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

2021

ANNUAL REPORT

CONTENTS

Corporate Profile

Ningbo Shanshan Garment Brand Management Co., Ltd. ("**Shanshan Garment Brand**"), the predecessor of Shanshan Brand Management Co., Ltd. (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 Province, the PRC. The overseas-listed-foreign-invested shares of the Company (the "**H Shares**") have been listed (the "**Listing**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 27 June 2018.

The business of our Company primarily involves the design, marketing and sale of formal and casual business menswear in the PRC under two brands, namely FIRS and SHANSHAN, each having distinct product features and brand positioning that are tailored to the preferences of male consumers in particular age and income groups and provide quality menswear products for them.

Corporate Information

CORPORATE NAME

Shanshan Brand Management Co., Ltd.

LISTING INFORMATION

Place of listing: Main Board of the Stock Exchange
Stock code: 1749

BOARD OF DIRECTORS

Executive Directors

Mr. Luo Yefei (Chairman)
Mr. Cao Yang (Vice Chairman)
Ms. Yan Jingfen

Non-executive Directors

Ms. Zhao Chunxiang
Ms. Zhou Yumei
Mr. Zheng Shijie

Independent Non-executive Directors

Mr. Au Yeung Po Fung (Resigned on 4 June 2021)
Mr. Chow Ching Ning (Appointed on 4 June 2021)
Mr. Wang Yashan
Mr. Wu Xuekai

SUPERVISORS

Ms. Zhou Danna
Mr. Wang Yijun
Ms. Yang Yi

JOINT COMPANY SECRETARIES

Ms. Yan Jingfen
Ms. Cheng Lucy

AUTHORISED REPRESENTATIVES

Ms. Yan Jingfen
Ms. Cheng Lucy

BOARD COMMITTEES

Audit Committee

Mr. Au Yeung Po Fung (Chairman)
(Resigned on 4 June 2021)
Mr. Chow Ching Ning (Chairman)
(Appointed on 4 June 2021)
Mr. Wang Yashan
Mr. Wu Xuekai

Remuneration Committee

Mr. Wang Yashan (Chairman)
Ms. Yan Jingfen
Mr. Wu Xuekai

Nomination Committee

Mr. Luo Yefei (Chairman)
Mr. Wang Yashan
Mr. Wu Xuekai

REGISTERED OFFICE AND HEADQUARTERS IN THE PRC

238 Yunlin Middle Road
Wangchun Industrial Park
Ningbo, Zhejiang Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F., 148 Electric Road
North Point
Hong Kong

COMPANY'S WEBSITE

http://www.chinafirs.com

INDEPENDENT AUDITOR

BDO Limited
Certified Public Accountants and
Public Interest Entity Auditor
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Corporate Information

LEGAL ADVISERS

As to Hong Kong law
Sidley Austin
Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to PRC law
Shu Jin Law Firm
12/F, Taiping Finance Tower
6001 Yitian Road
Futian District
Shenzhen
Guangdong Province
The PRC

PRINCIPAL BANKERS

Shanghai Pudong Development Bank
Ningbo Yinzhou Sub-branch
China Construction Bank
Ningbo Sub-branch
China CITIC Bank Ningbo Sub-branch
Bank of China Ningbo Yinzhou Sub-branch

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F
148 Electric Road
North Point
Hong Kong

Financial Summary

RESULTS		2021	2020	2019	2018	2017
		Year ended 31 December				
Revenue(Note)	RMB'000	**993,032**	887,473	1,036,440	1,025,286	797,888
Profit/(loss)	RMB'000	**8,635**	(75,944)	(23,178)	35,668	36,961
Profit/(loss) attributable to the owners of the Company	RMB'000	**12,372**	(68,310)	(16,312)	36,210	44,970
Gross profit margin(Note)	%	**48.9%**	48.2%	56.2%	58.1%	54.1%
Profit margin/(loss from) operations(Note)	%	**0.9%**	(8.6%)	(2.2%)	3.5%	4.6%
Profit margin/(loss) attributable to the owners of the Company(Note)	%	**1.2%**	(7.7%)	(1.6%)	3.5%	5.6%
Earnings/(loss) per share – Basic and diluted	RMB cents	**9**	(51)	(12)	31	45
Final dividend per share	RMB cents	**–**	–	–	6	–

ASSETS AND LIABILITIES	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
	As at 31 December				
Non-current assets	**109,895**	130,186	212,689	145,902	120,924
Current assets	**715,534**	758,428	926,218	909,625	746,915
Inventories	**389,728**	428,466	503,448	461,779	336,424
Trade and bills receivables	**174,973**	162,834	188,093	183,247	163,329
Cash and cash equivalents	**84,265**	111,326	137,476	145,399	102,073
TOTAL ASSETS	**825,429**	888,614	1,138,907	1,055,527	867,839
Current liabilities	**592,242**	658,433	813,818	745,254	684,439
Trade and bills payables	**160,397**	168,666	229,872	218,121	184,154
Interest-bearing bank borrowings	**172,878**	202,244	180,000	260,000	285,000
Non-current liabilities	**21,689**	23,505	42,470	–	–
TOTAL LIABILITIES	**613,931**	681,938	856,288	745,254	684,439

Note: The figures for the years 2021 and 2020 are for the Group's continuing operations and exclude the figures relating to Lubiam (Ningbo) Apparel Co., Ltd.* (寧波魯彼昂姆服飾有限公司) ("**Lubiam Apparel**") (a non-wholly-owned subsidiary of the Company which was voluntarily liquidated), while the other years include figures for both continuing and discontinued operations.

CHAIRMAN'S STATEMENT

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I present the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021 (the "**Year**" or "**FY2021**").

It has been more than two years since the outbreak of novel coronavirus ("**COVID-19**") epidemic evolved into a pandemic (the "**Pandemic**"). In the past two years, the global economy has experienced a deep downturn. The Pandemic has profoundly changed the operation mode of the world economy, brought great challenges to the recovery of the global economy, and had a great impact on China's domestic economy and consumption. The apparel industry in which the Group operates was significantly affected by the global and domestic macroeconomy.

Against an economic backdrop of the Pandemic ravaging the world and intensified global inflation, commodity prices have risen sharply, and surge also occurred in procurement costs, production costs and labor costs of enterprises. The emergence of new business models, such as livestreaming and e-commerce sales, has brought challenges and opportunities to the traditional real economy.

In the face of the uncertainty of economic recovery, the sporadic outbreak of the Pandemic in multiple place of China, the challenges of the market environment and various adverse factors encountered in the operation, by adhering to the strategic positioning of "platform-based development" and under the guidance of the annual business strategy of "innovation-driven quality development", the Group has actively taken a variety of effective measures to cope with the impact and challenges brought by the market environment. Through unremitting efforts, the financial performance and operating conditions of the Group for the year have shown a good momentum of growth, and the results and profit have significantly improved compared with that in 2020. During the Year, the Group's operating revenue reached RMB993.0 million, an increase of 11.9% compared with last year. The profit was RMB8.6 million for FY2021, making a turnaround from the loss of RMB75.9 million for the year ended 31 December 2020 ("**FY2020**").

In 2021, the Group's results and profit recorded a significant year-on-year increase, which was attributable to the effective management and business initiatives, including but not limited to the following:

I. VIGOROUSLY DEVELOPING ONLINE BUSINESS IN LINE WITH CONSUMPTION TRENDS

Since 2020, the Group has clarified our product mix and positioning and proactively developed new consumption scenarios through in-depth study of the business environment and comprehensive analysis of consumption trends. We comprehensively planned for new retail scenarios. Through these all-round endeavors and developments in 2021, our new retail business gradually improved. At the same time, the Group continued to deepen its cooperation with highly professional and high-quality customers, and took multiple measures to stimulate business development, making the traditional e-commerce platform business show a relatively rapid development trend. Our revenue from e-commerce channel increased by approximately 58.0% in FY2021 as compared to last year, which achieved a rapid increase in business scale and also played a positive role in improving the de-stocking of inventory products.

II. KEEPING OPERATING IN A REFINED WAY TO EMPOWER TERMINAL RETAILING

During the Year, the Group adjusted its sales channel structure in a timely manner by conducting in-depth research on the trend of terminal consumption scenarios, continuously strengthened the construction of dealer system and self-operated terminal system, vigorously expanded quality suppliers and explored potential and existing markets. Through the analysis of consumption structure and movements, we gradually withdrew from the consumption-weakening markets in an orderly manner to avoid expected potential loss due to decreasing purchasing power. In addition, the Group took several core management measures, including (1) continuing to promote the high-quality development of its operations by increasing performance, gross profit, sell-out and employees' efficiency, and reducing expenses, inventory, redundancy and internal consumption; (2) capturing the core of retail business and comprehensively enhancing terminal retail capabilities through a series of trainings on terminal retailing skills. The aforementioned measures have had a positive effect on the Group's various operating performances. With the increase in revenue of terminal retail, the proportion of expenses gradually decreased, resulting in the improvement of the Company's profitability.

III. BUILDING THE FLEXIBILITY OF SUPPLY CHAIN BY DIGITIZATION

The Group had built a flexible supply chain to quickly response to market demands. In particular, the Group had been continually advancing the digitalization of its warehousing and logistics center to improve the digital operation ability of the Group. In addition, the Group also kept optimizing the supplier inclusion and evaluation system and strengthened its control for cost, efficiency and product quality. By virtue of the abovementioned measures, the Group's average inventory turnover days decreased from 357 days for FY2020 to 294 days for the Year, significantly improving the inventory turnover rate and reaching a relatively reasonable level of inventory ratio. During the Year, the inventory decreased by approximately 9.0% year-on-year.

IV. ADJUSTING THE ORGANISATION STRUCTURE AND PROMOTING MECHANISM BUILDING

By implementing business division system and centralizing the functions of the headquarters, each business divisions continously realized improvement in its ability of quick responding to and decision-making for market demand as well as the ability to capture and convert opportunities in market. In terms of team management, the Group optimised human resources and strengthened the objective and performance assessment mechanism to build a capable business management team and a highly professional management team at headquarters. In addition, the Group continued to strengthen the building of talent pipeline through a multitude of measures such as job rotation, project incubation, external introduction and improvement of its talent pool.

With the above-mentioned series of effective measures, the Group actively responded to the unfavourable market environment in 2021 and significantly reduced the operational uncertainties caused by the COVID-19. During the Year, there were no significant changes in the principal business and structure of the Group.

2021 is a year of ups and downs and 2022 will be a year of promises fulfilled. We will forge ahead despite the macroeconomic environment with recurring epidemic and difficult global economic recovery. We will continue to develop the two core self-owned brands and consolidate our achievements. We will also continue to consolidate our existing achievements and incubate new business growth opportunities to promote sustainable business development of the Group and create more value for the shareholders of the Company (the "**Shareholders**").

Luo Yefei
Chairman of the Board

Ningbo, the PRC, 29 March 2022

Management Discussion and Analysis

BUSINESS REVIEW

2021, the second year of the outbreak and global spread of the COVID-19, witnessed a unprecedented blow to global economy, intensified global inflation and larger development disparities between different regions. China, as an emerging economy, upheld the guidance of normalized epidemic prevention for "dynamic zeroing". On this basis, the domestic garment industry embraced steady recovery in manufacturing with continuous improvement in domestic sales, rapid growth of exports, booms in corporate profits. Generally, the industry as a whole continued the development trend of steady recovery, featuring with development characteristics such as continuous deepening in industry transformation and innovation, accelerated digital empowerment and brand upgrading supported by the rise of China-made goods. However, as the exterior environment of the industry is becoming more and more complicated and factors such as the epidemic have a certain impact on the continued recovery of domestic and external market demand, while raw material prices remain high and the higher pressure of rising costs on enterprises, the foundation for a stable and sound industry still needs to be further consolidated.

After a brief decline in 2020, the apparel industry, in which the Group operates, as a mass consumer goods sector, showed a good growth momentum in 2021. According to the National Bureau of Statistics data, from January to December 2021, the industrial value-added of enterprises above designated size in the apparel industry of China achieved a year-on-year increase of 8.5% and the growth rate raised by 17.5 percentage points compared with the same period of the previous year. Enterprises above designated size recorded an output of 23.541 billion pieces of garment products, representing a year-on-year increase of 8.38%, and the growth rate raised by 16.03 percentage points compared with the same period of the previous year.

During the Year, in the face of localised outbreaks of the epidemic in the PRC, the challenges of the market environment and various unfavorable factors in the operation, the Group adhered to the strategic positioning of "platform-based development", and actively took a variety of effective measures to deal with the impact and challenges brought by the market environment under the guidance of the annual operation strategy of "Innovation Development & Connotation Development". The Group enhanced its operating capabilities and profitability, which included analysing consumption trends, actively exploring new retail formats, incubating new growth poles, amplifying new growth points, researching market consumption and fashion trends, optimising product structure, and enhancing product design and quality. The Group has adjusted its sales and distribution network by optimising channel network structure. In addition, the Group endeavored to build a flexible supply chain with digital empowerment, so as to constantly strengthen the linkage between headquarters and terminals, and improve the efficiency of supply chain. The Group had taken measures to dispose of its inventories via multiple channels and other measures to increase the turnover rate of goods, reasonably control the inventory, and improve the production and sales rate of products. Thanks to active response and intensive efforts throughout the Year, the financial performance and operating conditions of the Group showed a good trend of growth during the Year. During the Year, the Group recorded revenue of RMB993.0 million, representing a year-on-year increase of 11.9%. And it recorded a profit of RMB8.6 million, representing an increase of RMB84.5 million as compared with the loss of RMB75.9 million of the corresponding period of last year, turning losses into profits.

The Group strove for a stable and high-quality development, and continued to refine operation on business and terminal layout and explored potential and existing markets. Based on the judgements on the operation environment and consumption trends, the Group is committed to establish high-quality terminal stores and continues to eliminate low-quality stores with poor performance so as to optimise distribution network. Upon restructuring in terminal channels, the number of retail outlets of the Group decreased from 995 as at 31 December 2020 to 910(note) as at 31 December 2021, including 502 retail outlets under FIRS and 408 retail outlets under SHANSHAN, representing a decrease of approximately 8.5% in the total number of retail outlets.

In 2021, the Group strengthened strategic cooperation with high-quality partners, strengthened the structure optimisation of FIRS channels, and performed well in newly expanded terminal stores. At the same time, the Group continued to deepen its efforts in the business suit market by actively approaching prospective customers, which has led to a steady increase in contracted customers and brought a positive effect on growth of the business suit segment. In addition, while empowering offline terminal business, the Group continued to strengthen the layout of business and deeply engage in new retail and traditional e-commerce business, so as to link online and offline retail scenarios.

The Board believes that the series of initiatives taken by the Group have exerted positive influence on enhancing the financial performance of the Group for the Year.

Note: Excluding the numbers of LUBIAM brand stores of Lubiam Apparel, a non-wholly-owned subsidiary of the Company which has been voluntarily liquidated. As of 31 December 2021, the liquidations of all LUBIAM brand stores completed and all stores closed (2020: 8).

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 11.9% to RMB993.0 million from RMB887.5 million for the FY2020, primarily attributable to (i) a significant increase of approximately 58.0% in the revenue of the Group's e-commerce platform business compared to that for the FY2020 as the Group continued to strengthen the layout of online business and deeply engage in new retail scenarios; and (ii) the expansion of business suit market, the growth of distributor order business, and a great impact on distributor order of the outbreak of the COVID-19 epidemic in early 2020. Please refer to the sections headed "Revenue by sales channels" and "Revenue by brands" below for details.

Revenue by sales channels

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

	Year ended 31 December			
	2021		2020	
	RMB'000	**%**	RMB'000	%
Sales to distributors	**103,620**	**10.4**	78,988	8.9
Direct sales				
E-commerce platforms	**240,150**	**24.2**	151,989	17.1
Self-operated retail outlets (note 1)	**164,357**	**16.6**	145,602	16.4
Franchisee sales (note 2)	**387,679**	**39.0**	442,546	49.9
Work uniforms	**88,506**	**8.9**	55,310	6.2
Trademark sub-licensing income	**8,720**	**0.9**	13,038	1.5
Total	**993,032**	**100.0**	887,473	100.0

Notes:

(1) Excluding sales revenue from sales of Lubiam Apparel (a non-wholly-owned subsidiary of the Company which was voluntarily liquidated) to self-operated retail outlets, amounted to RMB5,518 thousand (2020: RMB8,804 thousand).

(2) Excluding revenue from sales of Lubiam Apparel (a non-wholly-owned subsidiary of the Company which was voluntarily liquidated) to franchisees, such revenue for the FY2020 amounted to RMB3,409 thousand.

Revenue by brands

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

	Year ended 31 December			
	2021		2020	
	RMB'000	%	RMB'000	%
FIRS	**524,163**	**52.8**	375,621	42.3
SHANSHAN	**460,149**	**46.3**	498,814	56.2
Others	**8,720**	**0.9**	13,038	1.5
Total (note)	**993,032**	**100.0**	887,473	100.0

Note: Excluding revenue from sales of Lubiam Apparel to LUBIAM brand, amounted to RMB5,518 thousand for the Year (2020: RMB12,213 thousand).

Gross profit

For the Year, the Group's gross profit increased by approximately 13.3% to RMB485.2 million from RMB428.1 million for the FY2020, primarily attributable to the increases in revenue of e-commerce platforms, business suit channels and distribution channels.

Other revenue

Other revenue mainly comprises the Group's income derived from the sale of raw materials and interest income from banks. For the Year, the Group's other revenue increased by approximately 25.0% to RMB1.5 million from RMB1.2 million for the FY2020.

Other gains and losses

For the Year, other net losses amounted to RMB3.7 million which mainly represented the fair value loss on derivative financial liabilities of RMB10.9 million.

Net other gains for the FY2020 of RMB19.5 million mainly represented the gain of RMB16.9 million on disposal of 20% equity interest of Le Coq Sportif (Ningbo) Co., Ltd., an associate of the Company and aggregate exchange difference gain of RMB5.7 million recorded from the borrowings in United States dollars ("**USD**").

Selling and distribution expenses

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

For the Year, the Group's selling and distribution expenses decreased by approximately 7.5% to RMB409.0 million from RMB442.0 million for the FY2020, mainly attributable to the decreases in (i) the product sharing paid to franchisees; and (ii) depreciation of property, plant and equipment.

Administrative expenses

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

For the Year, the Group's administrative expenses, decreased by approximately 12.8% to RMB38.7 million from RMB44.4 million for the FY2020, mainly attributable to handling fee of RMB2.4 million for the issuance of bank guarantee for the Group's USD loan for the FY2020.

Impairment loss on trade receivables, net

For the Year, the Group's impairment loss on trade receivables increased to RMB4.9 million from RMB1.7 million for the FY2020, mainly attributable to the Group's provision for an impairment allowance on trade receivables aged more than 6 months but less than 1 year of RMB13.5 million.

Finance costs

Finance costs mainly include interests on bank borrowings of the Group, borrowing interests payable to a related company and interest expenses on lease liabilities.

For the Year, the Group's finance costs decreased by approximately 25.2% to RMB8.9 million from RMB11.9 million for the FY2020. The decrease was mainly due to the decrease in bank borrowings for the Year compared to that for the FY2020 and the settlement of the borrowings from related companies for the FY2020, resulting in the decrease in interest expense of borrowings.

Income tax (expense)/credit

Income tax (expense)/credit mainly represents the income tax payable by the Group according to the relevant PRC income tax laws and regulations. Income tax expense for the Year amounted to RMB2.2 million compared with income tax credit of RMB2.4 million for the FY2020. The turn from an income tax credit to an expense was attributed to the write-off on certain trade receivables for the FY2020, resulting in a deferred tax.

Profit/(loss) for the year

For the Year, the Group recorded profit for the year of RMB8.6 million from loss of RMB75.9 million for the FY2020, which was mainly because (i) income of sales increase resulting to the increase in gross profit; and (ii) the Group continued to refine operations and strengthen internal management, resulting in a decrease in selling and distribution expenses and administrative expenses.

WORKING CAPITAL MANAGEMENT

	31 December	
	2021	2020
Average inventory turnover days	**294**	357
Average trade receivables turnover days	**62**	71
Average trade payables turnover days	**118**	153

The Group's average inventory turnover days decreased from 357 days as at 31 December 2020 to 294 days as at 31 December 2021, which was primarily attribute to the Group's quick respond to the demands on the market by creating a flexible supply chain, resulting in a faster inventory turnover for the Year.

The Group's average trade receivables turnover days remained relatively stable, decreasing from 71 days as at 31 December 2020 to 62 days as at 31 December 2021.

The Group's average trade payables turnover days decreased from 153 days as at 31 December 2020 to 118 days as at 31 December 2021, which was primarily attributable to the reduction in the trade payables turnover days for the Year as a result of the Group's continuously implementation of the demand-oriented replenishment of commodities, and the rapid return mechanism of hot style, which accelerated the linkage with suppliers.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a solid financial position for the Year. The Group's cash and cash equivalents decreased from RMB111.3 million as at 31 December 2020 to RMB84.3 million as at 31 December 2021, and its pledged deposits decreased to RMB18.9 million as at 31 December 2021 from RMB22.0 million as at 31 December 2020. The decrease in the cash and cash equivalents was primarily attributable to the acquisition of property, plant and equipment and the settlement of the bank borrowings. The cash and cash equivalents were mainly denominated in Renminbi ("**RMB**").

