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 2018 PROPOSED APPOINTMENT OF SUPERVISOR

ANNUAL FINANCIAL INFORMATION

The board (the "**Board**") of directors (the "**Directors**") of Shanshan Brand Management Co., Ltd. (the "**Company**") is pleased to announce the audited consolidated annual financial information of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 (the "**Year**"), together with the comparative figures for the year ended 31 December 2017 as well as selected explanatory notes as set out below. The audited consolidated annual financial information for the Year has been reviewed by the audit committee of the Board (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 RMB	2017 RMB
Revenue	5	**1,025,285,807**	797,888,217
Cost of sales		**(429,526,121)**	(366,627,910)
Gross profit		**595,759,686**	431,260,307
Other revenue		**4,055,635**	5,258,464
Other gains and losses		**(2,968,117)**	(10,385,255)
Selling and distribution expenses		**(479,552,238)**	(308,064,893)
Administrative expenses		**(46,088,081)**	(47,543,510)
Finance costs		**(15,241,007)**	(14,100,867)
Share of results of associates		**4,950,482**	8,271,295
Listing expenses		**(13,254,412)**	(8,888,633)
Profit before income tax	6	**47,661,948**	55,806,908
Income tax expense	8	**(11,994,103)**	(18,845,753)
Profit and total comprehensive income for the year		**35,667,845**	36,961,155
Profit and total comprehensive income for the year attributable to:			
— Owners of the Company		**36,210,435**	44,970,288
— Non-controlling interests		**(542,590)**	(8,009,133)
		35,667,845	36,961,155
Earnings per share attributable to owners of the Company			
— Basic and diluted	9	**0.31**	0.45

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB	2017 RMB
Non-current assets			
Property, plant and equipment		**61,058,944**	39,269,999
Intangible assets		**2,729,691**	2,604,565
Interests in associates		**54,781,061**	66,370,459
Deferred tax assets		**15,465,667**	12,678,618
Total non-current assets		**134,035,363**	120,923,641
Current assets			
Inventories		**461,778,367**	336,423,934
Trade and bills receivables	*10*	**183,246,509**	163,328,060
Prepayments and other receivables	*11*	**94,142,725**	92,971,253
Amount due from immediate holding company		**2,870,187**	14,917,385
Amounts due from fellow subsidiaries		**2,514,500**	1,501,844
Pledged deposits		**31,540,000**	13,800,000
Cash and cash equivalents		**145,398,494**	102,072,916
		921,490,782	725,015,392
Assets of a disposal group classified as held for sale		**—**	21,898,903
Total current assets		**921,490,782**	746,914,295

	Notes	**2018** *RMB*	2017 *RMB*
Current liabilities			
Trade and bills payables	*12*	**218,120,737**	184,153,651
Contract liabilities	*13*	**19,276,709**	—
Other payables and accruals	*14*	**236,826,765**	177,829,716
Interest-bearing bank borrowings	*15*	**260,000,000**	285,000,000
Amount due to an associate		**91,188**	4,216,683
Amount due to a fellow subsidiary		**500,000**	—
Amount due to a non-controlling shareholder of a subsidiary		**3,200,000**	3,200,000
Income tax payables		**7,238,341**	10,291,218
		745,253,740	664,691,268
Liabilities of a disposal group classified as held for sale		—	19,747,139
Total current liabilities		**745,253,740**	684,438,407
Net current assets		**176,237,042**	62,475,888
Total assets less current liabilities		**310,272,405**	183,399,529
Net assets		**310,272,405**	183,399,529
Capital and reserves			
Share capital	*16*	**133,400,000**	100,000,000
Reserves		**154,824,135**	60,808,669
		288,224,135	160,808,669
Non-controlling interests		**22,048,270**	22,590,860
Total equity		**310,272,405**	183,399,529

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION AND REORGANISATION

(a) General information

Ningbo Shanshan Garment Brand Management Co., Ltd. (寧波杉杉服裝品牌經營有限公司) ("**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. (杉杉品牌運營股份有限公司). 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.

