directors and Supervisors confirmed that they had complied with the Model Code during the period from the Listing Date to 30 June 2018.

COMPETING INTERESTS

As at 30 June 2018, none of the Directors, shareholders of the Company or their respective associates had any interests in any business which competed or might compete, either directly or indirectly, with the business of the Group or any other conflicts of interest with the Group, which must be disclosed in this announcement.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the Period will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Ningbo, the PRC, 23 August 2018

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
Mr. Yang Feng
Ms. Hui Ying

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