As at 31 December 2021 and 31 December 2020, the Group's total bank borrowings amounted to approximately RMB172.9 million and RMB202.2 million, respectively. The bank borrowings as at 31 December 2021 carried fixed interest rate for RMB loans at 5% to 5.10% per annum and variable rates of USD LIBOR +3.49% per annum and 3-month EURIBOR +0.28% per annum for USD and Euro ("**EURO**") bank borrowings, respectively (31 December 2020: fixed interest rate for RMB loans at 5.0% per annum and variable rates of USD LIBOR +1.00% and 3-month EURO LIBOR +0.28% for USD and EURO bank borrowings). All bank borrowings were denominated in RMB, EURO and USD and repayable within a year from the respective year end dates. The Group's gearing ratios (total borrowings over total assets of the Group) were approximately 20.9% and 22.8% as at 31 December 2021 and 31 December 2020, respectively.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a solid 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

Most of the Group's transactions are denominated in RMB. In addition, the Group also exposes to the foreign exchange risks arising from the bank loans denominated in EURO and USD. The Group is committed to mitigating the potential adverse impact of the unpredictability of financial markets on the Group's financial performance and had used derivative financial instruments to control the exchange rate risk.

USE OF PROCEEDS FROM THE SHARE OFFER

The H Shares were listed on the Main Board of the Stock Exchange on 27 June 2018. 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 2021, a total of RMB52.9 million of the proceeds from the offering of Shares had been utilised for the following purposes which are consistent with that disclosed in the prospectus of the Company dated 12 June 2018 (the "**Prospectus**"):

	Planned amount RMB (million)	Unutilised balance as at 1 January 2021 RMB (million)	Actual utilised amount during the Year RMB (million)	Unutilised amount as at 31 December 2021 RMB (million)
Retail network	20.9	–	–	–
Brand promotion and marketing	13.6	–	–	–
Information technology system	10.7	4.4	2.1	2.3 (note)
Warehouses and logistics center	4.5	–	–	–
General working capital	5.5	–	–	–
Total	55.2	4.4	2.1	2.3

Note: Due to delay in project progress during the COVID-19 epidemic, the Group expects to utilise the proceeds in the fourth quarter of 2022 in upgrading its information technology system.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 384 employees (31 December 2020: 523 employees). Employee costs, including Directors' emoluments, amounted to approximately RMB80.6 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 Directors and individual senior management. The Group provides and arranges on-the-job training for the employees.

The remuneration committee of the Board (the "**Remuneration Committee**") reviews and recommends to the Board for consideration and approval of the remuneration and compensation packages of the Directors and the senior management with reference to the salaries paid by comparable companies in the market, time commitment, 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 "**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 during its daily operation. The Group has also attained the ISO14001 "Environment Management Systems" Certification. An environmental, social and governance report of the Group is issued in accordance with the Environmental, Social and Governance Reporting Guide as contained in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and is included in the 2021 annual report of the Company which is published on the respective websites of the Stock Exchange and the Company and despatched to the Shareholders in due course.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any significant investments, material acquisitions and disposals of assets, subsidiaries, associates or joint ventures during the Year.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus regarding the upgrading of the information technology system of the Group and capital commitment used for the acquisition of property, plant and equipment of RMB1,392,137, there was no plan for material investments or capital assets as at 31 December 2021. The Company's expected source of funding for the coming year will tentatively come from the Group's existing internal resources and from bank borrowings.

CAPITAL STRUCTURE

There was no change in the capital structure of the Company as at 31 December 2021 as compared with that as at 31 December 2020.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2021 (31 December 2020: Nil).

PLEDGE OF ASSET

As at 31 December 2021, the Group did not pledge deposits as secure for outstanding bills payables (31 December 2020: RMB10,000,000). In addition, RMB18,856,703 was placed as securities for the derivative financial liabilities by the Group (31 December 2020: Nil). Save as disclosed above, the Group did not pledge any of its assets as securities for outstanding bills payables, derivative financial liabilities and bank borrowings.

OUTLOOK AND STRATEGIES

Looking forward to 2022, industry uncertainties still exist. Since March 2022, the domestic COVID-19 epidemic has been spreading in multiple places. Government in various regions implemented stricter lockdown and restrictions. Due to the impact of relevant epidemic prevention and control measures in the physical stores, the Group's operations in 2022 may be negatively affected to a certain extent. Nevertheless, the Group will remain confident and overcome difficulties together. In the face of difficulties and challenges, according to the development theme of "steady development and high-quality development", adhering to the operation and management policy of "seeking benefits from management", and based on the in-depth management of the three core assets of "talents", "products" and "capital", the Group will strive to resolve risks such as frequent epidemics and rising raw material prices, and strive to achieve the preservation and appreciation of the Company's core assets, so as to promote the steady growth of the Company's business and profits.

The Group will actively uphold, new business forms and new concepts by paying close attention to consumers' preferences and capturing consumer trends to create new product and service experiences that meet the needs of target consumer groups based on the application of customer data. By linking online and offline consumer scenarios, building smart stores, and constructing digital marketing centres, the Group will promote a consumer-focused "research, production and sales" retail system, which helps the Group's business to achieve innovative and high-quality development.

Benefiting from the good genes and modern management and operation methods of national brands of Chinese clothing, the Group remains optimistic about the future development prospects. Based on the two core brands of FIRS and SHANSHAN, the Group will stick to the original intention, follow the trend of domestic products, to create high-quality products loved by consumers and give full play to the core brand equity value and brand value, and strive to explore new business cooperation opportunities while enhancing its existing businesses, so as to continuously increase its market share and profitability.

Biographies of Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. Luo Yefei (駱葉飛), aged 47, was appointed as an executive Director on 18 May 2016 and a chairman of the Board as well as a member and chairman of the nomination committee of the Board (the "**Nomination Committee**") on 26 June 2020. Mr. Luo is also the general manager and responsible for the overall development planning and business operations of the Group. He is also (i) a director of Ningbo Shanshan Fashion Brand Management Co., Ltd* (寧波杉杉時尚服裝品牌管理有限公司) ("**Fashion Brand**") and Lubiam Apparel, and (ii) the manager of Ningbo Shanshan Hanfu Culture Co., Ltd.* (寧波杉杉漢服文化有限公司) ("**Shanshan Hanfu**"), subsidiaries of the Company. He has over 18 years of experience in the apparel industry. Mr. Luo joined the Group on 1 June 2013 as the general manager of Shanshan Garment Brand, the predecessor of the Company. Prior to joining the Group, Mr. Luo was the general manager and the controlling shareholder of Shaanxi Maoye Gongmao Co., Ltd.* (陝西茂葉工貿有限公司) ("**Shaanxi Maoye**"), a substantial shareholder of the Company, a company primarily engaged in the production and sales of garments, where he was responsible for the production and operation management from September 2009 to June 2013. From September 2002 to September 2009, Mr. Luo served as the deputy general manager of Shaanxi Tuoda Commercial Trading Company Limited* (陝西拓達商貿有限公司) ("**Shaanxi Tuoda**"), a company primarily engaged in the sales and production of garments, where he was responsible for the sales and marketing. Mr. Luo obtained a certificate for the CEO EMBA program from Xi'an Jiaotong University (西安交通大學) in the PRC and Zhejiang University (浙江大學) in the PRC in July 2009 and June 2015, respectively. Mr. Luo also obtained a college diploma (專科文憑) through online learning from University of Science and Technology Beijing (北京科技大學) in the PRC in July 2017. On 31 July 2020, Mr. Luo obtained a junior college diploma (專升本文憑) in Business Administration through online learning from Southwest University (西南大學). Mr. Luo is the husband of Ms. Zhou Yumei, a non-executive Director. Mr. Luo is interested in approximately 80% of the registered capital of Shaanxi Maoye and is deemed to be interested in approximately 20% of the registered capital of Shaanxi Maoye held by Ms. Zhou Yumei under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("**SFO**"). Mr. Luo is interested in approximately 18.6% of the registered capital of Ningbo Liankangcai Brand Management Co., Ltd.* (寧波聯康財品牌管理有限責任公司) ("**Ningbo Liankangcai**"), a substantial shareholder of the Company.

* *for identification purpose only*

Mr. Cao Yang (曹陽), aged 50, was appointed as a Director and chairman of the board of directors of Shanshan Garment Brand, the predecessor of the Company on 30 June 2014. He was re-appointed as the vice chairman of the Company in May 2016 and was responsible for strategic planning of the Group. He was an executive director and the general manager of Ningbo Shanshan E-Commerce Co., Ltd.* (寧波杉杉電子商務有限公司) ("**Shanshan E-Commerce**"), a subsidiary of the Company from date of establishment to May 2021. Mr. Cao has extensive experience in strategic planning, brand management, public communication and corporate culture communication. He has over 16 years of experience in business management. From June 2010 to December 2014, Mr. Cao served as the planning director of Shanshan Holding Co., Ltd.* (杉杉控股有限公司) ("**Shanshan Holding**"), a company primarily engaging in industrial investment, investment management and research, development and sales of garments, and was responsible for strategic planning and brand management, public communication and corporate culture communication. From June 2009 to December 2013, he acted as an assistant president and the vice president of Shanshan Group Co., Ltd.* (杉杉集團有限公司) ("**Shanshan Group**"), a company primarily engaging in assets management and investment, trading of nonferrous metals and chemical products, and was responsible for brand management and public communication. From May 2005 to January 2009, Mr. Cao served as the deputy head of the general management department and the head of the planning department of Shanshan Holding, where he was responsible for brand management, public communication and corporate culture communication. In October 2004, Mr. Cao joined Shanshan Group as the head of the planning department and was responsible for brand management, public communication and corporate culture communication. Mr. Cao obtained a bachelor's degree in journalism from Nanjing Normal University (南京師範大學) in the PRC in December 2012 by self-study. Mr. Cao has been the vice president of Shanshan Holding since August 2021, and is in charge of administration, personnel, information, legal affairs and planning.

Ms. Yan Jingfen (嚴靜芬), previously known as Yan Xuefang (嚴雪舫), aged 48, was appointed as a Director on 18 May 2016 and a member of Remuneration Committee on 28 May 2018. Ms. Yan is also vice president, the chief financial officer and a joint company secretary of the Company and responsible for financial management, company secretarial matters and the compliance matters of the Group. Meanwhile, Ms. Yan is a director of (i) Fashion Brand and Lubiam Apparel, subsidiaries of the Company; (ii) Ningbo Shanjing Apparel Co., Ltd.* (寧波杉京服飾有限公司) ("**Ningbo Shanjing**"), an associate of the Company; and (iii) Hangzhou Shanxi E-Commerce Co., Ltd.* (杭州杉喜電子商務有限公司), a joint venture of the Group. She is also a supervisor of Shanshan E-Commerce, a subsidiary of the Company. On 12 July 2021, the Stock Exchange agreed that Ms. Yan is qualified to act as a company secretary under Rule 3.28 of the Listing Rules. Ms. Yan has over 14 years of experience in financial management. Ms. Yan joined the Group on 2 August 2010. Since June 2013, she has been serving as the chief financial officer of Shanshan Garment Brand, the predecessor of the Company, and of the Company. From August 2010 to June 2013, Ms. Yan served successively as the head of the financial department and the chief financial director of Fashion Brand. From September 2009 to August 2010, she was the head of the financial department of Ningbo Shanshan Bolai Import and Export Co., Ltd.* (寧波杉杉博萊進出口有限公司), a company primarily engaged in import and export business, where she was responsible for auditing and budgeting of this company. From July 2007 to September 2009, Ms. Yan served as the head of the financial department in Ningbo Shanshan Yongjiang Real Estate Company Limited* (寧波杉杉甬江置業有限公司), a property developer, where she was responsible for financial budgeting and preparing financial statements. Ms. Yan obtained her bachelor's degree in financial management from the Ningbo Dahongying University (寧波大紅鷹學院) in the PRC in June 2014. Ms. Yan was qualified as an intermediate accountant (中級會計) by Ningbo Personnel Bureau (寧波市人事局) in May 2009. Ms. Yan is interested in approximately 19% of the registered capital of Ningbo Liankangcai, a substantial shareholder of the Company.

* *for identification purpose only*

Biographies of Directors, Supervisors and Senior Management

NON-EXECUTIVE DIRECTORS

Ms. Zhao Chunxiang (趙春香), aged 41, was appointed as a non-executive Director on 21 August 2020. Ms. Zhao has been the merchandising manager of Shanghai Qunguan Building Technology Co., Ltd.* (上海群冠建築科技有限公司) since March 2018. She served as the merchandising manager of Shanghai Kangnuo International Trading Co., Ltd.* (上海康諾國際貿易有限公司) from January 2010 to February 2018, where she was responsible for the procurement of apparel, textile, hotel supplies and other items. From July 2003 to December 2009, she served as a merchandiser of Harbin Yixin Import and Export Trade Co., Ltd.* (哈爾濱億鑫進出口有限公司), where she was responsible for the procurement for the various exported products of this company. Ms. Zhao obtained a college diploma (專科文憑) in e-commerce from Harbin Vocational & Technical College (哈爾濱職業技術學院) in the PRC in June 2003, obtained the intermediate level of professional and technical economic qualification in November 2017 and obtained a bachelor's degree in procurement and supply management from Shanghai University of Finance and Economics (上海財經大學) in the PRC in 2018.

Ms. Zhou Yumei (周玉梅), aged 51, was appointed as a non-executive Director on 21 August 2020. Ms. Zhou has been the head of inventory digestion and supply chains integration of the Company since March 2022 and is responsible for presiding over the overall management and coordination of the overall inventory digestion and supply chains integration of the Company. Ms. Zhou has been successively the deputy general manager and the general manager and the executive director (who is the sole director) of Shaanxi Maoye, a substantial shareholder of the Company, since September 2009, a company primarily engaged in the production and sale of garments, where she is responsible for business management. From September 2002 to September 2009, Ms. Zhou served as the deputy general manager of Shaanxi Tuoda, a company primarily engaged in the sales and production of garments, where she was responsible for the sales and management. Ms. Zhou is the wife of Mr. Luo Yefei, the chairman of the Board and an executive Director. Ms. Zhou is interested in approximately 20% of the registered capital of Shaanxi Maoye and is deemed to be interested in approximately 80% of the registered capital of Shaanxi Maoye held by Mr. Luo under the SFO; in addition, Ms. Zhou is deemed to be interested in approximately 18.6% of the registered capital of Ningbo Liankangcai held by Mr. Luo under the SFO.

Mr. Zheng Shijie (鄭世傑), aged 51, was appointed as a non-executive Director on 21 August 2020. Mr. Zheng is currently the general manager of our brand planning center and is responsible for the planning-related matters of the Company. Mr. Zheng has been a deputy general manager and planning director of the Group since June 2013 and is responsible for the brand building of the Group. He joined the Group as the planning director of Fashion Brand in June 2013. He has over 24 years of experience in the apparel industry. From June 2012 to June 2013, Mr. Zheng was an assistant to the general manager of Shaanxi Maoye, a substantial shareholder of the Company which primarily engaged in the sale and production of garments, where he was responsible for assisting the general manager in the day-to-day operations of Shaanxi Maoye. From January 2009 to June 2012, Mr. Zheng was the general manager of the business division of Romon Group Co., Ltd.* (羅蒙集團股份有限公司), a company primarily engaged in the design, production and sale of garments, where he was responsible for the operation of Xili Meishi (喜麗美獅) brand. From January 1996 to October 2002, he was the manager of the business division of women's fashion in Peace Bird Group Co., Ltd.* (太平鳥集團有限公司), a company primarily engaged in the production and sale of garments, where he was responsible for the establishment and development of women's fashion business. He obtained the college diploma (專科文憑) from Beijing Institute of Technology in the PRC in January 2019. Mr. Zheng is interested in approximately 2% of the registered capital of Ningbo Liankangcai.

* *for identification purpose only*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Ching Ning (周政寧), aged 53, was appointed as an independent non-executive Director and the chairman of audit committee of the Board (the "**Audit Committee**") on 4 June 2021. He is responsible for providing independent advice and judgement to the Board. Mr. Chow has over 21 years of investment experience and is currently a managing partner with Radiant Tech Ventures, a HK-based venture fund manager that invests in technology-empowered sectors such as fintech, electronic and mobile-commerce, healthcare and smart city across various geographical markets, including Hong Kong, China, Israel and Southeast Asia. Radiant Tech Ventures is a Hong Kong Securities and Futures Commission licensed asset management company and upholds the highest standard of corporate governance and business ethics and it is selected as one of the six Co-Investment Partners of the Innovation and Technology Venture Fund (ITVF) under Innovation and Technology Commission of the Government of the Hong Kong Special Administrative Region in 2018. Mr. Chow is a responsible officer for type 9 (asset management) regulated activities under the SFO.

Mr. Chow was born in Hong Kong but grew up in Singapore where he had lived for 8 years. He obtained a Bachelor degree (Hons) in Business Studies from the Hong Kong Polytechnic University and is a CFA Charterholder of the CFA Institute and fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA).

Mr. Chow is currently an independent non-executive director of China LNG Group Limited, a company listed on the main board of the Stock Exchange (stock code: 931). He was an independent non-executive director of SinoSun Technology Co. Ltd., a company listed on Shenzhen Stock Exchange (SHE stock code: 300333) from April 2017 to May 2020.

Mr. Wang Yashan (王亞山), aged 60, was appointed as an independent non-executive Director, chairman of the Remuneration Committee, a member of Audit Committee and a member of Nomination Committee on 28 May 2018. He is responsible for providing independent advice and judgement to the Board. Mr. Wang was the legal representative of Beijing Zhonghuang Guoxin Management Consulting Company Limited (北京中璜國信管理諮詢有限責任公司), a company primarily engaged in providing corporate management consulting services, from August 2010 to May 2016. He was also an independent director of Zhongke Yinghua High-tech Company Limited (中科英華高技術有限公司) (currently known as Nuode Investment Company Limited (諾德投資股份有限公司)), a company listed on the Shanghai Stock Exchange (stock code: 600110), from June 2009 to July 2015. Mr. Wang obtained his lawyer's qualification certificate issued by the Ministry of Justice of the PRC in April 1989. He obtained his bachelor's degree in law from Peking University in the PRC in July 1984.

Biographies of Directors, Supervisors and Senior Management

Mr. Wu Xuekai (武學凱), aged 51, was appointed as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 28 May 2018. He is responsible for providing independent advice and judgement to the Board. Mr. Wu has over 26 years of experience in apparel industry. Mr. Wu is currently the executive Director and general manager of Shanghai Tianshi Garment Technology Co., Ltd.(上海田時服装科技有限公司) and is the vice chairman of China Fashion Association and vice president of Shanghai Garment Design Association. Mr. Wu has been serving as the chief creative director of Biaoding Apparels Co., Ltd. (上海標頂服飾有限公司), a company primarily engaged in providing designing services, where he has been responsible for product design since June 2002. Mr. Wu was also the design director of Shanshan Group, where he was responsible for product design and the management of the design department from January 1999 to April 2003. From October 1996 to January 1999, Mr. Wu was a deputy general manager of the design center of Shanshan, where he was responsible for product design. From January 1995 to September 1996, Mr. Wu was a workshop manager of one of Shanshan's factories, where he was responsible for daily operation of this workshop. He was an independent director of Hunan Huasheng Company Limited (湖南華升股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600156), where he was responsible for supervising and providing independent advice to the board of directors from January 2014 to November 2020. Mr. Wu was qualified as a senior craftsmanship designer (高級工藝美術師) in July 2010 by Shanghai Human Resources and Social Security Bureau (上海市人力資源和社會保障局). Mr. Wu obtained his graduation certificate in fashion design from Tianjin Polytechnic University (天津工業大學) (formerly known as Tianjin Textile Engineering Institute (天津紡織工學院)) in the PRC in July 1994.

SUPERVISORY COMMITTEE

Ms. Zhou Danna (周丹娜), aged 40, was appointed as the chairperson of the supervisory committee of the Company (the "**Supervisory Committee**") on 18 May 2016. She joined the Group on 15 July 2013, and is currently the deputy director of the administration department of the Group, in charge of administration-related affairs. Ms. Zhou is also a supervisor of Fashion Brand, Shanshan Hanfu and Ningbo Magic Music E-Commerce Co., Ltd.(寧波魔音電子商務有限公司) ("**Ningbo Magic E-Commerce**"), all of these are subsidiaries of the Company. She has over 15 years of experience in the apparel industry. Since July 2013, she was employed by the predecessor of the Company, Shanshan Garment Brand as an assistant to the head of the general management department, and now by the Company, as the manager of administration office, where she is responsible for administrative matters. From July 2013 to September 2014, she successively served as an assistant to the head of the general management department and the deputy department head in Fashion Brand, where she was responsible for assisting the head of general management department in administrative matters. From March 2006 to July 2013, Ms. Zhou successively served as the secretary to the general manager, administration assistant and the head of the department in Ningbo Shanshan Modun Garments Co., Ltd., a company primarily engaged in sales of garments, where she was responsible for assisting the general manager in daily administrative matters. Ms. Zhou obtained her bachelor's degree in art design from Tianjin Polytechnic University (天津工業大學) in the PRC in July 2006.