As 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. (寧波杉杉股份有限公司) ("**Shanshan**") and Shanshan Holding Co., Ltd. (杉杉控股有限公司), 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 of the Company dated 12 June 2018 (the "**Prospectus**"), the Company became the holding company of the subsidiaries comprising the Group.

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2018

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)

Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

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 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

The adoption of these amendments has no impact on these financial statements as the periods to which the transition provision exemptions related have passed.

Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKAS 28, Investments in Associates and Joint Ventures

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 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organisation.

Amendments to HKFRS 2 — Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

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 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("**FVTPL**"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and 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 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 ("**FVOCI**"); 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 FVOCI 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 FVOCI 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 FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

In managing the liquidity, the Group endorses part of the bills receivable before their maturity, and derecognises the endorsed bills receivable when the Group has transferred substantially all the risks and rewards to its supplier. The Group manages such bills receivable using the business model whose objective is achieved by both collecting contractual cash flows and selling such financial assets. Therefore, as of 1 January 2018, bills receivable with amount RMB11,809,173 were reclassified from loans and receivables to FVOCI upon the adoption of HKFRS 9, with fair value gains or losses accumulated in reserve and reclassified to profit or loss when they are derecognised. However, the Directors assessed that the fair values of bills receivable approximated their carrying amounts given all bills receivable have a short maturity, and therefore no adjustment was made to the carrying amounts as at 1 January 2018.

The following table summarizes 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 was no change in their carrying amount as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39** *RMB*	**Carrying amount as at 1 January 2018 under HKFRS 9** *RMB*
Trade receivables	Loans and receivables	Amortised cost	151,518,887	151,518,887
Bills receivable	Loans and receivables	Debt instruments at FVOCI	11,809,173	11,809,173
Prepayment and other receivables	Loans and receivables	Amortised cost	92,971,253	92,971,253
Amount due from immediate holding company	Loans and receivables	Amortised cost	14,917,385	14,917,385
Amounts due from fellow subsidiaries	Loans and receivables	Amortised cost	1,501,844	1,501,844
Pledged deposits	Loans and receivables	Amortised cost	13,800,000	13,800,000
Cash and cash equivalents	Loans and receivables	Amortised cost	102,072,916	102,072,916

(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 receivables and financial assets at amortised costs and debt investments at FVOCI 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 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 determined based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, 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's debt investments at FVOCI are considered to have low credit risk since the issuers' credit ratings are high.

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 90 days past due.

The maximum period considered when estimating ECLs 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. The carrying amount of debt investment at FVOCI is not reduced by a loss allowance and shall not present the loss allowance separately in the consolidated statement of financial position as a reduction of the carrying amount of the financial asset. An entity shall disclose the loss allowance in the notes to the financial statements.

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 consolidated financial statements of the Group.

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 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;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

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

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 following table summarised the impact of adopting HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018:

	Amounts reported in accordance with HKFRS 15 *RMB*	**Hypothetical amounts under HKASs 18 and 11** *RMB*
Liabilities		
Current liabilities		
Contract liabilities	19,276,709	—
Other payables and accruals	236,826,765	256,103,474

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.

Volume rebate

Some of the Group's contracts with customers from the sale of garment products provide customers with a volume rebate if the customers purchase more than certain volume of garment products in a calendar year.

Under HKAS 18, the Group estimated the expected volume rebates using the probability-weighted amount of rebates approach and recognised as a reduction of revenue as the sales are recognised. A provision of rebate will be recognised in trade and other payable. Under HKFRS 15, volume rebates give rise to variable consideration. The Group apply the expected value method to estimate the variable consideration. A refund liability would be recognised based on the estimate of the expected to be paid to customer's volume-based rebated.

Right of exchange goods

Some of the Group's contracts with customers from the sale of garment products provides customers with a right of exchange goods with same type and same price.

As of 1 January 2018, an increase in refund liabilities of RMB7,925,106 and a decrease in trade and other payable of RMB7,925,106 were recognised.