Mr. Wang Yijun (王一軍), aged 44, was appointed as a supervisor of the Company (the "**Supervisor**") on 5 June 2019. He is also a director of Ningbo Magic E-Commerce. He joined the Group on 25 August 2017, and is the 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 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 a 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 Yinxian Secondary Specialised School of Zhejiang Province (浙江省鄞縣中等專業學校) in July 1996.

Ms. Yang Yi (楊依), aged 31, was appointed as the Supervisor on 18 May 2016. She has over 9 years of experience in managing internal control operations. She joined the Group on 8 October 2011, and has since then been serving as the head of internal control and audit department of Shanshan Garment Brand, the predecessor of the Company, and now the Company, and has been responsible for establishing and maintaining the internal control system of the Group as well as planning and establishing the management system of the Group. She obtained her bachelor's degree in digital media technology from Zhejiang Normal University (浙江師範大學) in the PRC in June 2012.

Biographies of Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

Mr. Wang Jun (王軍), aged 57, has successively been the executive deputy general manager and vice president of the Group since November 2011 and is responsible for production and procurement of the Group and is in charge of Fashion Brand and warehouse logistics center-related affairs. He is also (i) a director of Fashion Brand, Shanshan Hanfu and Ningbo Magic E-Commerce, subsidiaries of the Company, and Ningbo Shanjing, an associate of the Company; and (ii) a supervisor of Ningbo Liankangcai, a substantial shareholder of the Company. He has more than 36 years of experience in the apparel industry. Mr. Wang joined the Group on 21 June 2009 and has since then been the deputy general manager of Fashion Brand. From May 2005 to August 2011, Mr. Wang worked at Ningbo Shanshan Garments Co., Ltd. (寧波杉杉服裝有限公司), a company primarily engaged in the sale of garments, where he successively served as an assistant to the general manager and deputy general manager. During that period, he was responsible for production and supply matters as well as assisting the general manager in corporate management. From June 2003 to May 2005, he served as the head of the production department of Shanshan, where he was responsible for the general management of the factories. From July 2000 to May 2003, he worked at Ningbo Shanshan Garments Co., Ltd., where he successively served as, among others, an assistant to the general manager and deputy general manager of this company and was responsible for the production and procurement. In July 1983, Mr. Wang joined the predecessor of Shanshan, where he started as a worker and was promoted as the deputy department head of Shanshan before he left in December 1998 and was responsible for the production and operation matters. Mr. Wang obtained a graduation certificate of electrical automation from the Employee University of Shanghai Chemical Fiber Industrial Company (上海市化學纖維工業公司職工大學) in July 1988. Mr. Wang was qualified as an assistant engineer by Ningbo Personnel Bureau (寧波市人事局) in September 1994. Mr. Wang is interested in approximately 1.5% of the registered capital of Ningbo Liankangcai, a substantial shareholder of the Company.

Mr. Yang Yong (楊勇), aged 53, has been a deputy general manager and design director of the Group since November 2011 and is the general manager of the product development center. He is responsible for research and development and design of the Group. He has more than 28 years of experience in apparel industry. Mr. Yang joined the Group on 21 June 2009 as the deputy general manager and chief designer of Fashion Brand. Prior to joining the Group, Mr. Yang had worked for more than 16 years, from June 1989 to May 2006, in Beijing Shunmei Garment Company Limited (北京順美服裝有限公司), a company primarily engaged in the production and sale of menswear, where he successively served as, among others, a manager and the product director of that company. Mr. Yang completed the diploma program of executive business administration from Zhejiang University (浙江大學) in the PRC in June 2015.

The Company is committed to fulfilling its responsibilities to the Shareholders, and protecting and enhancing Shareholders' value through good corporate governance. The Directors recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Listing Rules as its own code of corporate governance. During the Year, the Company has applied the Code and complied with all the applicable code provisions as set out in the CG Code which were in force during the Year and as at 31 December 2021 except for the following deviations:

Pursuant to the then applicable code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

During the Year, Mr. Luo Yefei ("**Mr. Luo**"), an executive Director and the general manager of the Company, has been the chairman of the Board (the "**Chairman**"). Presently, the Company does not have a position of the title "chief executive officer". Mr. Luo has been carrying out the duties of the chief executive officer during the Year. The Board considers that the current structure facilitates the execution of the Group's business strategies and maximises the effectiveness of its operation.

In addition, as all major decisions are made in consultation with the members of the Board and relevant Board committees, and there are three independent non-executive Directors offering independent perspectives, the Board is of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board shall nevertheless review the structure from time to time to ensure that appropriate action is being taken as and when appropriate.

Pursuant to the then applicable code provision E.1.2 of the CG Code, the Chairman should attend the annual general meeting of the Company. However, Mr. Luo, the Chairman, was unable to attend the annual general meeting of the Company held on 4 June 2021 (the "**2021 AGM**") due to other business engagements. In the absence of the Chairman, Mr. Cao Yang ("**Mr. Cao**"), the vice Chairman and an executive Director, acted as chairman of the 2021 AGM to ensure an effective communication with the Shareholders. Mr. Luo has followed up with Mr. Cao for any opinions or concerns of the Shareholders expressed at the 2021 AGM.

Corporate Governance Report

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

BOARD OF DIRECTORS

Responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance practices and all other functions reserved to the Board under the articles of association of the Company (the "**Articles of Association**"). The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. The responsibilities of these Board committees include monitoring the Group's operational and financial performance and ensuring that appropriate internal control and risk management are in place. The Board may from time to time delegate certain functions to the management of the Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and those which are assigned to it from time to time.

The Directors have full access to information of the Group and the management has an obligation to supply the Directors with adequate information in a timely manner to enable the Directors to perform their responsibilities. The Directors are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

Composition

The Company is committed to holding and implementing the view that the Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors (the "**INEDs**") so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

As at the date of this annual report, the Board comprised of nine Directors including three INEDs, which was in compliance with the requirement under Rules 3.10 and 3.10A of the Listing Rules that the number of INEDs must represent at least one-third (1/3) of the Board members, and that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

The members of the Board during the Year and up to the date of this annual report are set out below:

Executive Directors
Mr. Luo Yefei (Chairman)
Mr. Cao Yang (Vice Chairman)
Ms. Yan Jingfen (Chief Financial Officer and Joint Company Secretary)

Non-executive Directors
Ms. Zhao Chunxiang
Ms. Zhou Yumei
Mr. Zheng Shijie

INEDs
Mr. Au Yeung Po Fung (Resigned on 4 June 2021)
Mr. Chow Ching Ning (Appointed on 4 June 2021)
Mr. Wang Yashan
Mr. Wu Xuekai

The biographical details of each of the Directors are set out in the section headed "Biographies of Directors, Supervisors and Senior Management" of this annual report. Save for such relationship disclosed in the section headed "Biographies of Directors, Supervisors and Senior Management", as at 31 December 2021, the Directors, the Supervisors and senior management of the Company had no financial, business, family or other material relationship among themselves.

The executive Directors are responsible for the leadership and control of the Company, overseeing the Group's businesses, strategic decisions and performances and are collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The non-executive Directors participate in Board meetings to bring in judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts and scrutinise the Company's performance in achieving agreed corporate goals and objectives.

The INEDs are responsible for ensuring a high standard of financial and other mandatory reporting of the Board as well as providing a balance in the Board in order to effectively exercise independent judgement on the corporate actions of the Company so as to protect Shareholders' interests and the overall interests of the Group.

The Board delegates the authority and responsibilities to the senior management for the day-to-day management and operations of the Group. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management.

The Company has received an annual confirmation of independence in writing from each of the INEDs pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules during the Year and up to the date of this annual report.

During the Year, the Chairman held a meeting with the INEDs without the presence of other Directors.

Directors' Liabilities Insurance and Indemnity

The Company had arranged for appropriate and adequate insurance cover to protect the Directors and the Supervisors from legal action arising from the performance of their duties as a Director and Supervisor. Such insurance coverage is reviewed and renewed on an annual basis.

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each of the newly appointed Directors has received a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. Pursuant to the then applicable code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills.

In October 2021, the Company's legal advisers delivered a training seminar on the consultation paper for review of Corporate Governance Code and related Listing Rules and cases related to breach of Listing Rules by listed issuers and directors.

The Company will from time to time fund and arrange suitable training and provide briefings to all the Directors to develop and refresh their knowledge and skills in relation to their duties and responsibilities, such that their contribution to the Board remains informed and relevant. All the Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records.

During the Year, all the Directors attended suitable training and/or briefings given by certain professional advisers and/or participated in continuous professional development courses organised by professional bodies/firms on corporate governance or updates on laws, rules and regulations relating to the roles, functions and duties of a Director to develop and refresh their knowledge and skills.

According to the training records maintained by the Company, the continuing professional development programmes received by each of the current Directors during the Year is summarised as follows:

Name of Directors	Type of Training
Executive Directors	
Mr. Luo Yefei	A and C
Mr. Cao Yang	A and C
Ms. Yan Jingfen	A, B and C
Non-executive Directors	
Ms. Zhao Chunxiang	A and C
Ms. Zhou Yumei	A and C
Mr. Zheng Shijie	A and C
INEDs	
Mr. Au Yeung Po Fung (Resigned on 4 June 2021)	A, B and C
Mr. Chow Ching Ning (Appointed on 4 June 2021)	A, B and C
Mr. Wang Yashan	A and C
Mr. Wu Xuekai	A and C

Notes:

A: attending training sessions, including but not limited to, seminars, briefings, conferences, forums and workshops

B: reading materials relating to the seminars material, economy, general business, corporate governance and directors' duties and responsibilities

C: reading newspapers and journals relating to the corporate governance matters, environment and social issues or director's duties and responsibilities

MEETINGS OF THE BOARD AND BOARD COMMITTEES AND DIRECTORS' ATTENDANCE RECORDS

The Board is scheduled to meet regularly four (4) times a year at approximately quarterly intervals with notice given to the Directors at least fourteen (14) days in advance. For all other Board meetings, notice of at least three (3) days in advance will be given. The agenda and accompanying board papers are dispatched to the Directors at least three (3) days before the meetings to enable the Directors to have sufficient time to review the papers and be adequately prepared for the meetings. When the Directors are unable to attend meetings, he or she may appoint in writing another Director to attend the meeting on his or her behalf. The power of attorney shall specify the scope of authorisation. The proxy shall exercise the rights of the Director within the scope of the authorisation. A Director failing to attend the Board meeting in person or by proxy shall be deemed as having waived his or her voting rights at such meetings.

The joint company secretaries of the Company (the "**Joint Company Secretaries**") are responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record respectively within a reasonable time after each meeting and the final version is open for the Directors' inspection. According to the Listing Rules, any Directors and their close associates (as defined under the Listing Rules) with a material interest in the transactions to be discussed in the Board meetings shall abstain from voting on the resolutions approving such transactions and will not be counted in the quorum for the meetings.

During the Year, seven (7) Board meetings and one (1) annual general meeting were held. Details of the attendance of each Director are set out below:

	No. of Attendance/No. of Meetings Eligible to Attend	
Name of Directors	**Board Meetings**	**General Meeting**
Executive Directors		
Mr. Luo Yefei	7/7	0/1
Mr. Cao Yang	7/7	1/1
Ms. Yan Jingfen	7/7	1/1
Non-executive Directors		
Ms. Zhao Chunxiang	7/7	1/1
Ms. Zhou Yumei	7/7	1/1
Mr. Zheng Shijie	7/7	1/1
INEDs		
Mr. Au Yeung Po Fung (resigned on 4 June 2021)	2/2	1/1
Mr. Chow Ching Ning (appointed on 4 June 2021)	5/5	0/0
Mr. Wang Yashan	7/7	1/1
Mr. Wu Xuekai	7/7	1/1

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") on 28 May 2018 and discussed all measurable objectives set for implementing the same.

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

BOARD COMMITTEES

The Board has established, with written terms of reference, three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

Audit Committee

The Audit Committee was established on 28 May 2018 with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee are published on the respective websites of the Stock Exchange and the Company. As at the date of this report, the Audit Committee comprises all the INEDs, namely Mr. Wang Yashan, Mr. Wu Xuekai and Mr. Chow Ching Ning. Mr. Chow Ching Ning is the chairman of the Audit Committee.

The primary duties of the Audit Committee include, among others:

- making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

- reviewing and monitoring on the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with the applicable standards;

- monitoring the integrity of the Company's financial statements and annual report, interim report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting contained in them;

- reviewing the Company's financial controls, risk management and internal control systems, effectiveness of the Company's internal audit process and the Group's financial and accounting policies and practices;

- discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions;

- considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings; and

- performing the Company's corporate governance functions.

During the Year, the Audit Committee held three (3) meetings to review and supervise the financial reporting process and review the risk management and internal control systems of the Group and its audit-related matters, and review the audit service plans of the Company. It had, in conjunction with BDO Limited, the independent auditor of the Company, reviewed and audited the final results of the Group for the year ended 31 December 2020 and the unaudited interim results of the Group for the six months ended 30 June 2021 and recommended the same to the Board for their consideration and approval. The Audit Committee was of the opinion that the preparation of these results complied with the applicable accounting standards and requirements and that adequate disclosures had been made. The Audit Committee also carried out and discharged its other duties as set out in the CG Code.

The attendance of each INED at the Audit Committee meetings during the Year is as follows:

Members	No. of Attendance/No. of Meetings Eligible to Attend
Mr. Au Yeung Po Fung (resigned on 4 June 2021)	2/2
Mr. Chow Ching Ning (appointed on 4 June 2021)	1/1
Mr. Wang Yashan	3/3
Mr. Wu Xuekai	3/3

The Audit Committee met on 29 March 2022 and, among other matters, reviewed the Group's audited consolidated results for the Year including the accounting principles and practice adopted by the Group and recommended to the Board for consideration the same and the re-appointment of BDO Limited as the Company's independent auditor at the forthcoming annual general meeting of the Company to be held on 6 June 2022.

Remuneration Committee

The Remuneration Committee was established on 28 May 2018 with written terms of reference in compliance with the CG Code. The written terms of reference of the Remuneration Committee are published on the respective websites of the Stock Exchange and the Company. The Remuneration Committee comprises two (2) INEDs, namely Mr. Wang Yashan and Mr. Wu Xuekai, and one (1) executive Director, namely Ms. Yan Jingfen. Mr. Wang Yashan is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include, among others:

- making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policy;

- reviewing and approving the management's remuneration by reference to the Board's corporate goals and objectives; and

- making recommendations to the Board on the remuneration packages of each executive Director and senior management.

During the Year, the Remuneration Committee held two (2) meetings and, among other things, reviewed and recommended to the Board for consideration certain remuneration-related matters of the Directors and senior management, including but not limited to, reviewing the remuneration of the Directors with reference to salaries paid by comparable companies, their experience, their responsibilities and their performance and reviewing the remuneration policy of the Company.

The attendance of each Director at the Remuneration Committee during the Year is as follows:

Members	No. of Attendance/No. of Meetings Eligible to Attend
Mr. Wang Yashan	2/2
Mr. Wu Xuekai	2/2
Ms. Yan Jingfen	2/2

The Remuneration Committee met on 29 March 2022 to review the remuneration package of the Directors and senior management and make recommendation for the Board approval.

Nomination Committee

The Nomination Committee was established on 28 May 2018 with written terms of reference in compliance with the CG Code. The written terms of reference of the Nomination Committee are published on the respective websites of the Stock Exchange and the Company. It comprises two (2) INEDs, namely Mr. Wang Yashan and Mr. Wu Xuekai, and one (1) executive Director, Mr. Luo Yefei. Mr. Luo Yefei is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include, among others:

- reviewing the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- assessing the independence of the INEDs;
- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for the Directors (in particular the Chairman and the chief executive);and
- reviewing the Board Diversity Policy and the measurable objectives that the Board has set for implementing such policy, and the progress on achieving the objectives and disclosing the Board Diversity Policy or a summary of the Board Diversity Policy in the corporate governance report of the Company.

During the Year, the Nomination Committee held two (2) meetings and, among other matters, (i) reviewing the structure, size and composition of the Board; (ii) assessing the independence of the INEDs; and (iii) reviewing and making recommendations on the appointment of a Director at the 2021 AGM upon the resignation of Mr. Au Yeung Po Fung, taking into account the existing composition and size of the Board and in accordance with the criteria of meritocracy, and based on the proposal of the Shareholders and objective selection criteria, which include, but are not limited to the diversity of the Board members in terms of gender, age, culture and accomplishment, experience and reputation in relation to the business of the Company and other related industries.

The attendance of each Director at the Nomination Committee during the Year is as follows:

Members	No. of Attendance/No. of Meetings Eligible to Attend
Mr. Luo Yefei	2/2
Mr. Wang Yashan	2/2
Mr. Wu Xuekai	2/2

The Nomination Committee met on 29 March 2022 and among other matters, reviewed the structure, size and composition of the Board and assessed the independence of the INEDs.

The Company has adopted a nomination policy for the appointment of Board members. The appointment will be made on a merit basis and candidates will be considered against objective criteria. The selection criteria used in assessing the suitability of a candidate include:

- Integrity;
- The diversity of the Board in various aspects, including but not limited to gender, age, cultural, educational and professional background, ethnicity, professional experience, skill, knowledge and length of service;
- Time available, interests in other parties and concerns about the Company's business;
- Accomplishment, experience and reputation in relation to the business of the Company and other relevant industries;
- Independence;
- Potential contributions to the Board; and
- Any other relevant factors determined by the committee or the Board from time to time.

The Nomination Committee shall make recommendations to the Board on the appointment of Directors in accordance with the following procedures and processes:

(a) to prepare a list of selection criteria based on the above criteria to identify appropriate candidates, taking into account the existing composition and size of the Board;

(b) with reference to any sources it considers appropriate when identifying or selecting an appropriate candidate, such as recommendation of current Directors, recommendation of headhunting companies and recommendation of the Shareholders;

(c) to review with individual candidates and perform background checks;

(d) after considering the suitability of a particular candidate for the position of Director, the Nomination Committee will make recommendations to the Board on the appointment by convening a meeting and/or through a written resolution, as it may consider appropriate;

(e) to arrange an interview the selected candidates and members of the Board, if necessary;

(f) to provide information about the selected candidates to the Remuneration Committee for considering the remuneration package of such selected candidate;

(g) to recommend the Board to appoint the selected candidates as Director and the Remuneration Committee will submit the proposed remuneration package of the selected candidates to the Board; and

(h) the Board will subsequently discuss and make decisions on the appointment.

BOARD'S CORPORATE GOVERNANCE FUNCTIONS

The Audit Committee is responsible for performing the corporate governance functions of the Company as set out in the then applicable code provision D.3.1 of the CG Code, which include but are not limited to:

- developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;

- reviewing and monitoring the training and continuous professional development of the Directors and senior management of the Company;

- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the directors of the Company and its subsidiaries; and

- reviewing the Company's compliance with the CG Code in Appendix 14 to the Listing Rules and disclosure in this report.

The Audit Committee reviewed this corporate governance report in discharge of its corporate governance functions and ensured compliance with the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its overall responsibility for maintaining an adequate and effective risk management and internal control systems of the Group and reviewing their effectiveness. The Company has established a risk management policy to address and manage potential risks associated with its business operations, including strategic risks, operational risks and legal compliance risks. Procedures have been set up by the Company for, inter alia, identifying, analysing, categorising, mitigating and monitoring risks, and safeguarding assets against unauthorised use or disposition, maintaining proper accounting records and ensuring reliability of financial information, ensuring compliance with relevant legislation and regulations and protecting the interests of the Shareholders. The Company's risk management and internal control systems are designed to manage, rather than eliminate the risk of failure to achieve business objectives, and aim to provide a reasonable, as opposed to an absolute assurance against material misstatement or loss. Under its framework, general management, finance, accounting and internal control departments are primarily responsible for the design, implementation and maintenance of the risk management and internal control systems, while the Board and the Audit Committee oversee the actions of management, review the effectiveness of these systems and to resolve material deficiencies to safeguard the Group's assets. Once the Company identifies a material or a potential material deficiency, the Company will immediately form a working team to analyse and resolve the problem and improve the Company's internal control system while pursuing accountability, and may engage independent consulting firms as and when necessary.

In preparation for the Listing, the Company has engaged an independent internal control consulting firm to perform an overall assessment on the Group's internal control system including the areas of financial, operation, compliance and risk management with the aims of, among other matters, improving the Group's corporate governance and ensuring compliance with the applicable laws and regulations. Based on its internal control review, the independent internal control consulting firm recommended certain internal control improvement measures to the Group and the Group has adopted them.