As at 31 December 2018, the adoption of HKFRS 15 resulted in an increase in refund liabilities of RMB1,909,728 and a decrease in allowance for rebates included in other payables and accruals of RMB1,909,728.

The adoption of HKFRS 15 did not result in a significant impact on the consolidated financial statements of the Group.

Amendments to HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

3. BASIS OF PREPARATION AND PRESENTATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance. 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 basis.

(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 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 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 a particular product or service line or geographical area, 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 was no customer with transactions exceeding 10% of the Group's revenue.

(d) Revenue

	2018	2017
	RMB	*RMB*
Sale of goods	**1,012,140,760**	783,171,237
Trademark sub-licensing income	**13,145,047**	14,716,980
	1,025,285,807	797,888,217

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2018	2017
	RMB	*RMB*
Auditor's remuneration	**975,329**	—
Advertising and promotional expenses	**42,510,373**	24,451,747
Amortisation on intangible assets	**305,405**	1,393,777
Depreciation on property, plant and equipment	**29,085,652**	15,380,714
Cost of inventories sold	**429,526,121**	366,627,910
Lease payments under operating leases:		
—minimum lease payments	**48,186,152**	27,513,184
—contingent rents	**12,166,837**	20,121,179
Trademark payments	**903,313**	1,069,789
Staff costs	**96,316,714**	86,388,988

7. DIVIDEND

No dividend was paid, declared or proposed during the Year (2017: nil).

8. INCOME TAX EXPENSE

Enterprise income tax has been provided at the rate of 25% for each of the years ended 31 December 2018 and 2017 based on the estimated assessable profits for the years arising from the PRC.

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

	2018	2017
	RMB	*RMB*
Provision of income tax for current year	**14,781,152**	18,681,317
Deferred tax	**(2,787,049)**	164,436
Income tax expense	**11,994,103**	18,845,753

9. EARNINGS PER SHARE

Basic and diluted 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 years.

	2018	2017
Profit for the year attributable to owners of the Company *(RMB)*	**36,210,435**	44,970,288
Weighted average number of shares in issue during the year	**117,111,781**	100,000,000
Basic earnings per share *(RMB)*	**0.31**	0.45

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 year.

10. TRADE AND BILLS RECEIVABLES

	2018	2017
	RMB	*RMB*
Trade receivables	**234,510,988**	206,877,027
Bills receivable	**4,818,246**	11,809,173
Less: Provision for impairment	**(56,082,725)**	(55,358,140)
	183,246,509	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:

	2018	2017
	RMB	*RMB*
Within 3 months	**113,428,898**	96,868,762
Over 3 months but within 6 months	**33,900,577**	39,222,650
Over 6 months but within 1 year	**31,615,880**	25,123,210
Over 1 year	**4,301,154**	2,113,438
	183,246,509	163,328,060

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 period.

11. PREPAYMENTS AND OTHER RECEIVABLES

	2018	2017
	RMB	*RMB*
Prepayments	**64,833,190**	67,606,880
Other receivables	**29,972,821**	26,027,659
Less: Provision for impairment	**(663,286)**	(663,286)
	94,142,725	92,971,253

12. TRADE AND BILLS PAYABLES

	2018	2017
	RMB	*RMB*
Bank acceptance bills	**78,850,000**	37,000,000
Trade payables	**139,270,737**	147,153,651
	218,120,737	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:

	2018	2017
	RMB	*RMB*
Within 3 months	**135,144,803**	109,023,694
Over 3 months but within 6 months	**2,432,881**	17,794,544
Over 6 months but within 1 year	**611,585**	10,832,045
Over 1 year	**1,081,468**	9,503,368
	139,270,737	147,153,651

13. CONTRACT LIABILITIES

	31 December 2018	**1 January 2018**	31 December 2017
	RMB	***RMB***	*RMB*
Contract liabilities arising from:			
Sale of goods	**19,276,709**	**17,980,376**	—

Note: The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018. Upon the adoption of HKFRS 15, amounts previously included as "Receipt in advance" (note 14) have been reclassified to "Contract liabilities".