In order to maintain sound and effective risk management and internal control systems, the Company has established and maintained stringent internal control procedures including the adoption of a corporate governance manual. Internal reporting guidelines have been developed at all department levels of the Company for identifying potential events of non-compliance, and all employees have been encouraged by the management to report immediately any potential or actual non-compliance. An internal audit department has been established to carry out the analysis and independent appraisal of the adequacy and effectiveness of these systems and the Company has procedures in place to keep information confidential and manage actual or potential conflicts of interest as well as devise a yearly audit plan according to their risk ratings. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest.

For the Year, the Board, through the Audit Committee, had conducted an annual review of the effectiveness of the risk management and internal control systems of the Group, as well as the internal audit function of the Company, covering all material controls, including financial, operational and compliance controls for the Year. The Board considers that the Group's risk management and internal control are adequate and effective. The Board expects that a review of the risk management and internal control systems will be performed annually.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors and non-executive Directors has entered into a service agreement or an appointment letter with the Company for a term commencing from (i) the date of the annual general meeting held on 5 June 2019 (the "**2019 AGM**"); or (ii) the date of the 2020 second extraordinary general meeting of the Company (the "**EGM**") held on 21 August 2020 (the "**2020 Second EGM**"); or (iii) the date of the 2021 AGM at which the respective executive Directors or non-executive Directors (including the INEDs) were appointed until the end of the term of second session of the Board (i.e. 4 June 2022) and may be terminated in accordance with the respective terms of the service agreement or the appointment letter.

Each of the INEDs has entered into a letter of appointment with the Company for a term commencing from the dates of the 2019 AGM or 2021 AGM at which the respective INEDs were appointed until the end of the term of second session of the Board (i.e. 4 June 2022).

None of the Directors has a service agreement or letter of appointment with the Company or any of its subsidiaries expiring or determinable by the employer within one (1) year without the payment of compensation (other than statutory compensation).

In accordance with the Articles of Association, all Directors shall be elected or changed at the general meetings with a term of office of three (3) years. Upon expiry of the term of office, a Director shall be eligible to offer himself/herself for re-election. Any person appointed by the Board to fill a casual vacancy to the Board shall hold office until the Company's next general meeting and that person shall then be eligible for re-election.

Except for Ms. Zhao Chunxiang, Ms. Zhou Yumei and Mr. Zheng Shijie who were elected at the 2020 Second EGM as well as Mr. Chow Ching Ning who was elected at the 2021 AGM, all other members of the current Board were elected at the 2019 AGM.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment, re-election and succession planning of Directors.

Particulars of the Directors' and the Supervisors' remuneration and the five (5) highest paid employees of the Group for the Year are set out in note 12 to the consolidated financial statements.

Pursuant to the then applicable code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors and Supervisors) whose particulars are contained in the section headed "Biographies of Directors, Supervisors and Senior Management" in this annual report for the Year by band is set out below:

Remuneration band (RMB)	Number of individual(s)
Nil to 1,000,000	2

INDEPENDENT AUDITOR'S RESPONSIBILITY AND REMUNERATION

The statement of the independent auditor about its reporting responsibility and opinion on the Financial Statements is set out in the section headed "Independent Auditor's Report" of this annual report.

For the Year, the remuneration paid or payable to BDO Limited as the independent auditor in respect of the Year is set out below:

Services	Fee paid/payable RMB'000
Audit services	654
Non-audit services	
— Professional service fees in relation to agreed upon procedures on interim financial information	350
— Other professional services	76
Total	1,080

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements for the Year, which give a true and fair view of the state of affairs of the Company and the Group's results and cashflows for the Year and are properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards. The Directors were not aware of any material uncertainties which may affect the Company's business or cast significant doubt upon the Company's ability to continue as a going concern.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the SFO and the Listing Rules and the overall principle that inside information should be announced promptly when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;

- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, announcements and the Company's website;

- the Group has strictly prohibited unauthorised use of confidential or inside information; and

- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors, the Joint Company Secretaries, the financial controller and the investor relations director are authorised to communicate with parties outside the Group.

JOINT COMPANY SECRETARIES

Ms. Yan Jingfen ("**Ms. Yan**"), an executive Director and one of the Joint Company Secretaries, is responsible for advising the Board on corporate governance matters and ensuring that the Board policy and procedures, and the applicable laws, rules and regulations are followed. The Stock Exchange previously granted a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules for Ms. Yan Jingfen to act as a Joint Company Secretary for a period between 27 June 2018 and 26 June 2021 (the "**Waiver Period**"). The Stock Exchange has agreed that Ms. Yan is qualified to act as a company secretary under Rule 3.28 of the Listing Rules upon the expiry of the Waiver Period.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has continued to engage Ms. Cheng Lucy ("**Ms. Cheng**") as its Joint Company Secretary to assist Ms. Yan to discharge her duties as a company secretary of the Company. For the purpose of the then applicable code provision F.1.1 of the CG Code, Ms. Cheng's primary contact at the Company is Ms. Yan, being the person with sufficient seniority at the Company.

Ms. Cheng was nominated by Boardroom Corporate Services (HK) Limited ("**Boardroom**") to be a Joint Company Secretary and Boardroom has been providing certain corporate secretarial services to the Company pursuant to an engagement letter entered into between the Company and Boardroom. Ms. Cheng is a senior corporate secretarial manager of Boardroom.

For the Year, each of Ms. Yan and Ms. Cheng had undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

DIVIDEND POLICY

In order to enhance transparency of the Company and facilitate the Shareholders and investors to make informed investment decisions relating to the Company, the Board adopted a dividend policy of the Company (the "**Dividend Policy**").

According to the Dividend Policy, when determining whether to declare any dividend in the future and the amount of dividend to be declared, the Company shall consider a number of factors, including but not limited to:

- results of operation;
- cash flows;
- financial condition;
- future business prospects; and
- statutory and contractual restrictions on the payment of dividends by the Company.

In addition to the above, the Company may only pay dividends out of the distributable profit pursuant to the PRC laws and the Articles of Association. The distributable profit represents the lower of the net profit after tax determined under the generally accepted accounting principles in the PRC (the "**PRC GAAP**") or Hong Kong Financial Reporting Standards or the accounting standards of the place where the Shares are listed, less:

- the accumulated losses in previous years;
- appropriations are required to make to the statutory reserve, which is currently 10% of the unconsolidated net profit of the Company as determined under the PRC GAAP, until such reserve reaches an amount equal to 50% of the registered capital of the Company;
- appropriations to a discretionary surplus reserve as approved by the Shareholders in an annual general meeting.

The Company does not have any pre-determined dividend distribution proportion or distribution ratio. The declaration, payment and amount of dividends will be subject to the PRC laws, the Articles of Association and the Board's discretion. The Board will review the Dividend Policy on a regular basis.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its Shareholders and the investing public.

The Company updates its Shareholders on its latest business developments and financial performance through its announcements, circulars as well as annual and interim reports. The corporate website of the Company has provided an effective communication platform to the public and the Shareholders.

SHAREHOLDERS' RIGHTS

Procedures for Putting Forward Proposals at Shareholders' Meetings

Pursuant to Article 71 of the Articles of Association, Shareholders individually or jointly holding 3% or more of the Shares shall be entitled to submit proposal(s) (the "**Proposal(s)**") to the Company in writing ten (10) days prior to the convening of a general meeting. The Company shall issue a supplemental notice of general meeting to other Shareholders within two (2) days of the receipt of the Proposal(s) and incorporate such newly proposed matters falling within the scope of duties of the general meeting into the agenda of such meeting. The new agenda shall be tabled to the general meeting for consideration.

Shareholders may lodge a duly signed written request at the registered office and headquarters of the Company in the PRC at 238 Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, the PRC, for the attention of the Directors/Joint Company Secretaries.

Procedures for Shareholders to Convene an EGM

Pursuant to Article 66 of the Articles of Association, Shareholders individually or jointly holding more than 10% of the Shares (the "**Eligible Shareholder(s)**") are entitled to request the Board in writing to convene an EGM. Eligible Shareholders who wish to convene an EGM for the purpose of moving a resolution at the EGM must deposit a written requisition (the "**Requisition**") duly signed by the Eligible Shareholder(s) concerned at the registered office and headquarters of the Company in the PRC at 238 Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, the PRC, for the attention of the Directors/Joint Company Secretaries.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) for convening an EGM and the proposed agenda. Detailed procedures are set out in the Articles of Association which is available on the respective websites of the Stock Exchange and the Company.

Procedures for Shareholders to Send Enquiries to the Board

Shareholders may send written enquiries to the Board or the Company by post to the Company's registered office and headquarters in the PRC at 238 Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, the PRC, for the attention of the Directors/Joint Company Secretaries.

Procedures for Shareholders to Propose a Person for Election as a Director

Shareholders can propose a person for election as a Director at a general meeting in accordance with Article 117 of the Articles of Association. By doing so, the Shareholder should deposit (i) a written notice (the "**Proposal Notice**") of the intention to propose the person (the "**Candidate**") for election as a Director; and (ii) a written notice (the "**Consent Notice**") by the Candidate of his/her willingness to be elected at the address of the Company's registered office in the PRC mentioned above at least seven (7) days before the date of the general meeting and the period for lodgment of such notices shall commence no earlier than the day after the dispatch of the notice of the meeting appointed for such Director and shall be at least seven (7) days in length.

The Proposal Notice (i) must be accompanied by the information of the Candidate as required by Rule 13.51(2) of the Listing Rules; and (ii) must be signed by the Shareholder proposing the Candidate for election as a Director.

The Consent Notice (i) must indicate the Candidate's willingness to be elected and consent of the publication of his/her information as required by Rule 13.51(2) of the Listing Rules; and (ii) must be signed by the Candidate.

In order to allow the Shareholders to have sufficient time to consider the proposal of election of the Candidate as a Director, those Shareholders who wish to make the proposal are urged to submit and lodge the Proposal Notice and the Consent Notice as early as practicable.

To enable the Shareholders to make an informed decision on the relevant election proposal at a general meeting, the Company shall publish an announcement or issue a supplemental circular as soon as practicable after the receipt of the Proposal Notice and the Consent Notice. The Company shall include particulars of the Candidate in the announcement or the supplemental circular. The Company shall assess whether or not it is necessary to adjourn the meeting to give Shareholders at least ten (10) business days to consider the relevant information disclosed in the announcement or the supplemental circular.

Information about the relevant procedures is available on the website of the Company at www.chinafirs.com.

COMMUNICATION WITH SHAREHOLDERS

The Company has adopted a Shareholder's communication policy on 28 May 2018 with an objective to provide our Shareholders with detailed information about the Company so that they can exercise their rights as Shareholders in an informed manner. The Company would review the Shareholders' communication policy on a regular basis.

Information about the Company will be communicated to the Shareholders and the investment community mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications on the respective websites of the Stock Exchange and the Company.

Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or management of the Company. Such questions, requests and comments can be posted to the Company's registered office and headquarters in the PRC at 238 Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, the PRC, for the attention of the Directors/Joint Company Secretaries.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENT

During the Year, the Company had not made any change to its Articles and Association. Pursuant to Rule 13.90 of the Listing Rules, the latest version of the Company's Articles and Association is available on the respective websites of the Company and the Stock Exchange.

Environmental, Social and Governance Report

INTRODUCTION

The Group is committed to providing high-quality apparel products and strives to maintain market leadership in the design, marketing and sale of formal and casual business menswear business in the People's Republic of China (the "**PRC**"). The Group has always attached great importance to social responsibility. While endeavoring to realize its corporate goals, it also expects to contribute to society from various aspects so as to achieve long-term and sustainable development goals.

In view of this, this Environmental, Social and Governance ("**ESG**") Report will focus on the balance of corporate needs, social demands and environmental concerns. The Group understands that incorporating sustainable development elements into business strategy has become a trend, so it will actively communicate with different stakeholders to know about their needs and carry out comprehensive management on ESG issues. While implementing the sustainable development plan, the Group will consider the short-term and long-term factors concerned, including the challenges that it is facing, its responsibility for stakeholders, global trends, laws and regulations, risk management, etc. In such a constantly changing business environment, we believe that an enterprise can achieve success only by taking long-term commitments on the ESG issues.

Through careful and profound understanding of different risks and opportunities in relation to ESG issues with which the Group is confronted, the Group will earnestly perform its corporate social responsibility, abide by local laws, provide appropriate working environment for employees, and meanwhile pay attention to social issues, including responsible procurement, drug abuse prevention, environmental conservation, volunteer activities, etc. At the meantime, the Group make efforts to protect the environment by reducing waste. As a member of the society, the Group will certainly endeavor to make contributions to it, and collaboratively create a better community environment.

Finally, as to the policies and performance of the Group in relation to the four major aspects, including environmental protection, employment and labour practices, operating practices and community participation for the period from 1 January 2021 to 31 December 2021, the Board is hereby pleased to present the 2021 ESG report of the Group.

Environmental, Social and Governance Report

ABOUT THE ESG REPORT

About the Report

This ESG Report introduces the significant ESG performance of the Group in the FY2021, and its long-term commitments to ESG. This ESG Report mainly focuses on the main business of the Group, i.e. the menswear design and sales business of the Group in Mainland China, to describe the progress of Shanshan in creating sustainable values for its shareholders and other stakeholders.

Scope of the Report

The scope of this ESG Report covers the reporting period from 1 January 2021 to 31 December 2021. This ESG Report makes relevant disclosures in accordance with the requirements of the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Main Board Listing Rules issued by The Stock Exchange of Hong Kong Limited and complies with the "comply or explain" provisions therein. Given that the operations of Shanshan Brand Management Co., Ltd. ("**Shanshan**") accounted for the majority of the Group's results, the scope of this ESG Report is based on Shanshan's operations for the year after taking into consideration the Group's sales results and operational coverage by the management.

This ESG Report summarises the ESG practices of Shanshan (ie. the principal operation unit of the Group) for the reporting year. The information contained herein is helpful to know about and evaluate the Group's ESG performance in routine business in the PRC. Since the Group considers that the operations of its other subsidiaries have minimal impact on its environmental performance, this ESG report does not include KPI data of business units other than Shanshan.

Reporting Principles

This ESG Report follows the requirements of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange that contains reporting principles of materiality, quantitative and consistency, details of which are set out below:

Materiality

In addition to internal factors, such as the Group's corporate value, strategy and core competence, the Group also attaches importance to communication with the internal and external stakeholders, and considers the ESG strategies of other competitors in the industry, so as to achieve sustainable development. The Group has identified the following categories that have or may have a significant impact on the Group's ESG performance: (please also refer to the section headed Materiality Assessment)

- The menswear design and marketing industry in the PRC;
- The menswear sales market in the PRC;
- Present or future environment and society in which the Group locates and operates;
- Financial and operation performance of the Group; and
- Evaluation, decision and action of the Group's stakeholders.

Quantitative

The key performance indicators disclosed in this ESG report are supported by quantized data and measurable standards. The source of all applicable data, calculation tools, methods, references and conversion factors applied are disclosed in emission data presented in this report.

Consistency

For comparative purposes of ESG performance from year to year, the Group adopts consistent approaches for data collection, calculation and reporting, where reasonable, across all financial years, and records significant changes in detail for the relevant components. In this report, the density of the relevant performance indicator data is calculated based on the number of employees of the Group, unless otherwise indicated. In preparing this report, the Group has referred to certain global, local and industrial standards or best practices, including the ESG Reporting Guide of the Hong Kong Stock Exchange and applicable Hong Kong Accounting and Financial Reporting Standards.

Feedback

As the Group attaches great importance to the concerns of each stakeholder, we welcome any advises and suggestions that may enhance the Group's ESG performance. The Group is open to and values all advises and suggestions received, in order to uphold the common interests of the Group and all stakeholders. Stakeholders are welcome to send such advises and suggestions to the Group's email: ssfz@shanshan.com.

Environmental, Social and Governance Report

ABOUT THE SHANSHAN BRAND MANAGEMENT CO. LTD.

The Business of the Group

Shanshan Brand Management Co. Ltd. (Stock Code: 1749) and its subsidiaries are principally engaged in the design, marketing and sale of formal and casual business menswear in the PRC under three brands, namely FIRS and SHANSHAN. Headquartered in Ningbo City, the Group has retail outlets operated by its distributors, itself and franchisees across the PRC, spanning all the provinces, autonomous regions and central government administered municipalities in the PRC, except for Hainan and Tibet. In addition, the Group offers products under the above brands to customers via third-party e-commerce platforms, including Vipshop, JD.com and TikTok, enabling itself to sell products under the Group's brands in more areas without physical stores.

Vision

The Group intends to build a century-old classic fashion industry platform. The Group takes business menswear as the cornerstone and focuses on the fashion industry while also sorting out industrial collaboration relations, integrating industrial joint elements and industrial innovation elements, and through gathering resources from all parties over the platform and expanding business boundaries steadily to develop Shanshan Brand into an innovation-oriented fashion industry platform with scale advantage and advanced efficiency, and thereby becoming a century-old enterprise with ever-lasting foundation.

Mission

The mission of the Group is to create a quality life. Committing to becoming a century-old classic menswear brand in China, the Group inherit the tradition and leads the trend, as well as cooperates with colleagues within the industry chain to forge high-quality products and services, so as to jointly create industry value; the Group also conveys consumers an elegant dress concept to demonstrate an unrestrained attitude to life.

Objective

Continuing to provide consumers with quality menswear.

Board of Directors

As of the date of this ESG Report, the board of directors of the Group comprises:

Executive Directors	Non-executive Directors	Independent non-executive Directors
Mr. Luo Yefei *(Chairman)*	Ms. Zhao Chunxiang	Mr. Chow Ching Ning
Mr. Cao Yang *(Vice-Chairman)*	Ms. Zhou Yumei	Mr. Wang Yashan
Ms. Yan Jingfen	Mr. Zheng Shijie	Mr. Wu Xuekai

PARTICIPATION OF STAKEHOLDERS

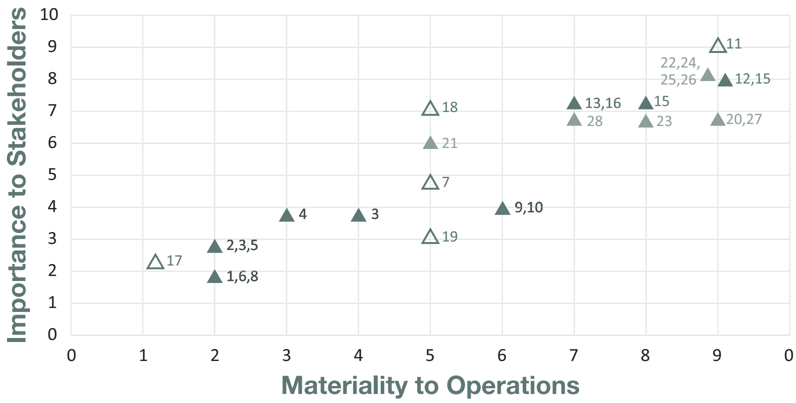
The Group actively seeks every opportunity to understand our stakeholders in order to guarantee the regular improvement of our services. We strongly believe that stakeholders play a vital role in maintaining the success of our business.

Stakeholders	Issues Concerned	Communications and Feedbacks
The Hong Kong Stock Exchange	Compliance with the Listing Rules, and timely and accurate announcements	Meeting, training, website update and announcements
The Government	Compliance with laws and regulations, prevention against tax evasion, and social welfare	Government inspection, tax declaration and other information
Suppliers	Payment schedule and demand stability	Business communication, purchase agreement, e-mail and telephone connection
Investors	Corporate governance system, business strategy and performance, and investment return	Organizing and participating in seminars, shareholders' meeting, providing financial reports or operation reports to investors and analysts
Media and Public	Corporate governance, environmental protection, and human rights	Publishing newsletters on the corporate website
Customers	Products quality, reasonable price and products values	Field investigation and after-sales services
Employees	Interests and welfare, employee remuneration, training and development, working hours, and working environment	Training, interview with employees, internal memos, and employee's suggestion box
Community	Community environment, employment and community development, and social welfare	Developing community activities, volunteering activities of employees, and community welfare, subsidy and donation

Materiality Assessment

During the FY2021, the Group conducted surveys of internal and external stakeholders, including management, employees and suppliers, to identify and assess material ESG issues so as to determine the impacts of such issues on the Group's business operation, environment and society. Based on the Group's reporting scope and business characteristics as well as the feedbacks from stakeholders, the Group has identified the relevant material ESG issues and evaluated them through a scoring system. Details are shown in the chart and the table below:

Materiality Assessment by the Group on ESG Issues



Number	ESG Issues
	Environmental Issues:
1	GHG emission/Global warming
2	Exhaust emission
3	Energy usage
4	Water usage
5	Hazardous waste/Waste water
6	Non-hazardous waste/Waste water
7	Paper usage
8	Deforestation caused by illegal logging
9	Use of raw materials and packaging materials
10	Compliance with laws and regulations related to environmental protection

Number	ESG Issues
	Social Issues:
11	Combating COVID-19
12	Employee rights and benefits
13	Inclusion, equal opportunity and anti-discrimination
14	Talent attraction and retention
15	Occupational health and safety
16	Training and development
17	Measures to prevent child labour and forced labour
18	Environmental protection
19	Community investment and participation

Number	ESG Issues
	Operational Issues:
20	Supply chain management
21	Labour standards in the supply chain
22	Customer satisfaction
23	Customer privacy
24	Product quality and safety
25	Economic performance
26	Compliance operation
27	Corporate governance
28	Anti-corruption

As shown above, the social and operational ESG issues are of high materiality based on the Group's survey and assessment. Particularly, the ongoing COVID-19 has caused a significant impact on the overall economic environment and the Group's operations, therefore the importance of combating COVID-19 is particularly emphasized.

The Group will be more proactive to maintain communication with stakeholders and collect advises from them through different channels to conduct more comprehensive analysis. Meanwhile, the Group will revise the reporting principles of materiality, quantification and consistency as necessary, so as to comply with reporting requirements and better satisfy expectations of stakeholders on the content and disclosure of ESG report.

STATEMENT BY THE BOARD

The Group recognises the importance of environmental, social and corporate governance for sustainable corporate development. Accordingly, the Group has established an ESG management framework to ensure the relevant ESG policies are effectively implemented in its operations. The Board of the Group (the "**Board**") is primarily responsible for monitoring ESG governance issues relating to the Group, including determining ESG governance programme, understanding and controlling ESG-related risks, and monitoring the formulation and implementation of relevant policies and measures by the management and relevant departments. The Board also requires the Group's management to report to the Board on ESG-related issues and subsequent developments in a timely and proactive manner, such as significant deviations from expected targets in ESG performance indicators, serious ESG incidents, changes in regulatory requirements, etc.

The Board is responsible for:

- appointing the Group's key person responsible for ESG issues;
- approving ESG strategies, action plans and goals;
- monitoring the progress and performance of ESG-related measures;
- approving the implementation of ESG-related measures and monitoring the resources required;
- raising appropriate ESG-related questions, inquiries and recommendations to management; and
- reviewing and approving annual ESG reports.

The management is responsible for:

- identifying and assessing the Group's ESG risks and opportunities and report to the Board;
- developing ESG strategies, action plans, goals and arrange relevant work accordingly;
- ensuring appropriate and effective ESG risk management and internal monitoring systems being in place;
- providing guidance for the implementation of ESG policies and measures;
- reporting to the Board on the progress and performance of ESG; and
- reviewing the annual ESG report and submit it to the Board for approval.

The functional departments are responsible for:

- coordinating and implementing the specific ESG policies and measures;
- reporting ESG work and performance indicators to the management regularly;
- collecting the information and data on the Group's ESG performance; and
- preparing the annual ESG report and report to the management.

The Board will continue to monitor the ESG-related work and keep abreast of the latest ESG disclosure requirements and regulations of the Hong Kong Stock Exchange. The Board will also ensure that all departments work closely to achieve the goal of operational compliance and shouldering social responsibility, and set clearer ESG goals for the Group in the future to better meet the expectations of stakeholders.

A. ENVIRONMENTAL ASPECTS

The Group recognizes that the environment should not be the sacrifice for its corporate development; in contrast, a healthy environment will be the foundation for sustainable corporate development. As a socially and environmentally responsible corporation, the Group is committed to cutting down the consumption of environmental resources and reducing the damage to the environment, ensuring that it is a pioneer in environmental conservation.

During FY2021, the Group did not find any crucial illegal behaviour relating to environmental issues.

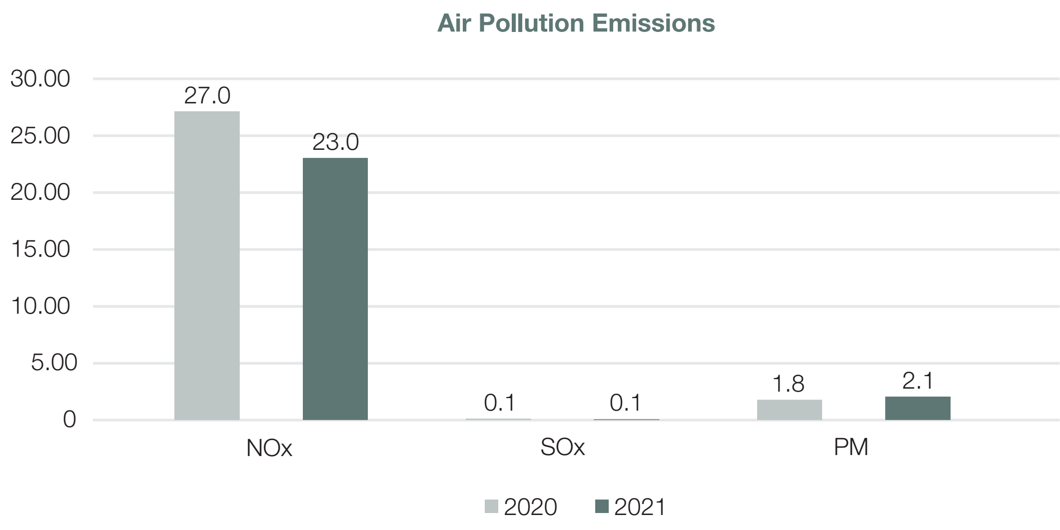
A1. EMISSIONS

The Group implements different measures to reduce carbon emissions from various sources in its daily operations.

Air Pollution Emissions

In view of the Group's business focusing on the design, promotion and sales of menswear, which are services in nature, its business activities and production process do not involve any fuel gas or fossil fuels. The major sources of air pollution emissions are mainly derived from the fuels used for the Group's three automobiles which are used to pick up employees and customers in the daily course, and the resulting air pollution emissions include NOx, SOx and PM. During FY2021, the Group had discharged an aggregate of approximately 25.2 kg (2020: 28.9 kg[1]) of air pollutant emissions arising from its operation with an emission density of approximately 8.4 kg (2020: 7.2 kg[2]) per automobile, representing a decrease of approximately 12.8% and an increase of approximately 16.7% as compared to the total amount and the emission density of air pollutant emissions discharged by the Group during FY2020, respectively. The decrease in air pollutant emissions was mainly because that the Group minimized the outings of its employees due to the continued impact of the COVID-19 pandemic, which resulted in a decrease in the use of automobiles in the Group; on the other hand, the slight increase in emission intensity was due to the reduction of the Group's fleet from four to three vehicles. Nevertheless, to reduce fuel consumption of automobiles, the Group conducts regular maintenances and inspection for its own automobiles to ensure that they are in good condition, so as to avoid additional fuel consumption resulting from the low fuel efficiency. In addition, the Group also encourages staff to plan drive route in advance before driving, so as to reduce unnecessary fuel consumption caused by prolonged driving time.

Going forward, the Group will continue to regularly inspect and maintain vehicles, and encourage employees to take public transportation in order to reduce the amount of air pollution emissions where feasible in the future.



1 Data for 2020 have been revised in line with the revision to data on the use of automobiles.
2 The emission density of automobiles has been modified in accordance with the newly revised method of collecting data on the use of automobiles.

Greenhouse Gas ("GHG") Emission

The continued GHG emissions will cause extremely severe impacts to the environment such as climate change and will pose great threats to the global ecosystem. The GHG emissions of the Group mainly derived from the use of above-said three automobiles and the electricity consumption by the Group's business activities in Ningbo base as well as the indirect GHG emission from other various business activities such as discarding papers at the landfill, the electricity used for the treatment of drinking water and sewage and business air travel by employees. In light of this, in addition to regularly monitoring the operation of vehicles, the Group also made efforts to reduce electricity and water resources consumption, including formulating policies on the efficient use of resources so as to implement measures of reducing carbon emission from the source.

The total amount of GHG emissions generated by the Group in FY2021 was approximately 619.8 tonnes (2020: 598.0[1] tonnes), of which 2.4% (2020: 3.3%[2]) was direct emissions for the use of vehicles, 96.0% (2020: 93.8%) was indirect emissions for electricity consumption of the headquarter in Ningbo, and the remaining 1.6% (2020: 2.8%) was indirect emissions from other sources. Direct GHG emission derived from the use of vehicles decreased from approximately 20.0 tonnes to approximately 14.6 tonnes, a decrease of approximately 27.0%. On the other hand, Indirect GHG emissions derived from the purchase of electricity increased from approximately 561.1 tonnes to approximately 595.3 tonnes, an increase of approximately 6.1%, which was mainly due to an increase in electricity consumption caused by the expansion of the Group's showrooms used to display products during the year. Due to the continued impact of the pandemic this year, the need for employees to travel by plane for business was significantly reduced, so its greenhouse gas emissions decreased significantly by approximately 51.2% from approximately 12.5 tonnes to approximately 6.1 tonnes.

Given that substantial portion of the GHG emissions were derived from electricity consumption, the Group posted slogans in the Company to remind the employees to unplug electrical appliances which were not in use and encouraged them to adopt natural light to reduce electricity consumption. Due to business expansion, the Group's total GHG emissions generated in FY2021 increased slightly approximately 3.6% as compared to FY2020. Except for the slight increase in energy indiredt GHG emissions due to business expansion, all other indirect emissions of the Group have decreased, reflecting the Group's efforts to reduce carbon emissions have gradually achieved certain results.

1 Total GHG emission data have been revised to reflect the newly revised direct emission data from the use of automobiles.
2 Direct emission data from the use of automobiles have been revised in accordance with the newly revised method of collecting data on the use of automobiles.

Looking ahead, the Group will strive to minimise its GHG emissions to reduce its impact on the environment. In order to reduce direct emissions from vehicle use, the Group encourages employees to take public transportation; if the commuting time or distance is less than the recommended standard, employees are advised to take public transportation instead of using company vehicles to reduce the related emissions. In addition, the Group will continue to promote the virtue of resource conservation among employees, regularly check the energy efficiency of electrical appliances, and take practical measures to avoid unnecessary consumption of electricity and resources, so as to improve and reduce GHG emissions.

Scope2	Source of GHG emission	GHG emissions for FY2020 (tonne)	GHG emissions for FY2021 (tonne)
Scope 1	Direct GHG emission from the use of vehicles	**20.0**	**14.6**
Scope 2	Indirect GHG emissions from the electricity purchased by the Group's headquarter in Ningbo[1]	**561.1**	**595.3**
	Wasted pages discarded at the landfill	**–**	**–**
Scope 3	Electricity consumed for treatment of drinking water and sewage[2]	**4.3**	**3.8**
	Business air travel by employees	**12.5**	**6.1**
Data of GHG emissions			
The GHG emissions in total (tonnes)		**598.0**	**619.8**
GHG emissions per capita (tonnes/number of staff)[3]		**1.1**	**1.6**

[1] According to the 2019 Baseline Emission Factors for Regional Power Grids in China issuedby the Ministry of Ecology and Environment of the People's Republic of China on 29 December 2020, the 2019 baseline emission factor for Zhejiang provincial is 0.7921 tonne/MWh.

[2] In accordance with the latest data announced by the Water Supplies Department in Hong Kong for the Year 2019/20 and the latest data announced by the Drainage Services Department in Hong Kong for the Year 2020/21, the per unit electrical consumption for treatment of drinking water and sewage in Hong Kong was 0.596 kWh and 0.29 kWh, respectively. The preset emission factor for purchased electricity is 0.7 kg/kWh. As the relevant data in the PRC is difficult to obtain, the data above is designed to be consistent with that in the PRC.

[3] The GHG emission intensity was calculated by per capita emission. The Group's total number of staff was 384 as of 31 December 2021.

Waste Management

The Group's business activities did not generate any hazardous waste, and the Group's non-hazardous wastes were mainly produced from paper used in its ordinary business. In FY2021, all waste paper generated by the Group was disposed of by consigning a third party waste paper recycling company to recycle, thus no pages were discarded at the landfill. In order to further reduce the use of paper, the Group encouraged staff to save paper, process daily documents by using double-sided printing and to collect recyclable waste papers for reuse. The Group also conducts monitoring and review of the Group's ordinary business processes and use electronic documents in place of paper documents to reduce the consumption of paper.

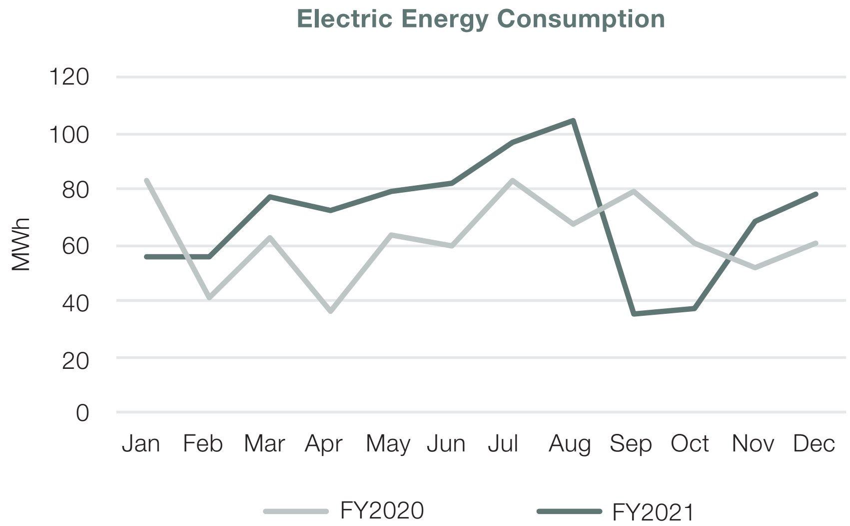
In addition to waste paper, the Group has set up a staff canteen including the recovery areas for kitchen waste, food waste and tableware at its headquarter to recover the waste generated by the canteen and reduce the total weight of waste disposed of landfills.

A2. USE OF RESOURCES

As an enterprise responsible for the environment, the Group recognizes that reducing carbon footprint should start from the source. The Group not only encourages its employees to avoid wasting public resources such as water, electricity and paper in their ordinary business, but also sets environmental targets for resource consumption and has implemented a set of measures to reduce the resource consumption to achieve the goal of carbon emission reduction.

Electric Energy Consumption

The major carbon footprints of the Group came from the electric energy consumption. The electric energy consumption of the Group's headquarter in Ningbo reduced by approximately 11.0% to approximately 751.6 MWh for FY2021, as compared to 844.1 MWh for FY2020; and due to the decrease in the total number of staff, the electric energy consumptions per capita slightly increased to approximately 2.0 MWh/number of staff (2020: 1.6 MWh/number of staff).



In order to reduce electric energy consumption, the Group has posted posters in offices and staff canteens to remind employees to turn off electrical appliances, such as air conditioner and lighting system, when not in use. The corridors and windows of offices are also designed with natural lighting, and the electrical appliances in offices are mainly energy-saving electrical appliances, so as to reduce the use of electric energy in all aspects.

Energy use targets

While an increase in electricity consumption is inevitable as our business expands, the Group will continue to promote the virtue of energy conservation among our employees and continue to monitor the electricity consumption of our offices and additional showrooms in our future operations, so as to maintain the electricity consumption approximate to that in the current year as possible.

Water Resource Consumption

The consumption of water resource has always been a global concern of environmental issues. While the Group is actively building an internationally well-known brand, saving water is one of the important goals for the Group. The water consumption of the Group in FY2021 was 6,087.0 m^3 (2020: 6,931.3 m^3), representing a decrease of approximately 12.2% as compared to FY2020; and due to the decrease in the total number of the Group's staff, the density of relevant water consumption slightly increased to 15.9 m^3 per capita (2020: 13.3 m^3).

In view of the Group's increasing water consumption per capita, in order to reduce water consumption, the Group encourages employees to save water while using the washrooms, which reduce both water consumption and electricity consumption generated from water supply, thereby reducing the Group's carbon footprints. In FY2021, as the Group's water is supplied by the government water supply department, there was no problem in obtaining water sources.

Water Efficiency Goals

The Group recorded a decrease in water consumption for the year, and will keep encouraging employees to practice water-saving as much as possible to achieve similar results in the coming year by implementing the above measures.

Packaging Materials

The packaging materials of the Group are mainly plastic bags used in sales of apparels in shops. Due to the difficulties to collect such data in each individual shop and each franchised store, the Group was not able to disclose the total usage of packaging materials in FY2021. Nonetheless, the Group still strives hard to reduce the use of packaging materials during sales activities and implements unified recycling measures for waste and used packaging items, so as to strengthen the supervision over the recycling and disposal of waste and used items.

A3. THE ENVIRONMENT AND NATURAL RESOURCES

In addition to the aforementioned energy and water reduction measures, the Group has also implemented various environmental protection measures at its headquarters in Ningbo in order to achieve the aforementioned goal of reducing emissions at source for all parties.

The base of the Group in Ningbo with garden concept design achieves the goals of green environment through cultivating various types of plants. Such an initiative not only provides employees with a comfortable and healthy working environment, but can also have a direct positive impact on reducing carbon emissions. In addition, the interior of the office building is designed with natural lighting to avoid unnecessary lighting and thus save electric energy.

In terms of the maintenance of natural resources, in order to promote the reduction of gas emissions caused by the use of vehicle fuels, the Group has established a new energy vehicle charging station at the headquarter to provide charging services for electric vehicles of our employees.

Energy-saving measures

Energy-saving measures for staff canteen

Electrical appliances with label of China energy efficiency — energy saving grade 1

Light off measures for staff canteen

Natural lighting design of offices

Internal landscape of the base in Ningbo headquarter

New energy vehicle charging station

Garden design concept of the headquarter

Green lawn

A4. CLIMATE CHANGE

Climate change refers to long-term changes in temperature and weather patterns. Although these changes may be caused by natural causes, human activities are the main cause of climate change with the rapid development of economic and industrial activities, especially the consumption of energy and resources such as the burning of fossil fuels such as coal, oil and natural gas.

As climate change is accompanied by uncertainties and risks in different aspects, incorporating climate factors into the Group's decision-making process will help the Group's business and operations to better adapt to climate change in formulating relevant response plans.

Climate change is likely to bring physical risks to the Group, including more frequent and severe natural disasters such as heavy rains, floods, fires or hurricanes. Extreme weather affects the safety of employees, and may even disrupt the services provided by the relevant supply chain, affect the operation of the Group and increase operating costs. The Group has established an emergency team composed of designated leaders and on-duty staff to cope with bad weather more effectively. The team is responsible for designing actions for the Group according to the government's notice on arrangements for bad weather to reduce the risk of potential crises. In addition, as typhoon is the major factor impacting the Group, the Company strengthened risk management by giving warning notices to our staff and departments based on weather forecasts and asking them to take prevention measures to minimize potential losses.

On the other hand, more climate conferences and climate-related policies may increase the Group's exposure to policy and market-related risks in the process of decarbonization. Pricing mechanisms such as environmental taxes and carbon emissions trading could increase operating costs and thus affect the Group's performance. In addition, it may also increase investment and operating costs when adjusting the operating model to maintain the Group's reputation and competitiveness in the market in order to better meet consumer and market preferences and expectations for corporate environmental protection. Nevertheless, the Group is committed to protecting the environment and strives to make significant efforts to achieve long-term success.

B. SOCIAL

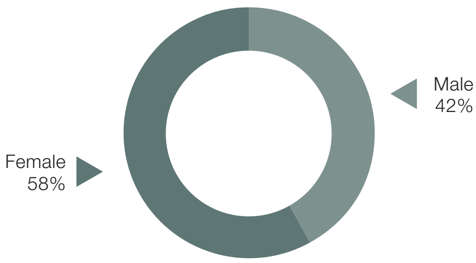
B1 Employment

Employees are one of the most important assets of the Group. We provide the best treatment to employees in different aspects, such as generous employee benefits, development and training plans, and a harmonious and healthy working environment. Therefore, while the employees are contributing to the Group's success, they also understand that we provide reciprocal supporting and backing for them, which ultimately achieves the goal of parallel development of the Group and its employees.

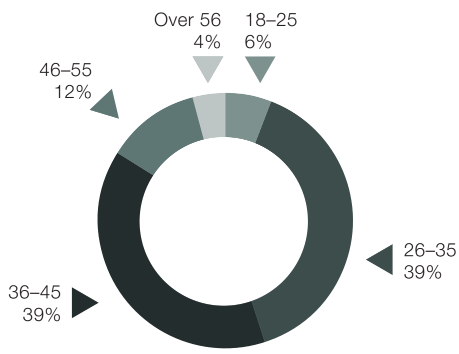
Our Staff

In order to provide the highest quality service to our customers and to help the Group face future opportunities and challenges, the Group will employ employees only on the basis of their work experience, competence and value creation, and will not treat them unfairly on the basis of their gender, sexual orientation, age, national or ethnic origin, family status or other personal characteristics. As of 31 December 2021, the Group employed a total of 384 employees (2020: 523), all from mainland China. Our employees are among various age groups, with a male-female ratio of 42%:58% (2020: 39%:61%), almost achieving gender equality. In addition, different types of employment contracts are adopted to enhance diversity and inclusiveness among employees, with 18% of employees with permanent employment contracts, 81% with fixed-term employment contracts and the remaining 1% with re-employment contracts. It demonstrates that certain achievements have been made by the efforts of the Group to create a harmonious and inclusive working environment. Consequently, the Group enjoyed strong loyalties from its staff with 26% (2020: 22%) of employees who had worked for more than five years and 52% (2020: 38%) had worked in the Group for more than three years. The year-on-year increase in the proportion of employees who had worked for over three years and over five years reflects that a closer relationship has been established between the Group and its employees.