14. OTHER PAYABLES AND ACCRUALS

	31 December 2018 *RMB*	1 January 2018 *RMB*	31 December 2017 *RMB*
Other payables and accruals	**226,059,499**	**148,727,081**	148,727,081
Other tax payables	**932,432**	**3,197,153**	3,197,153
Receipt in advance	**—**	**—**	17,980,376
Sales rebate	**—**	**—**	7,925,106
Refund liabilities *(Note)*	**9,834,834**	**7,925,106**	—
	236,826,765	**159,849,340**	177,829,716

Note: Refund liabilities are recognised for volume rebate payable to customers.

15. INTEREST-BEARING BANK BORROWINGS

	2018 *RMB*	2017 *RMB*
Interest-bearing bank borrowings due for repayment within one year	**260,000,000**	285,000,000

As at 31 December 2018, bank borrowings were unsecured, arranged at fixed interest rates ranging from 4.79% to 5.66% per annum and repayable within one year.

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.

16. SHARE CAPITAL

The Company's issued and fully paid-up capital comprises:

	2018		2017	
	Number	***RMB***	*Number*	*RMB*
Ordinary shares of RMB1 each:				
Domestic shares				
At 1 January and 31 December	**100,000,000**	**100,000,000**	100,000,000	100,000,000
H shares				
At 1 January	**—**	**—**	—	—
Issue of new shares (i)	**33,400,000**	**33,400,000**	—	—
At 31 December	**133,400,000**	**133,400,000**	100,000,000	100,000,000
Total at 31 December	**133,400,000**	**133,400,000**	100,000,000	100,000,000

(i) 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 RMB101,511,897 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 RMB57,805,031, which was net off by the related share issue expense of RMB10,306,866.

(ii) Domestic shares and H shares are both ordinary shares in the share capital of the Company. However, H shares may only be subscribed for by, and traded in Hong Kong dollars between legal or natural persons of Hong Kong, Macau, Taiwan or any country other than the PRC. Domestic shares on the other hand, may only be subscribed for by, and traded between legal or natural persons of the PRC (other than Hong Kong, Macau and Taiwan) and must be subscribed for and traded in RMB. All dividends in respect of H shares are to be paid by the Company in Hong Kong dollars whereas all dividends in respect of domestic shares are to be paid by the Company in RMB. Other than the above, all domestic shares and H shares rank pari passu with each other in all respects and rank equally for all dividends or distributions declared, paid or made.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the Year, the Group continued to leverage the advantages in the combination of its two core brands (i.e. FIRS and SHANSHAN) to drive the steady growth of its financial results. During the Period, the Group followed its strategic plan where it further optimised and expanded its sales and distribution network, further elevated its brand recognition and awareness by increasing its brand promotion and marketing efforts, and enhanced the efficiency of its research and development, design and logistics by taking advantage of the innovation and application of the supply chain.

As a leading player in the PRC formal and casual business menswear market, 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 1,226 as at 31 December 2018 from 1,027 (excluding MARCO AZZALI) as at 31 December 2017, including 702 retail outlets under FIRS, 506 retail outlets under SHANSHAN and 18 retail outlets under LUBIAM, representing an increase of approximately 19.4% in the total number of retail outlets under these three brands.

During the Year, faced with various challenges such as the adverse impact from the economic downturn and the structural adjustments of the formal and casual business menswear industry in the PRC, the Group formulated new strategies for and implemented adjustments to certain retail outlets based on their operational performances in order to improve their operational efficiency and to promote the Group's outlet image. Moreover, the Group closed or re-adjusted certain outlets with unsatisfactory performances as part of its efforts to proactively make adjustments to its sales and distribution channels. Furthermore, the Group continued to enhance its brand image and brand awareness by putting through more efforts on promotional activities such as putting up media advertisements and engaging celebrity endorsements. The Board believes that such initiatives taken by the Group had 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 28.5% to RMB1,025.3 million from RMB797.9 million for the year ended 31 December 2017 (the "**FY2017**"), primarily attributable to a significant increase of revenue generated from the brand franchisee cooperation arrangement of the SHANSHAN brand. Please refer 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			
	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
Sales to distributors	**173,282**	**16.9**	200,973	25.2
Direct sales				
E-commerce platforms	**127,157**	**12.4**	158,950	19.9
Self-operated retail outlets	**155,024**	**15.1**	135,122	16.9
Franchisee sales				
Cooperative arrangements and franchising arrangements in relation to LUBIAM and MARCO AZZALI	**495,019**	**48.3**	223,219	28.1
Work uniforms	**61,659**	**6.0**	64,907	8.1
Trademark sub-licensing income	**13,145**	**1.3**	14,717	1.8
Total	**1,025,286**	**100.0**	797,888	100.0

Revenue by brands

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

	31 December			
	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
FIRS	**453,387**	**44.2**	494,948	62.0
SHANSHAN	**521,916**	**50.9**	234,890	29.4
MARCO AZZALI	**8,564**	**0.8**	22,575	2.8
LUBIAM	**28,274**	**2.8**	30,758	3.9
Others	**13,145**	**1.3**	14,717	1.9
Total	**1,025,286**	**100.0**	797,888	100.0

Gross profit

For the Year, the Group's gross profit increased by approximately 38.1% to RMB595.8 million from RMB431.3 million for the FY2017, primarily attributable to the increase in its sales revenue as a result of the expansion of the retail networks of its SHANSHAN brand.

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 decreased by approximately 22.6% to RMB4.1 million from RMB5.3 million for the FY2017, primarily attributable to the one-off service revenue generated from the provision of supporting service by the Group to the franchisees of the SHANSHAN brand to help them establish franchisee retail networks in the FY2017.

Other gains and losses

Other gains and losses mainly include the Group's impairment loss on trade receivables and the write-down of inventories. For the Year, the Group's other gains and losses decreased by approximately 71.2% to other losses of RMB3.0 million from other losses of RMB10.4 million for the FY2017, primarily due to a loss of RMB7.0 million on held-for-sale assets in the FY2017.

Selling and distribution expenses

Selling and distribution expenses mainly include store and e-commerce expenses, staff costs, advertising and promotional expenses, renovation costs, depreciation and rental expenses.

For the Year, the Group's selling and distribution expenses increased by approximately 55.7% to RMB479.6 million from RMB308.1 million for the FY2017, 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) advertising expenses.

Administrative expenses

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

For the Year, the Group's administrative expenses remained relatively stable, decreasing by approximately 2.9% to RMB46.1 million from RMB47.5 million for the FY2017.

Finance costs

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

For the Year, the Group's finance costs increased by approximately 7.8% to RMB15.2 million from RMB14.1 million for the FY2017, primarily due to an increase in bank interest rate.

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 36.2% to RMB12.0 million from RMB18.8 million for the FY2017, primarily due to the increase in impairment losses on inventories and trade receivables which resulted in an increase in deferred tax.

Profit for the Year

As a result of the foregoing, the Group's net profit for the Year decreased by approximately 3.5% to RMB35.7 million from RMB37.0 million for the FY2017, whereas it increased by approximately 6.7% compared with that for the FY2017 without taking into account of listing expenses.

WORKING CAPITAL MANAGEMENT

	31 December	
	2018	2017
Average inventory turnover days	**339**	284
Average trade receivables turnover days	**62**	83
Average trade payables turnover days	**171**	178

The Group's average inventory turnover days increased from 284 days as at 31 December 2017 to 339 days as at 31 December 2018, 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 decreased from 83 days as at 31 December 2017 to 62 days as at 31 December 2018, primarily attributable to an increase in the sales of SHANSHAN branded products and a decrease in the credit extended by the Group to its customers.