Employees by gender



Employees by age



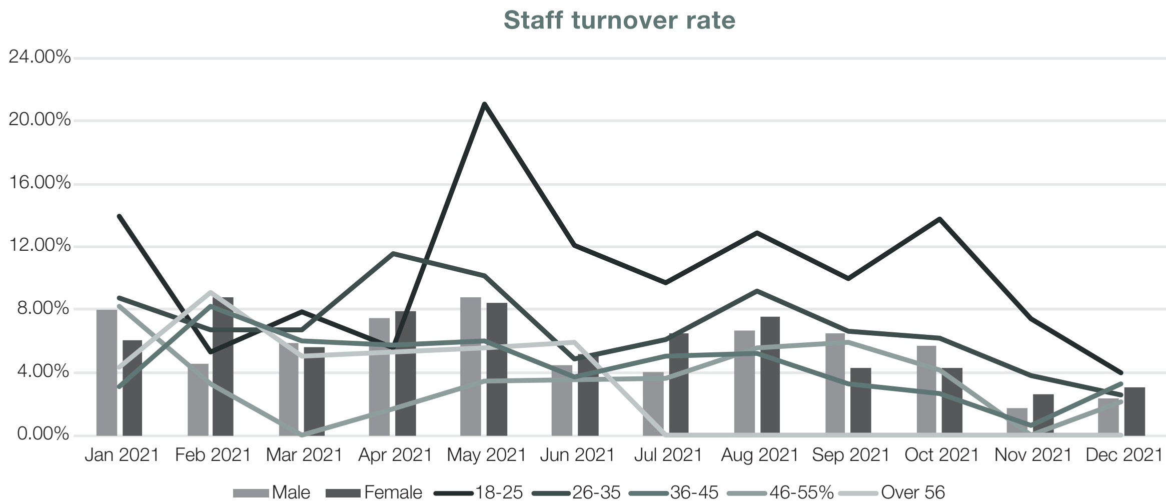
Staff Compensation and Welfare

In order to achieve simultaneous development of the Group and its employees, the Group offers employees competitive remuneration packages, including but not limited to on-the-job training, bonus and travelling allowance. The Group would also carry out performance appraisals based on the individual performances of the employees on a quarterly and semi-annually basis to encourage them to set up their own clearly defined goal. Based on the evaluation results, employees would be awarded the titles of “commendation”, “reward” or “promotion or conferring honorary title” to motivate them to continuously improve and to ensure their performance meet the expectation and requirements of the Group. The Group has purchased various social insurance and made contributions to housing provident funds for all employees. The Group has strictly followed the Labour Law of the People’s Republic of China (《中華人民共和國勞動法》), the Social Insurance Law of the People’s Republic of China (《中華人民共和國社會保險法》), Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) and other relevant regulations in an effort to guarantee the due benefits entitled to the employees and offer them the best remuneration package.

Work-life Balance

In order to ensure its employees to achieve a balance between work and life, and maintain a balanced and healthy lifestyle, the Group has implemented a standard labor time system, which stipulates that the working hours of employees per day shall not exceed eight hours and the average working time per week shall not exceed 44 hours. Apart from weekly rest days and the statutory holidays, employees were also entitled to maternity leave, funeral leave, marital leave and family planning leave. The Group's vacation system was also established based on the actual circumstances to ensure sufficient break time of its employees. In addition, the Group offered various amenities for its employees, including staff canteens and a variety of staff events, to increase their sense of belonging to the Group. The Group also arranged after-work group activities for its employees, so that employees from different departments could get acquainted with each other through games and exchanges. Such communication and a series of activities have strengthened team work spirit, cohesion, and the initiative and execution among employees.

Given the series of measures taken by the Group, the monthly average turnover rate of the Group was controlled at only about 6% during FY2021 (2020: 4%). The average staff turnover rate by age group was approximately 10% (18-25), 7% (26-35), 4% (36-45), 3% (46-55) and 3% (56-65); the average staff turnover rate by gender was approximately 6% (male) and 6% (female).



B2. HEALTH AND SAFETY

Since early 2020, in order to cope with the outbreak of the novel coronavirus epidemic, the Group has formulated a serious of measures and requirements, including the Telecommuting, the Epidemic Prevention and Protection, and the Emergent Epidemic Prevention Plan which stipulates the preparedness plan for the epidemic, the daily management of the office area during the epidemic and measures to be taken in case of the outbreak. The Group has also strictly monitored the hygienic conditions of the working environment by carrying out daily temperature measurement for each staff, procuring epidemic prevention supplies and conducting emergency drills to ensure the safety of its staff. Furthermore, the Group has also set up a prevention and control leading group, and formulated implementing rules for the Company during the epidemic in order to prevent the novel coronavirus epidemic in a more effective manner and properly address the potential hazards of the epidemic. The prevention and control leading group will also be responsible for closely liaising with the government's epidemic prevention departments, keeping abreast of epidemic prevention policies and meeting epidemic prevention requirements. If the Group' employee is confirmed with the novel coronavirus infection unfortunately, the Group will provide all necessary assistance to help them recover as soon as possible. The Group did not report any employee infected with novel coronavirus during FY2021.

Furthermore, the Group is committed to providing a safe working environment for its employees and has implemented the following measures. The Group has formulated the "Fire Emergency Plan" which sets out the emergency plan for fire accidents. It also regularly organizes fire safety training seminars and fire drills to ensure that all employees can safely respond to fire accidents. Moreover, the Group is equipped with a number of fire protection equipment in the office building, such as fire extinguishers and fire hydrants, and conducts regular inspections to ensure that they are in good condition. In the event of an emergency occurs, employees can use the office's first aid kit for emergency medical assistance in a timely manner.

In addition, the Group has also regularly purchased labour protection products to ensure that employees in production jobs have available and sufficient defensive equipment at work, thereby promoting a healthy and safe working environment.

Any employee suffering from work-related injuries is entitled to indemnification treatment in accordance with relevant national regulations, and the Group will also provide sufficient work-related injury leave to enable employees to have sufficient rest. During FY2021, the Group did not report any work-related injuries (2020: no work-related injury; 2019: 4 work-related injuries and lost 264 work hours), and the Group will provide employees suffering from work-related injuries with sufficient sick leave for recuperation in case of such an event. During FY2021 and in the previous two fiscal years, the Group also did not experience any accidents that caused serious injuries and deaths to employees. The Group will continuously commit to providing employees with a healthy and safe working environment.

B3. Development and Training

The Group understands that the progress of the employees is indispensable for the Group's sustainable development. Therefore, the Group provides adequate and effective training for its employees. It also emphasizes that the employees' competency must meet the expectations and requirements of the Group so that they can complement each other. All newly joined employees are subject to a 3-month probationary period and evaluation, during which the department head will provide advice and comments based on their performance to ensure that their abilities and performance meet the Company's standards.

The Group has formulated the "Training Management" system, and provides internal and external trainings to its employees to enhance their work abilities from time to time. If any employee does not get satisfactory results in his or her performance appraisal, the Group will provide additional training to ensure that every employee can meet the requirements of their positions. In addition, the Group also provides on-the-job training for front-line staff to familiarize them with the business processes of departments and positions, as well as staff codes such as personnel systems and anti-corruption mechanisms, so that they can more easily integrate into and adapt to the new working environment.

After each training course, the Group will listen to the feedback from each employee to improve the training content so as to maximize its effectiveness.

During FY2021, the number of employees of the Group who received trainings was 430 (2020: 109), accounting for 100% (2020: 21%) of the total number, while the total training hours was 860 hours (2020: 2,263 hours). The Group continued to be affected by the pandemic due to the fluctuant pandemic situation, thus the training was failed to be held. During that period, the organization and personnel structure of the Company was also adjusted and the normal training only resumed in the second half of the year, resulting in a decrease in the total training hours provided for the Year compared to the previous year. The percentages of trained employees by employment category of junior employees, middle management and senior management were approximately 87%, 8% and 5%, respectively. The percentages of trained employees by gender were 50% for male and 50% for female, respectively.

On the other hand, the average training hours per trainee amounted to approximately 2 hours (2020: 21 hours). The average training hours per employee by gender were approximately 2.6 hours and 2.0 hours for each male and female employee, respectively. The Group ensured that employees at all levels received adequate training, with junior employees, middle management and senior management receiving an average of 2.2 hours, 2.4 hours and 2.8 hours of training, respectively. Despite the decrease in the average training hours per employee, training offered involves all employees of the Group, which shows the Group's determination and commitment to improve the work ability and expand employee's training, so as to improve the overall quality of employees.

B4. Labour Standard

The Group strictly abides by the Labor Law of the People's Republic of China and provides employees with remunerations no lower than the local statutory minimum wage and does not employ child labor or forced labor. When hiring new employees, the human resources department is responsible for reviewing the applicant's identification documents to ensure that no underage child labor is employed. During FY2021, the Group has not experienced any labor disputes or cases of forced labor. The Group undertakes to maintain strict compliance with the Standard of regulations at any time. Any employee facing or discovering violations can report to the management through the reporting mechanism, and the management will take it seriously and take appropriate actions to follow up.

B5. Supply Chain Management

As the Group is principally engaged in the design and production of menswear, the Group places a great emphasis on supply chain management of procurement. The Group's suppliers are mainly original equipment manufacturers ("OEM suppliers"), which means the purchaser provides equipment and technology for the manufacturer who is responsible for production, and then the purchaser is responsible for sale.

During FY2021, the Group has cooperated with 208 suppliers, all of them are located in Mainland China. The OEM suppliers cooperate with the Group include suppliers who purchase raw materials themselves and provide finished products and suppliers who provide processed products with raw materials and fabrics purchased by the Group. In the process of selecting its suppliers, the Group will review the company background of suppliers and the quality of their supplies, together with on-site inspection of the production process, to ensure that the materials and goods provided by the suppliers meet the stringent specifications and standards of the Group. The Group will list the suppliers that have passed the above review and inspection into the list of qualified suppliers, and evaluate them on a quarterly basis to check their pricing, quality of supplies, efficiency, reliability, punctuality and credit rating.

The Group selects reliable suppliers with excellent reputations to provide products and services of high quality, reasonable price and sustainability. The Group has a transparent and independent procurement process in place to enhance competitiveness, which at the same time advances the interests of our shareholders and other stakeholders well. It is the Group's expectation to cater to the needs of its customers by integrating procurement resources, promoting system for supplier's selection and management to forge a vertically integrated supply chain management system and offer comprehensive solutions actively.

Meanwhile the Group encourages suppliers to participate in corporate social responsibility activities and adhere to corporate social responsibility code. The Group is required to maintain a high standard of ethics in connection with all commercial trades where provision or reception of bribery or other improper interests is forbidden. According to applicable laws and regulations, suppliers are required to regularly disclose information on relevant commercial activities, structure, financial condition and performance. Although the Group's main business does not involve environmental products and services while choosing suppliers, it is still expected that suppliers can comply with relevant environmental standards and regulations and save resources as much as possible.

B6. Product Responsibility

In order to retain the leadership of its apparel brand and sustainability, the Group sells menswear and other products, the quality of which, tallies with and even exceeding the industry standard, with an intention to safeguard the reputation of the Group and the public interests. In addition, the Group places strong emphasis on long-term mutual trust relationship with its customers so as to achieve the customer-oriented principal.

Quality Control

The Group has a mature quality inspection system to ensure all products meet the quality standard.

The Group requires suppliers to provide samples to the nationally recognized quality supervision and inspection center for textile and apparel products for comprehensive testing when purchasing raw material from suppliers, and only if the test result is positive will the Group make purchase from the specific supplier. The quality assurance team of the Group will check all the major stages of the production process conducted by the OEM supplier to ensure every step during the production complies with the Group's technique and quality requirements. During the initial stage of production, the Group will conduct site visits for the raw materials used by the OEM supplier in the production process, semi-finished goods and components as well as conduct quality test on the said subjects. During the middle and final stages of production, the quality assurance team of the Group will carry out inspections on a sample basis to review if the quality, technique and size of the finished product meet the relevant contractual requirements. As for the existing inventory of the Group, the quality inspection team will make irregular spot checks on the inventory's quality and send the sample to the nationally recognized quality supervision and inspection center for textile and apparel products for comprehensive inspection in order to ensure there will be no quality issue caused by the logistics or warehousing process.

Customer Complaint and Return Process

Positioned as a pioneer garment seller, the Group attaches great importance to after-sale services in a bid to establish a healthy-trustworthy relationship with its customers. The Group has already formulated an after-sale service management system, according to which its after-sales commissioner will see the customers to their inquisition, complaint and return. The Group's after-sales commissioner will patiently handle the complaint and requirement brought up by its customers. Every case will be recorded and specified the problem of the product and the follow-up arrangement, including return, replacement or repair, etc., to facilitate future follow-up and improvement. It will be also used as a source of information for quality inspection team to improve quality testing standards. During FY2021, the Group received a total of 12 (2020: 11) complaints about its product and service, and all had been dealt with by our after-sales commissioners for return, exchange or repairment.

Membership System

In order to attract customers to build a long-term and sustainable relationship with the Group, the Group has established a membership system. Customers who are registered as the Group's VIP members are entitled to the additional consumer rights. The Group highly values the privacy and personal information of its members, which can only be accessed by authorized staff of the Group. The Group has entered into the confidential agreement with its staff, prohibiting them from leaking customers' information with an aim to safeguard the interests of every customer.

B7. Anti-Corruption

The Group has established a written anti-corruption policy prohibiting any act of bribery, extortion, fraud or money laundering, so as to set up a good commercial operation structure. Dishonest behaviors prohibited by the Group mainly include but are not limited to:

- Offering and accepting bribes;
- Provision of illegal political contributions;
- Improper charitable donation or sponsorship;
- Provision or acceptance of unreasonable gifts, entertainment or other improper interests;
- Other defined misconducts.

The Group requires its employees to strictly abide by the Prevention of Bribery Ordinance, and requires suppliers to sign the Sunshine Agreement, making the commitments as follows: while engaging in business practices, suppliers must not directly or indirectly provide, undertake, require or accept any illegitimate benefits, or carry out other dishonest acts in breach of good faith, law or national regulations, including criminal offences such as corruption, bribery, extortion, fraud or money laundering, and other acts such as providing illegal political contributions, improper charitable donations or sponsorships, providing or accepting unreasonable gifts, entertainments or other illegitimate benefits, infringing business secrets, trademark rights, patent rights, copyrights and other intellectual property rights, engaging in unfair competition, etc. Employees of the Group are required to report any benefits received, for which the Group will make the final decision and disposal.

In FY2021, neither the Group nor its employees were prosecuted for corruption, bribery, extortion, fraud or money laundering.

Anti-Corruption Course

In order to create an incorrupt and honest working environment, the Group organizes anti-corruption training lessons for employees in addition to organizing induction training for employees, so the employees can understand the Group's code of conduct for employees and anti-corruption regulations to elevate their sense of anti-corruption and self-discipline during work. In addition, the Group has also engaged professional lawyers to provide directors with training or seminars on anti-corruption to deepen their understanding of legal risk prevention.

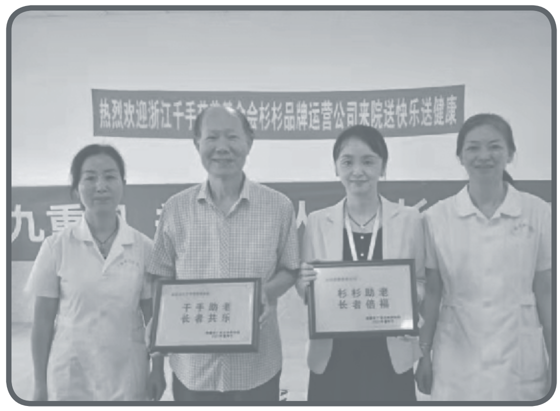
Whistle-Blowing Channel and Policy

The Group has established written whistleblowing monitoring procedure, encouraging employees to report and file complaints relating to fraud and immorality which they discovered or were informed about. The whistleblower shall truthfully report the situation to the Administration Center. Upon receipt of the whistleblowing matter, the Administration Center will investigate the complaint. The Administration Center will keep the whistleblower's personal information confidential, strictly safeguard the whistleblowers and relevant witnesses in accordance with counter-retaliation mechanism, and will submit the case to the competent external agency for handling when necessary. The whistleblowing policy of the Group enables its employees to report, in confidence, about possible improprieties in the Group, allowing the Group to take proactive measures and appropriate actions, in a timely manner, to uphold its integrity and long-term sustainability. Nonetheless, employees of the Group are reminded that it is unethical to fabricate facts. Falsifying evidence or conducting false charge against any persons may result in possible legal actions and therefore such actions are discouraged.

B8. COMMUNITY INVESTMENT

The Group insists on the philosophy of giving back to the society. Apart from the continual and robust operation of business development, the Group makes active efforts to demonstrate the service spirit of its core corporate values, integrates the ideas of community concern and participation, and continues to devote itself to all kinds of education, cultural and social welfare activities.

As of 31 December 2021, the Group has donated materials and money equivalent to approximately RMB1,035,857 (2020: RMB586,252) to Zhejiang Thousand Hands Charity Foundation and Yanbian Korean Autonomous Association Prefecture Charity General, including donations to support poverty alleviation in Yanbian and bursaries to special education schools. In addition, the Group also participated in a total of 11 hours of volunteer activities, in which 23 employees took part, to contribute to help the underprivileged and the disadvantaged in the community.



In the coming year, the Group will dedicate more resources in various educational, cultural and social welfare activities, and actively participate in community activities to show the Group's concern and contribution to the local society.

ENVIRONMENTAL ASPECTS DATA

	FY2020	FY2021
Air pollution emissions		
Total air pollution emissions	28.9 kg	**25.2 kg**
Air pollution emission density	7.2 kg/vehicle	**8.4 kg/vehicle**
Total NOx emission	27.1 kg	**23.0 kg**
Total SOx emission	0.1 kg	**0.1 kg**
Total PM emission	1.8 kg	**2.1 kg**
GHG emission		
Total GHG emission	598.0 tonnes	**619.8 tonnes**
GHG emission density	1.1 tonnes/person	**1.6 tonnes/person**
Scope 1 – direct GHG emissions generated from business operations	20.0 tonnes	**14.6 tonnes**
Scope 2 – "energy indirect" GHG emissions	560.1 tonnes	**593.3 tonnes**
Scope 3 – all other indirect GHG emissions	16.8 tonnes	**9.9 tonnes**
Non-hazardous wastes		
Total waste paper disposal	–	**–**
Waste paper disposal density	–	**–**
Electric energy consumption		
Total electric energy consumption	844.1 MWh	**751.6 MWh**
Electric energy consumption density	1.6 MWh/person	**2.0 MWh/person**
Water resource consumption		
Total water resource consumption	6,931.3 m^3	**6,087.0 m^3**
Water resource consumption density	13.3 m^3/person	**15.9 m^3/person**

SOCIAL ASPECTS DATA

	FY2020	FY2021
Number of employees		
Total employees	523	**384**
Number of employees by gender		
Male	204	**163**
Female	319	**221**
Number of employees by age		
Under 18	–	**–**
18–25	63	**24**
26–35	227	**150**
36–45	162	**148**
46–55	56	**45**
Over 56	15	**17**
Number of employees by position		
Frontline staff	471	**338**
Mid level management	35	**30**
Senior management	17	**16**
Number of employees by working year		
Less than 1 year	99	**108**
1–3 years	225	**75**
3–5 years	83	**102**
5–10 years	72	**71**
Over 10 years	44	**28**
Number of employees by type of employment		
Open-ended contracts	Undisclosed	**70**
Fixed-term contracts	Undisclosed	**312**
Temporary workers	Undisclosed	**–**
Post-retirement employment contracts	Undisclosed	**2**

	FY2020	FY2021
Number of employees by geographical region		
Mainland China	Undisclosed	**384**
Employee turnover rate		
Average monthly turnover rate	4.1%	**5.7%**
Employee turnover rate by gender		
Male	Undisclosed	**5.5%**
Female	Undisclosed	**5.9%**
Employee turnover rate by age		
Under 18	Undisclosed	**–**
18–25	Undisclosed	**10.3%**
26–35	Undisclosed	**6.9%**
36–45	Undisclosed	**4.4%**
46–55	Undisclosed	**3.5%**
Over 56	Undisclosed	**2.9%**
Employee turnover rate by geographical region		
Mainland China	Undisclosed	**5.7%**
Health and safety		
Reported injuries	–	**–**
Lost hours	–	**–**
Development and training		
Total internal training hours for employees	2,263	**860**
Total employees trained	109	**430**
Averaged training hours per trainee	21	**2**
Percentage of employees trained	21%	**100%**
Percentage of employee trained by gender		
Male	Undisclosed	**50%**
Female	Undisclosed	**50%**