The Group's average trade payables turnover days remained relatively stable, decreasing from 178 days as at 31 December 2017 to 171 days as at 31 December 2018.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a solid statement of financial position for the Year. As at 31 December 2018, the Group's cash and cash equivalents increased to RMB145.4 million from RMB102.1 million as at 31 December 2017, and its pledged deposits increased to RMB31.5 million from RMB13.8 million as at 31 December 2017. The increase in the cash and cash equivalents was primarily attributable to (i) proceeds from the Share Offer; and (ii) the increase in pledged deposits and bills payables from the Group's suppliers.

As at 31 December 2018 and 31 December 2017, the Group's total bank borrowings amounted to approximately RMB260.0 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 15 to the consolidated financial statements. The Group's gearing ratios (total borrowings over total assets of the Group) were approximately 24.6% and 32.8% as at 31 December 2018 and 31 December 2017, 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. Thus, the Group does not implement any foreign currency hedging policy.

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 2018, a total of RMB19.0 million of the proceeds had been utilised for the following purposes which are consistent with that disclosed in the Prospectus.

Use of Share Offer Proceeds：

	Planned amount *RMB (million)*	Actual utilised amount as at 31 December 2018 *RMB (million)*	Actual balance as at 31 December 2018 *RMB (million)*
Retail network	20.9	3.9	17.0
Brand promotion and marketing efforts	13.6	5.9	7.7
Information technology system	10.7	0.3	10.4
Warehouses and logistics center	4.5	3.4	1.1
General working capital	5.5	5.5	—
Total	55.2	19.0	36.2

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 701 employees (31 December 2017: 650 employees). Employee costs, including Directors' emoluments, amounted to approximately RMB96.3 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 Board 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 issued by the Stock Exchange and will be included in the annual report of the Company for the Year (the "**2018 Annual Report**") which will be despatched to the shareholders of the Group (the "**Shareholders**") in due course.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the Prospectus, the Group did not have any significant investments, material acquisitions or disposals of assets, subsidiaries, associates or joint ventures during the period from the Listing Date to 31 December 2018 (the "**Period**").

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus, there was no plan for material investments or capital assets as at 31 December 2018.

CAPITAL STRUCTURE

There was a change in the capital structure of the Company as at 31 December 2018 as compared with that as at 31 December 2017. Details are set out in note 16 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no material contingent liabilities (31 December 2017: Nil).

OUTLOOK AND STRATEGIES

Looking into the year of 2019, despite the fact that various uncertainties still exist with respect to the macro-economy and the industry adjustments, the Group will adopt or continue to adopt measures and initiatives to enhance its core competitiveness, and to take further actions to improve and expand its businesses, so as to maintain a sustainable business development in the midst of a challenging business environment.

As to internal management, the Group will strive to enhance its employees' efficiency, expand its sales channels and reduce its costs and expenses. In addition, the Group will take active steps to seek suitable opportunities for mergers, acquisitions, share subscription and/or business cooperation, so as to further strengthen its existing businesses and explore new businesses that will create synergy effect with its existing businesses in the context of industry adjustments. The management is cautiously optimistic about the Group's future business development and is of the view that the implementation of the above measures and initiatives are expected to give rise to a gradually improving financial result for the year 2019. The implementation of such measures and initiatives are also expected to assist in increasing the Group's market penetration in the formal and casual business menswear industry in the PRC, strengthening and consolidating the Group's position in the industry, achieving sustainable growth as well as creating a maximum value for the interests of the Shareholders.

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.

CORPORATE GOVERNANCE PRACTICES

The Board firmly believes that conducting business in an open and responsible manner and following good corporate governance practices are in the long-term interests of the Company and the Shareholders.

The Company has adopted the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**CG Code**") as its own code of corporate governance. As the H Shares were initially listed on the Stock Exchange on the Listing Date, the CG Code was not applicable to the Company for the period from 1 January 2018 to 26 June 2018, being the day immediately before the Listing Date. However, the Company had complied with all the code provisions as set out in the CG Code during the Period.

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 securities transactions by the Directors and the supervisors of the Company (the "**Supervisors**"). Following a specific enquiry made by the Company on 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 Period.

REVIEW BY THE AUDIT COMMITTEE

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 principles 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 28 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO in this preliminary announcement.

FINAL DIVIDEND

The Board has resolved to recommend the distribution of a final dividend of RMB0.06 per share (pre-tax) for 133,400,000 shares for the Year, representing a total amount of RMB8,004,000 (pre-tax).

The proposed final dividend is subject to the Shareholders' approval at the forthcoming annual general meeting (the "**AGM**") and is expected to be distributed on or before Wednesday, 31 July 2019 to the holders of domestic shares and H Shares whose names appear in the register of members of the Company (the "**Register of Members**") on the record date for dividend distribution. The Company will issue a separate announcement regarding the date of the forthcoming AGM, the record date for the payment of H Share dividend and the dates of closure of the Register of Members.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND 2018 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 2018 Annual Report will be available on both websites and will be despatched to the Shareholders in due course.

PROPOSED APPOINTMENT OF SUPERVISOR

Subject to the approval by the Shareholders at the AGM, the Board is pleased to announce that Mr. Wang Yijun (王一軍) ("**Mr. Wang**") has been nominated by the supervisory committee of the Company (the "**Supervisory Committee**") as a candidate for election at the AGM as a Shareholders' representative supervisor of the second session of the Supervisory Committee. A separate ordinary resolution will be proposed at the AGM to appoint Mr. Wang as a member of the Supervisory Committee.

Upon approval of Mr. Wang's election at the AGM, the Company will enter into a service contract with Mr. Wang for a term of three years commencing on the date of the AGM and expiring at the end of the second session of the Supervisory Committee. Mr. Wang is not entitled to any specific remuneration, except for a fixed amount of subsidy of HK$30,000 per annum and a bonus for each financial year which is at the Board's discretion and determined by the Board with reference to the Company's results and performance for the financial year concerned and subject to the approval by the Shareholders at relevant annual general meeting of the Company.

The biographical details of Mr. Wang are set out as follows.

Mr. Wang, aged 41, joined the Group on 25 August 2017, and has since been the vice department head of the finance department of the Company, being responsible for the financial management related affairs. Prior to joining the Group, from March 2000 to August 2017, Mr. Wang worked at Ningbo Youngor Dresses Co., Ltd. (寧波雅戈爾服飾有限公司), a wholly-owned subsidiary of Youngor Group Co., Ltd. (雅戈爾集團股份有限公司), a company primarily engaged in the sale of branded menswear and listed on the Shanghai Stock Exchange (stock code: 600177), with his last position as the financial manager of its certain branch companies, where he was responsible for accounting and finance related affairs. From July 1999 to February 2000, Mr. Wang was an accountant and an cashier of Ningbo Yonggang Communications Co., Ltd. (寧波甬港通訊發展有限公司), a company primarily engaged in the provision of communication services and sale and maintenance of communication equipment where he was responsible for accounting and payment related affairs. Mr. Wang obtained a diploma of graduation in finance and accounting from Zhejiang Province Yinxian Secondary Specialised School (浙江省鄞縣中等專業學校) in July 1996.

Save as disclosed above and as at the date of this announcement, Mr. Wang confirmed that (i) he had not held any other directorships in any public companies, the securities of which are listed on any securities market in Hong Kong and/or overseas in the past three years, or any other positions with the Company and other members of the Group, nor held any other major appointment or professional qualification; (ii) he did not have any interests in the Shares or securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); and (iii) he did not have any other relationship with other current Directors, supervisors, senior management or substantial Shareholders or controlling Shareholders of the Company. There is no other matter concerning the appointment of Mr. Wang that needs to be brought to the attention of the Shareholders nor is there any information that is required to be disclosed pursuant to Rule 13.51(2) to (v) of the Listing Rules.

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

Ningbo, the PRC, 19 March 2019

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