	FY2020	**FY2021**
Percentage of employee trained by position		
Frontline staff	Undisclosed	**87%**
Mid level management	Undisclosed	**8%**
Senior management	Undisclosed	**5%**
Average training hours completed per employee		
Average training hours completed per employee by gender		
Male	Undisclosed	**2.6**
Female	Undisclosed	**2.0**
Average training hours completed per employee by position		
Frontline staff	Undisclosed	**2.2**
Mid level management	Undisclosed	**2.4**
Senior management	Undisclosed	**2.8**
Supply chain management		
Total suppliers	120	**208**
Product responsibility		
Number of products and service related complaints received	11	**12**
Anti-corruption		
Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases	–	**–**
Community investment		
Corporate donations	RMB586,252	**RMB1,035,857**
Employees' volunteer hours	72 hours	**11 hours**
Number of employees involved in volunteer activities	15	**23**

Environmental, Social and Governance Report

ESG REPORTING GUIDE & REFERENCE

A. Environmental		Reference in this report

A1. Emissions		Page #
Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		53–57
KPI A1.1	The types of emissions and respective emission data	53–54
KPI A1.2	Greenhouse gas emission in total (in tonnes) and intensity (e.g per unit of production volume, per facility).	55–56
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity (e.g per unit of production volume, per facility).	N/A
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity (e.g per unit of production volume, per facility).	57
KPI A1.5	Description of measures to mitigate emissions and results achieved.	53–57
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	57

A2. Use of Resources		Page #
Policies on the efficient use of resources, including energy, water and other raw materials.		57–59
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	57–58
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	58–59
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	57–58
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	58–59
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	59

A3. The Environment and Natural Resources		Page #
Policies on minimizing the issuer's significant impact on the environment and natural resources.		59–61
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	59–61

A4. Climate Change		Page #
Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		62
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	62

B. Social	Reference in this Report

B1. Employment		Page #
Information of policies and compliance with laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		62–64
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	63
KPI B1.2	Employment turnover rate by gender, age group and geographical region.	64

B2. Health and Safety		Page #
Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		65
KPI B2.1	Number and rate of work-related fatalities.	65
KPI B2.2	Lost days due to work injury.	65
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	65

B3. Development and Training		Page #
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		66
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc.).	66
KPI B3.2	The average training hours completed per employee by gender and employee category.	66

B4. Labour Standard		Page #
Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		67
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	67
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	67

B5. Supply Chain Management		Page #
Policies on managing environmental and social risks of the supply chain.		67–68
KPI B5.1	Number of suppliers by geographical region.	67
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	67
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	67
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	67

B6. Product Responsibility		Page #
Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		68–69
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	69
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	69
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	N/A
KPI B6.4	Description of quality assurance process and recall procedures.	68
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	69

B7. Anti-Corruption		Page #
Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		69–70
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	70
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	69–70
KPI B7.3	Description of anti-corruption training provided to directors and staff.	70

B8. Community Investment		Page #
Policies on community engagement to understand the communities' needs where it operates and to ensure its activities take into consideration the communities' interests.		71
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	71
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	71

Report of the Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the Group is engaged in the design, marketing and sale of formal and casual business menswear in the PRC under three brands, namely FIRS, SHANSHAN and LUBIAM, each having distinct product features and brand positioning that are tailored to the preferences of consumers in particular age and income groups. Our products are primarily targeted at male consumers who seek high-quality menswear products.

Upon the completion of the voluntary liquidation of Lubiam Apparel on 13 December 2021, the main brands under the Company's operation are FIRS and SHANSHAN, the two core brands.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the Year (2020: Nil). There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividends.

BUSINESS REVIEW

A review of the business of the Group and a discussion and analysis of the Group's operating performance for the Year are provided in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 7 to 9 and on pages 10 to 19 of this annual report, respectively.

A description of the potential risks and uncertainties that the Company may be facing and the key financial performance indicators are set out in the sections headed "Management Discussion and Analysis" on pages 10 to 19 of this annual report and "Risk Factors" contained on pages 34 to 56 of the Prospectus. Additionally, the financial risk management objectives and policies of the Company are set out in note 41 to the consolidated financial statements.

The future development of the Group's business is discussed throughout this annual report including in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 7 to 9 and on pages 10 to 19 of this annual report, respectively.

Since January 2020, the Pandemic has had a significant adverse impact on the Group's business and operating performance. As at the date of this report, the Pandemic continues to spread globally while sporadic outbreaks appear in many places in China. In view of the duration of the Pandemic and the extent of the impact on the industry, the management of the Group anticipates that the Pandemic may have further negative impact on the Group in 2022, the extent of which is subject to further assessment based on the actual situation. The management of the Group will also continue to monitor the development of the Pandemic and take proactive measures to reduce the negative impact of the Pandemic and the related preventive and control measures on the financial position and operating results of the Group.

Save as disclosed above, since 31 December 2021, being the end of the financial year under review, there were no significant events having an impact on the Group.

ENVIRONMENT, HEALTH AND SAFETY

The Group's business complies with applicable environmental laws and regulations of the PRC in any material respects. The Group also made every effort to ensure the health and safety of its employees. The Group is equipped with certain emergency medications to handle daily medical matters of the employees. Should there be any critical and urgent medical situations, the Group will send its employees to local hospitals for treatment promptly. The Group also employed qualified property management companies to provide property security services for the Group's park in the premise of its office. As far as the Board and the management of the Company are concerned, the Group has complied with the relevant laws and regulations that have a significant impact on the Group's business and operations in all major respects. There was no serious violation against or non-compliance with applicable laws and regulations by the Group during the Year. Discussion on the Group's environmental policies are contained in the section headed "Management Discussion and Analysis" on pages 10 to 19 of this annual report. For details, please refer to the Environmental, Social and Governance Report contained in this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the Year, the Group was not aware of any material non-compliance with the relevant laws and regulations that had a significant impact on the business and operations of the Group.

RELATIONSHIP WITH KEY STAKEHOLDERS

In regard to the stakeholder relationships, the Group understands the importance of its customers, suppliers and employees to its long-term business development, and therefore is dedicated to establishing and maintaining a close and caring relationship with these stakeholders.

Recognising the crucial roles of its customers and suppliers in its business operations, the Group has reinforced its relationship with business partners through ongoing communication in a proactive and effective manner. In particular, the Group continuously interacts with its customers to ensure that the quality of its services has satisfied customers' needs and requirements and will, therefore, meet customers' expectation. Furthermore, the Group is also dedicated to cultivating good relationships with its suppliers to ensure a stable supply of reliable and high-quality products for the Group's daily operation.

Apart from the above, the Group recognises the importance of human capital in its long-term development. The Group has provided a fair and safe workplace and offered competitive remuneration, benefits and career development opportunities based on the merits and performance of its employees. The Group also places ongoing efforts in providing adequate training and development resources to its employees with the aim of fostering an environment in which the employees can develop to their fullest potential and can achieve personal and professional growth.

BORROWINGS

Details of the borrowings of the Group as at 31 December 2021 are set out in note 30 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 33 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Year are set out in note 17 to the consolidated financial statements.

DONATION

During the Year, the Group made charitable and other kinds of donations totaling approximately RMB1,035,857 (2020: RMB586,252).

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

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

RESERVES AND DISTRIBUTABLE RESERVES

As at 31 December 2021, the distributable reserves of the Company, calculated in accordance with the provisions of the PRC Companies Law, amounted to approximately RMB35,781,862 (2020: RMB23,409,997). The movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 107 of this annual report and in note 43 to the consolidated financial statements, respectively.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and financial position of the Group for the preceding five financial years is set out on page 188 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the percentage of the Group's turnover attributable to the Group's largest customer and the five largest customers in aggregate were approximately 3.1% and 9.4% (2020: 4.4% and 9.3%) respectively.

During the Year, the percentage of the Group's purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate were approximately 7.2% and 13.2% (2020: 10.0% and 20.0%) respectively.

During the Year, none of the Directors or any of their close associates or any Shareholders (which to the knowledge of the Directors, owned more than 5% of the number of issued shares) had any interest in any of the five largest customers or suppliers of the Group.

TAX CONCESSIONS

None of the holders of the Company's listed securities was entitled to any tax concessions for holding securities of the Company.

DIRECTORS

The Directors during the Year and up to the date of this report are set out as follows:

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

Non-executive Directors
Ms. Zhao Chunxiang
Ms. Zhou Yumei
Mr. Zheng Shijie

INEDs
Mr. Au Yeung Po Fung (Resigned on 4 June 2021)
Mr. Chow Ching Ning (Appointed on 4 June 2021)
Mr. Wang Yashan
Mr. Wu Xuekai

The profiles of the current Directors of the Company are set out on pages 20 to 24 of this annual report.

CHANGE IN INFORMATION OF DIRECTORS AND SUPERVISOR

The change in information of Directors and Supervisor during the Year and up to the date of this annual report as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Directors:

Mr. Au Yeung Po Fung	:	resigned as an INED and ceased to act as a member and the chairman of the Audit Committee with effect from 4 June 2021.
Mr. Cao Yang	:	(i) resigned as an executive director and the general manager of Ningbo Shanshan E-Commerce Co., Ltd.* (寧波杉杉電子商務有限公司), a subsidiary of the Company, in May 2021; and (ii) has been the vice president of Shanshan Holding Co., Ltd.* (杉杉控股有限公司) ("**Shanshan Holding**"), a substantial shareholder of the Company, since August 2021.
Mr. Chow Ching Ning	:	appointed as an INED, and a member and the chairman of the Audit Committee with effect from 4 June 2021.
Mr. Luo Yefei	:	appointed as the manager of Ningbo Shanshan Hanfu Culture Co., Ltd. (寧波杉杉漢服文化有限公司), a subsidiary of the Company, upon its establishment on 9 July 2021.

Supervisor:

Ms. Zhou Danna	:	appointed as the supervisor of Ningbo Shanshan Hanfu Culture Co., Ltd. (寧波杉杉漢服文化有限公司) on 9 July 2021.

SERVICE CONTRACT OF DIRECTORS AND SUPERVISORS

Except for Ms. Zhao Chunxiang, Ms. Zhou Yumei and Mr. Zheng Shijie whose service period commenced from 21 August 2020 and Mr. Chow Ching Ning whose service period commenced from 4 June 2021, the service period of other members of the Board and the Supervisory Committee commenced from 5 June 2019, and shall all end on 4 June 2022 or on the date when the third session of the Board and the Supervisory Committee are elected by the Shareholders.

The Company has received an annual confirmation of independence in writing from each of the INEDs pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules during the Year and up to the date of this report.

During the Year, none of the Directors or the Supervisors had entered or proposed to enter into a service contract and/or appointment letter with any member of the Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association and subject to the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), every Director and other officers of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain in or about the execution of their duty in their respective offices, except when (if any) they incur or sustain through their own fraud or dishonesty. The Company has arranged appropriate directors', supervisors' and officers' liability insurance coverage for the Directors, the Supervisors and the officers of the Company during the Year and the indemnity provision and the liability insurance coverage for the Directors, the Supervisors and the officers of the Company remained in force as of the date of this report.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, the interests and short positions of the Directors, the Supervisors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, which shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors, respectively, were as follows:

Long position in the domestic shares of the Company (the "Domestic Shares")

Name of Directors/ Supervisors/ chief executive	Class of Shares	Capacity/Nature of Interest	Number of Shares Interested	Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Shareholding in the Total Shares
Mr. Luo Yefei ("**Mr. Luo**") (Note)	Domestic Shares	Interest of controlled corporations/ Corporate interest; Interest of spouse/ Family interest	13,335,000	13.335%	9.996%
Ms. Zhou Yumei ("**Ms. Zhou YM**") (Note)	Domestic Shares	Interest of a controlled corporation/ Corporate interest; Interest of spouse/ Family interest	13,335,000	13.335%	9.996%

Note:

13,335,000 Domestic Shares are beneficially owned by Shaanxi Maoye, a company owned as to 80% by Mr. Luo, the chairman of the Board (the "**Chairman**") and 20% by Ms. Zhou YM, a non-executive Director and the wife of Mr. Luo. Ms. Zhou YM is also the sole director of Shaanxi Maoye. By virtue of the SFO, each of Mr. Luo and Ms. Zhou YM is deemed to be interested in the Domestic Shares held by Shaanxi Maoye.

Save as disclosed above and so far as is known to the Directors, as at 31 December 2021, none of the Directors, the Supervisors or the chief executive of the Company had or was deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2021, so far as was known to or otherwise notified to any Directors or the chief executive of the Company, the particulars of the corporations or persons (other than the Directors, Supervisors or chief executive of the Company) which or who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position in the Domestic Shares

Name of Substantial Shareholders	Class of Shares	Capacity/ Nature of Interest	Number of Shares Interested	Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Shareholding in the Total Shares
Ningbo Shanshan Co., Ltd. ("**Shanshan**") (Notes 1, 10 & 11)	Domestic Shares	Beneficial owner/ Personal interest	25,834,600	93.997%	70.463%
	Domestic Shares	Person having security interest/ other interest	68,162,400		
Shanshan Group (Notes 2, 10 & 11)	Domestic Shares	Interest of a controlled corporation/ Corporate interest	25,834,600	93.997%	70.463%
	Domestic Shares	Interest of a controlled corporation/ Corporate interest	68,162,400		
Ningbo Yonggang Clothing Investment Co., Ltd. ("**Ningbo Yonggang**") (Notes 3, 10 & 11)	Domestic Shares	Interest of a controlled corporation/ Corporate interest	25,834,600	93.997%	70.463%
	Domestic Shares	Interest of a controlled corporation/ Corporate interest	68,162,400		
Shanshan Holding (Notes 4, 10 & 11)	Domestic Shares	Interest of a controlled corporation/ Corporate interest	25,834,600	93.997%	70.463%
	Domestic Shares	Interest of a controlled corporation/ Corporate interest	68,162,400		

Name of Substantial Shareholders	Class of Shares	Capacity/ Nature of Interest	Number of Shares Interested	Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Shareholding in the Total Shares
Ningbo Qinggang Investment Co., Ltd. (“**Qinggang Investment**”) (Notes 5, 10 & 11)	Domestic Shares	Interest of a controlled corporation/ Corporate interest	25,834,600	93.997%	70.463%
	Domestic Shares	Interest of a controlled corporation/ Corporate interest	68,162,400		
Mr. Zheng Yonggang (“**Mr. Zheng**”) (Notes 6, 10 & 11)	Domestic Shares	Interest of a controlled corporation/ Corporate interest	25,834,600	93.997%	70.463%
	Domestic Shares	Interest of a controlled corporation/ Corporate interest	68,162,400		
Ms. Zhou Jiqing (“**Ms. Zhou**”) (Notes 6, 10 & 11)	Domestic Shares	Interest of a controlled corporation/ Corporate interest	25,834,600	93.997%	70.463%
	Domestic Shares	Interest of a controlled corporation/ Corporate interest	68,162,400		
Ms. Li Xinghua (“**Ms. Li**”) (Note 7)	Domestic Shares	Beneficial owner/ Personal interest; Person providing security interest/ Other interest	30,815,400	30.815%	23.100%
Ningbo Liankangcai (Note 8)	Domestic Shares	Beneficial owner/ Personal interest; Person providing security interest/ Other interest	24,012,000	24.012%	18.000%
Shaanxi Maoye (Note 9)	Domestic Shares	Beneficial owner/ Personal interest; Person providing security interest/ Other interest	13,335,000	13.335%	9.996%

Notes:

(1) Shanshan is a joint stock company with limited liability established in the PRC, whose issued shares are listed on the Shanghai Stock Exchange (stock code: 600884). Shanshan is owned as to approximately 34.42% by Shanshan Group, approximately 9.58% by Ningbo Pengze Trading Co., Ltd.(寧波朋澤貿易有限公司) (a corporation of which Shanshan Group is interested in 100% of its registered capital), approximately 5.46% by Shanshan Holding, approximately 3.63% by Ningbo Yinzhou Jielun Investment Co., Ltd. (寧波市鄞州捷倫投資有限公司) (a corporation of which Shanshan Holding is interested in 100% of its registered capital), approximately 0.03% by Mr. Zheng and approximately 46.88% by other public shareholders.

(2) Shanshan Group is directly interested in approximately 34.42% of the registered share capital of Shanshan and indirectly interested in approximately 9.58% of the registered share capital of Shanshan through Ningbo Pengze Trading Co., Ltd.(寧波朋澤貿易有限公司), and (together with Shanshan Holding) controls the majority of the board of directors of Shanshan. By virtue of the SFO, Shanshan Group is deemed to be interested in the same number of Domestic Shares in which Shanshan is interested.

(3) Ningbo Yonggang is interested in approximately 10.44% of the registered capital of Shanshan Group, and (together with Shanshan Holding) controls the majority of the board of directors of Shanshan. By virtue of the SFO, Ningbo Yonggang is deemed to be interested in the same number of Domestic Shares in which Shanshan is interested.

(4) Shanshan Holding is directly interested in approximately 5.46% of the registered share capital of Shanshan. Further, Shanshan Holding is indirectly interested in (a) approximately 34.42% of the registered share capital of Shanshan through (i) Ningbo Yonggang (a corporation of which Shanshan Holding is interested in approximately 97.34% of its registered capital); and (ii) Shanshan Group (a corporation of which Shanshan Holding is directly interested in approximately 54.08% and indirectly interested in approximately 10.44% through Ningbo Yonggang); (b) approximately 9.58% of the registered share capital of Shanshan through Ningbo Pengze Trading Co., Ltd. (寧波朋澤貿易有限公司) (a wholly-owned subsidiary of Shanshan Group); and (c) approximately 3.63% of the registered share capital of Shanshan through its wholly-owned subsidiary, Ningbo Yinzhou Jielun Investment Co., Ltd. (寧波市鄞州捷倫投資有限公司). By virtue of the SFO, Shanshan Holding is deemed to be interested in the same number of Domestic Shares in which Shanshan is interested.

(5) Qinggang Investment is interested in approximately 48.06% of the registered capital of Shanshan Holding. By virtue of the SFO, Qinggang Investment is deemed to be interested in the same number of Domestic Shares in which Shanshan is interested.

(6) Qinggang Investment is owned as to 51% by Mr. Zheng and 49% by Ms. Zhou. By virtue of the SFO, both Mr. Zheng and Ms. Zhou are deemed to be interested in the same number of Domestic Shares in which Shanshan is interested.

(7) On 18 March 2021, Ms. Li provided guarantee by 30,815,400 Domestic Shares in favour of Shanshan for its obligations to the guarantee on the bank loans granted to the Group.

(8) Ningbo Liankangcai is owned as to 21.1% by Mr. Luo, 21% by Ms. Yan Jingfen ("**Ms. Yan**"), both are the executive Directors and 3% by Mr. Zheng Shijie, a non-executive Director. On 18 March 2021, Ningbo Liankangcai provided guarantee by 24,012,000 Domestic Shares in favour of Shanshan for its obligations to the guarantee on the bank loans granted to the Group. On 17 January 2022, the equity interests held by Mr. Luo, Ms. Yan and Mr. Zheng Shijie in Ningbo Liankangcai were changed to 18.6%, 19% and 2% respectively.

(9) Shaanxi Maoye is owned as to 80% by Mr. Luo, an executive Director and 20% by Ms. Zhou YM, a non-executive Director and the wife of Mr. Luo. Ms. Zhou YM is also the sole director of Shaanxi Maoye. By virtue of the SFO, each of Mr. Luo and Ms. Zhou YM is deemed to be interested in the Domestic Shares held by Shaanxi Maoye. On 30 March 2020, Shaanxi Maoye provided guarantee by 10,000,000 Domestic Shares in favour of Shanshan for its obligations to the guarantee on the bank loans granted to the Group. On 18 March 2021, Shaanxi Maoye further provided guarantee by 3,335,000 Domestic Shares in favour of Shanshan for its obligations to the guarantee on the bank loans granted to the Group.

(10) On 30 March 2020, Shaanxi Maoye provided a guarantee by 10,000,000 Domestic Shares in favour of Shanshan for its obligations to the guarantee on the bank loans granted to the Group. By virtue of the SFO, each of Shanshan Group, Ningbo Yonggang, Shanshan Holding, Qinggang Investment, Mr. Zheng and Ms. Zhou (either through direct or indirect interest) is therefore deemed to be interested in the 10,000,000 Domestic Shares of security interest held by Shanshan.

(11) On 18 March 2021, each of Ms. Li, Ningbo Liankangcai and Shaanxi Maoye provided guarantee by 30,815,400, 24,012,000 and 3,335,000 Domestic Shares respectively in favour of Shanshan for its obligations to the guarantee on the bank loans granted to the Group. By virtue of the SFO, each of Shanshan Group, Ningbo Yonggang, Shanshan Holding, Qinggang Investment, Mr. Zheng and Ms. Zhou (either through direct or indirect interest) is therefore deemed to be interested in the abovementioned Domestic Shares of security interest held by Shanshan.

Save as disclosed above, as at 31 December 2021, so far as it was known to or otherwise notified to the Directors or the chief executive of the Company, there were no other corporations or persons (other than a Director, Supervisor or chief executive of the Company) which or who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Year was the Company or its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or the Supervisors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the Year or subsisted at the end of the Year.

DEED OF NON-COMPETITION

As disclosed in the Prospectus, Ningbo Yonggang, Ningbo Qinggang, Shanshan, Shanshan Group, Shanshan Holding, Mr. Zheng and Ms. Zhou (collectively, the "**Former Controlling Shareholders**") executed a non-competition agreement (the "**Non-Competition Agreement**") in favour of the Company on 15 August 2017. Pursuant to the Non-Competition Agreement, each of the Former Controlling Shareholders has, among others, undertaken to the Company that it/he/she will not, and will procure its/his/her close associates (other than members of the Group) not to directly or indirectly competes, or may compete, with the business or undertaking of Company (the "**Restricted Activity**"), or hold shares or interest in any companies or business that compete directly or indirectly with the Company's business from time to time and to procure that if any new business investment other business opportunity related to the Restricted Activity (the "**Competing Business Opportunity**") is identified by or made available to it/him/her or any of its/his/her close associates, it/he/she shall, and shall procure that his/her close associates shall, refer such Competing Business Opportunity to the Company on a timely basis. A summary of the principal terms of the Non-Competition Agreement is set out in the section headed "Relationship with Controlling Shareholders — Non-Competition Undertakings" of the Prospectus.

Each of the Former Controlling Shareholders has made an annual written declaration as to the compliance with the terms of the Non-Competition Agreement during the Year. The INEDs had reviewed the status of compliance and the confirmation provided by the undertaking parties. On the basis that: (i) the Company has received confirmations from the undertaking parties regarding the Non-Competition Agreement; (ii) there was no competing business reported by the undertaking parties; and (iii) there was no particular situation rendering the full compliance of the Non-Competition Agreement being questionable, the INEDs are of the view that the Non-Competition Agreement has been complied with and been enforced by the Company in accordance with the terms.

On 3 July 2020, the Former Controlling Shareholders ceased to be controlling shareholders of the Company.

DIRECTORS' AND SUPERVISORS' INTEREST IN COMPETING BUSINESS

During the Year and up to the date of this report, none of the Directors, the Supervisors or the controlling shareholders of the Company, their respective close associates had engaged in or had any interest in any business (apart from the business of the Group) that competed or might compete, either directly or indirectly, with the businesses of the Group or had any other conflicts of interest with the Group, which must be disclosed in this report.

DIRECTORS' AND SUPERVISORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in this annual report, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries or holding company was a party and in which a Director or a Supervisor or an entity related to a Director or a Supervisor had a material interest, whether directly or indirectly, at any time during the Year or subsisted at the end of the Year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraphs headed "Continuing Connected Transactions" and "Connected Transactions" below, there was no contract of significance (whether for the provision of services to the Company or not) in relation to the Group's business to which the Company or any of its subsidiaries was a party and a controlling Shareholder or any of its subsidiaries is the other party during the Year or subsisted at the end of the Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the PRC Companies Law, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

RELATED PARTY TRANSACTIONS

Save as disclosed in the paragraphs headed "Continuing Connected Transactions" and "Connected Transactions", all other related party transactions as disclosed in note 35 to the consolidated financial statements are not connected transactions or continuing connected transactions which need to comply with the disclosure requirements under Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the disclosure requirements regarding the connected transactions and continuing connected transactions disclosed in this report in accordance with Chapter 14A of the Listing Rules and all such transactions were conducted in the ordinary and usual course of business.

CONNECTED TRANSACTIONS

During the Year, the Group had the following connected transactions with parties regarded as connected persons under Chapter 14A of the Listing Rules:

1. The Trademark Licence Agreement with Shanshan Group

On 30 September 2021, the Company entered into a trademark licence agreement (the "**Trademark Licence Agreement**") with Shanshan Group, pursuant to which Shanshan Group agreed to grant to the Group the exclusive license to use the licensed trademarks (the "**Licensed Trademarks**") for its business operations, as well as the right to authorise third parties to use the Licensed Trademarks solely for the purpose of business operation of the Group. The Trademark Licence Agreement has a term of four years commencing from 1 January 2022. The total licensing fees payable by the Company to Shanshan Group under the Trademark Licence Agreement was RMB3,900,000.

Shanshan Group is the controlling shareholder of Shanshan which in turn held approximately 19.37% of the total issued shares of the Company. Shanshan Group may through Shanshan control the exercise of 10% or more of the voting power at any general meeting of the Company. Hence, Shanshan Group is a connected person of the Company under the Listing Rules. For further details, please refer to the announcement of the Company dated 30 September 2021.

2. The Lease Agreement with Shanshan

On 17 December 2021, the Company entered into a Lease Agreement (the "**Lease Agreement**") with Shanshan, pursuant to which the Company agreed to lease certain properties in PRC from Shanshan for use as offices, warehouses and showrooms for a term of one year commencing on 1 January 2022 and ending on 31 December 2022. The total rental payments payable by the Company to Shanshan under the Lease Agreement was approximately RMB3,000,000.

Shanshan is a substantial shareholder and hence, a connected person of the Company under the Listing Rules. For further details, please refer to the announcement of the Company dated 17 December 2021.

CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group had the following continuing connected transactions with parties regarded as connected persons under Chapter 14A of the Listing Rules:

A. Continuing connected transactions which are fully exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements

1. Trademark licence agreements with Shanshan and Shanshan Group

On 20 May 2016, the Company entered into a trademark licence agreement with each of Shanshan and Shanshan Group, respectively (together the "**Exempted Trademark Licence Agreements**"), pursuant to which each of Shanshan and Shanshan Group agreed to grant the Company, on a perpetual, exclusive and royalty free basis, a right to use trademarks registered under their respective names (the "**Licenced Trademarks**") under the category of garments, accessories, luggages and bags, shoes and hats and for the Company to sub-licence any members of the Group and third parties to use the Licenced Trademarks. For further details of the Exempted Trademark Licence Agreement, please refer to the section headed "Connected Transactions" in the Prospectus.

Each of Shanshan and Shanshan Group is a substantial shareholder of the Company and hence, a connected person of the Company under the Listing Rules.

Upon the Listing, the Exempted Trademark Licence Agreements and the transactions contemplated thereunder constitute de minimis continuing connected transactions that are exempted from compliance with the reporting, annual review, announcement and independent Shareholders' approval provisions under Chapter 14A of the Listing Rules.

B. Continuing connected transactions which are subject to the reporting, annual review, announcement requirements but exempt from the independent Shareholders' approval requirements

On 17 November 2016, the Group and Shanshan entered into three lease agreements (the "**Previous Lease Agreements**") in relation to the leasing of certain properties in the PRC, with a total gross floor area of 32,996.69 sq.m. as offices, warehouses, stores and showrooms, for a term of three years each commencing on 1 August 2016, 1 October 2016 and 1 August 2016 respectively. The maximum annual rent payable by the Company to Shanshan under the Previous Lease Agreements was estimated to be RMB5,699,124. On 23 August 2018, the Company entered into a supplemental lease agreement (the "**Supplemental Lease Agreement**") with Shanshan in relation to the adjustment and termination of certain leased areas under one of the Previous Lease Agreements. By entering into the Supplemental Lease Agreement, the aggregated maximum annual rent payable by the Group to Shanshan was revised to RMB5,281,340, which constitute the maximum amount of rent payable by the Company to Shanshan under the Previous Lease Agreements (as amended by the Supplemental Lease Agreement) for the year ended 31 December 2019. Further details of the Previous Lease Agreements and the Supplemental Lease Agreement are set out in "Connected Transactions — Continuing Connected Transactions — B. Continuing connected transactions which are subject to the reporting, annual review, announcement requirements but exempt from the independent Shareholders' approval requirement — 4. Lease Agreements with Shanshan" in the Prospectus and the announcement of the Company dated 23 August 2018, respectively.

On 23 August 2018, the Company entered into two new lease agreements (each, the "**New Lease Agreement I**" and the "**New Lease Agreement II**", respectively) with Shanshan Fashion Industrial Park Suqian Co., Ltd. (杉杉時尚產業園宿遷有限公司) ("**Shanshan Suqian**"), a wholly-owned subsidiary of Shanshan, in relation to the leasing of certain properties in Suqian, Jiangsu Province, the PRC by the Company for warehouse and dormitory use, for a term of three years commencing on 1 September 2018 and ending on 31 August 2021. The maximum annual rent payable by the Company to Shanshan under the New Lease Agreement I and the New Lease Agreement II was RMB3,495,270 and RMB172,800, respectively.

In addition, on 23 August 2018, Lubiam Apparel, a non-wholly-owned subsidiary of the Company, entered into a new lease agreement (the "**New Lease Agreement III**", together with the New Lease Agreement I and the New Lease Agreement II, the "**2018 New Lease Agreements**") with Shanshan in relation to the leasing of certain properties in Ningbo, the PRC, by Lubiam Apparel for office use for a term of one year commencing on 1 September 2018 and ending on 31 August 2019. The maximum annual rent payable by the Group to Shanshan under the New Lease Agreement III was RMB129,948. Upon the entering into the New Lease Agreement III, one of the Previous Lease Agreements in relation to the leasing of certain properties in Ningbo, the PRC for office and warehouse use was terminated and superseded by the New Lease Agreement III.

As part of the Group's expansion plans after the Listing as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus, within the first six months after the Listing, the Group planned to establish a new warehousing and logistics center to provide sufficient space for installing advanced product sorting and distribution equipment and storing its inventory products and SHANSHAN branded consignment products. The 2018 New Lease Agreements and the Supplemental Lease Agreement were thus entered into between the Company and Shanshan Group to facilitate the establishment of such new warehousing and logistics center.

It was estimated that the annual caps for the total amounts of rent payable by the Group to Shanshan Group under the 2018 New Lease Agreements and the Previous Lease Agreements (as amended by the Supplemental Lease Agreement), calculated on an aggregated basis, for each of the three financial years ended 31 December 2019, 2020 and 2021 are RMB6,243,080, RMB3,668,070 and RMB2,459,780, respectively. Details of the 2018 New Lease Agreements and the Supplemental Lease Agreement are set out in the announcement of the Company dated 23 August 2018.

Shanshan is a substantial shareholder of the Company and Shanshan Suqian is a wholly-owned subsidiary of Shanshan, and therefore both Shanshan and Shanshan Suqian are connected persons of the Company pursuant to the Listing Rules.

The transactions contemplated under 2018 New Lease Agreements and the Previous Lease Agreements (as amended by the Supplemental Lease Agreement) are subject to the reporting, annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The INEDs have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into:

a. in the ordinary and usual course of business of the Group;

b. on normal commercial terms or better; and

c. according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the Company's auditor to perform certain procedures in respect of the continuing connected transactions set out above in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter to the Board containing their findings and conclusions in respect of the continuing connected transactions and the Company's auditor has confirmed that nothing has come to their attention that causes them to believe the above continuing connected transactions:

a. have not been approved by the Board;

b. were not entered into, in all material respects, in accordance with the pricing policies of the Group and the relevant agreement governing the transactions; and

c. the aggregate amount of the above continuing connected transactions has exceeded the cap.

RETIREMENT SCHEMES

The Group participated in various retirement benefit schemes in accordance with relevant rules and regulations in the PRC and Hong Kong. Details of our retirement benefit schemes are set out in note 4(m) to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, during the Year and up to the date of this report, there had been sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

INDEPENDENT AUDITOR

The consolidated financial statements of the Group for the Year have been audited by the independent auditor, BDO Limited, which will retire at the forthcoming AGM and, being eligible, offer themselves for re-appointment.

For and on behalf of the Board
Luo Yefei
Chairman

Ningbo, the PRC, 29 March 2022

Report of the Supervisory Committee

Looking back to the year of 2021, the Supervisory Committee executed its supervising function earnestly, safeguarded the rights and interests of the Shareholders and the Company and carried out its work in a diligent and proactive manner pursuant to the provisions of the PRC Companies Law, the Articles of Association, the rules of procedure of the Supervisory Committee and the Listing Rules.

The Supervisory Committee comprises three members. The chairman of the Supervisory Committee is Ms. Zhou Danna; and the members of Supervisory Committee are Mr. Wang Yijun and Ms. Yang Yi.

I. MEETINGS OF THE SUPERVISORY COMMITTEE

As at 31 December 2021, the Supervisory Committee held six (6) meetings in total. Such meetings were convened and held in compliance with the requirements of relevant regulations and the Articles of Association and with proper service of notice and quorum. Major matters considered and reviewed by the Supervisory Committee include:

a. Review of the annual report for 2020 and the interim report for 2021;

b. Review of the audited consolidated financial statements and independent auditor's report for 2020 and the resolution on profit distribution plan for 2020;

c. Considering and approving the work report of the Supervisory Committee for 2020.

As at 31 December 2021, members of the Supervisory Committee attended or observed all general meetings and Board meetings in accordance with the law and monitored the matters considered at the Board meetings and general meetings and the legitimacy of the procedures. During the Year, there was no incidence that the Supervisors made representations to the Directors or sued the Directors on behalf of the Company.

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS

1. Financial report

The 2021 financial report of the Company prepared under the Hong Kong Financial Reporting Standards has been audited by BDO Limited and BDO Limited has issued an unqualified audit report. The financial report fairly and truly reflects the Company's financial position as at 31 December 2021 and the operating results and cash flow in 2021.

2. Related party transaction

After reviewing the related party transactions between the Company and its related parties during the Year, the Supervisory Committee considered that the related party transactions were in compliance with relevant requirements of the Stock Exchange and applicable laws and the considerations for the related party transactions were reasonable, open and fair, and was not aware of any matters that were detrimental to the interests of the Company or its Shareholders as a whole.

3. Internal control

During the Year, the Company continued to strengthen and improve the construction of its internal control system. The comprehensiveness and effectiveness of the internal control were continuously improved. The Supervisory Committee was not aware of any material defect in the design of the Company's internal control system or its implementation.

4. Implementation of the resolutions of general meetings

The Supervisory Committee had no objection to any of such reports and resolutions as submitted by the Board to general meetings for consideration and approval in 2021. The Supervisory Committee supervised the implementation of the resolutions of general meetings and considered that the Board had prudently implemented the relevant resolutions of general meetings.

5. Operations in Compliance with Laws and Regulations

During the Year, the operations of the Company were normal and reasonable and were in compliance with all applicable laws, regulations, rules and the Articles of Association. The Supervisory Committee was not aware of any non-compliance with laws, regulations or the Articles of Association or behaviors committed by any of the Directors and senior management of the Company in discharging their duties that was detrimental to the interests of the Company and the Shareholders.

Shanshan Brand Management Co., Ltd.

Supervisory Committee

29 March 2022

Independent Auditor's Report

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF SHANSHAN BRAND MANAGEMENT CO., LTD.
(incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Shanshan Brand Management Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 104 to 187, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Impairment Assessment of Property, Plant and Equipment and Right-of-use Assets

(Refer to Notes 5B(b), 17 and 18 to the consolidated financial statements)

The Group had property, plant and equipment of RMB35,518,392 and right-of-use assets of RMB27,717,568 as at 31 December 2021. An impairment assessment was conducted for property, plant and equipment and right-of-use assets of loss-making retail stores for which RMB1,234,532 and RMB792,846 respectively, were impaired during the year.

The management considers each retail store as an individual cash-generating unit as each store generates independent cash flows, which are largely independent of the cash flows generated by other assets. The Group determines the impairment provision based on the cash flow forecasts of loss-making retail stores. The evaluation process is inherently subjective, and dependent on a number of estimates including the sale growth rate, the budgeted gross profit margin of each store and the discount rate.

Given the level of significant management judgements and estimates involved, this is considered to be a key audit matter.

Our Response

Our key audit procedures in relation to management's impairment assessment of property, plant and equipment and right-of-use assets included:

– Obtaining an understanding of the management's process and basis adopting in the impairment assessment of the identified property, plant and equipment and identified right-of-use assets;

– Evaluating the reasonableness of management's key assumptions and estimates used in the value in use calculation including budgeted sales and gross profit margin with reference to the past performance, management's expectations on the market development and future operation plans of the Group;

– Evaluating the reasonableness of the discount rates used in the value in use calculations with reference to the current market risk-free rate of interest and the industry specific risk factor;

– Comparing historical actual performance and results of the selected retail stores to those budgeted to assess the quality of management's forecasting; and

– Assessing the reasonableness of the disclosures in the consolidated financial statements in respect of the impairment assessment of property, plant and equipment and right-of-use assets with reference to the requirement of the prevailing accounting standards.

KEY AUDIT MATTERS (CONTINUED)

Impairment Assessment of Inventories

(Refer to Notes 5B(c) and 23 to the consolidated financial statements)

As at 31 December 2021, the carrying amount of inventories was approximately RMB389,727,583. The provision of impairment for inventories for the year ended 31 December 2021 was approximately RMB13,378,837 which consists reversal of provision of impairment for raw materials at RMB958,868 and provision of impairment for finished goods at RMB14,337,705. The management estimated the net realisable value of inventories at end of reporting period, and made provision to write-down the value, if any.

The considerations of an appropriate level of provision of impairment for inventories included inventory ageing, condition of inventories, historical and current sales information, as well as different market factors impacting the selling price of these inventories. In addition, the determination of provision of impairment on inventories as a result of the changed prevailing market conditions, requires an exercise of significant judgement of the management, based on historical experience.

Accordingly, the impairment assessment of inventories is considered to be a key audit matter.

Our Response

Our key audit procedures in relation to management's impairment assessment of inventories included:

- Understanding and evaluating the Group's provision policy on inventories, basis of the assessment and management's process of the identification of slow moving inventories;
- Reviewing and assessing the estimation of the net realisable value of these inventories;
- Reviewing inventory ageing and analysing the level of aged inventories and their associated provision of impairment;
- Testing the purchase cost and selling price on a sample basis with reference to the purchase invoices and subsequent sales records; and
- Recalculating the provision of impairment.

KEY AUDIT MATTERS (CONTINUED)

Impairment Assessment of Trade Receivables

(Refer to Notes 5B(d) and 24 to the consolidated financial statements)

As at 31 December 2021, the Group had gross trade receivables of RMB224,052,038 and provision of impairment for trade receivables of RMB49,078,566. There is a risk that these receivables are not recoverable. The Group has elected to measure loss allowances for trade receivables using simplified approach and has calculated expected credit loss ("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.

After management's assessment, impairment losses on trade receivables of RMB4,945,250 have been recognised in profit or loss for the year.

Our Response

Our key audit procedures in relation to management's impairment assessment of trade receivables included:

– Obtaining an understanding of management's process of assessing the impairment of trade receivables including the use of provision matrix;

– Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the expected credit loss rates are appropriately adjusted based on current economic conditions and forward-looking information;

– Checking the integrity and the relevance of the input data being used in the ECL model; and

– Testing the aging analysis of the trade receivables, on a sample basis, to the source documents.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors of the Company (the "**Directors**") are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the Directors in discharging their responsibilities in this regard.

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

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

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

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

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

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants
Ng Wai Man
Practising Certificate Number P05309
Hong Kong, 29 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 RMB	2020 RMB (Re-presented)
Continuing operations			
Revenue	6	**993,032,379**	887,472,993
Cost of sales		**(507,811,003)**	(459,342,332)
Gross profit		**485,221,376**	428,130,661
Other revenue	7	**1,473,052**	1,163,014
Other gains and losses	8	**(3,742,191)**	19,543,343
Selling and distribution expenses		**(409,008,150)**	(442,034,758)
Administrative expenses		**(38,734,104)**	(44,397,289)
Impairment loss on property, plant and equipment		**(1,234,532)**	(4,819,915)
Impairment loss on right-of-use assets		**(792,846)**	(1,337,379)
Impairment loss on trade receivables, net		**(4,945,250)**	(1,704,676)
Impairment loss on deposits and other receivables, net		**(1,318,812)**	(784,250)
Finance costs	9	**(8,868,161)**	(11,926,395)
Share of results of associates		**2,751,038**	(1,072,068)
Share of result of a joint venture		**(595,569)**	(55,830)
Profit/(loss) before income tax	10	**20,205,851**	(59,295,542)
Income tax (expense)/credit	13	**(2,229,409)**	2,436,421
Profit/(loss) and total comprehensive income for the year from continuing operations		**17,976,442**	(56,859,121)
Discontinued operation			
Loss for the year from discontinued operation	14	**(9,340,962)**	(19,084,450)
Profit/(loss) for the year		**8,635,480**	(75,943,571)
Profit/(loss) and total comprehensive income for the year attributable to:			
– Owners of the Company			
– from continuing operations		**17,976,442**	(56,859,121)
– from discontinued operation		**(5,604,577)**	(11,450,669)
		12,371,865	(68,309,790)
– Non-controlling interests			
– from discontinued operation		**(3,736,385)**	(7,633,781)
		8,635,480	(75,943,571)
Earnings/(loss) per share attributable to the owners of the Company			
– Basic and dilutive	15		
– from continuing operations		**0.13**	(0.43)
– from discontinued operation		**(0.04)**	(0.08)
		0.09	(0.51)

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 RMB	2020 RMB
Non-current assets			
Property, plant and equipment	17	**35,518,392**	37,812,175
Right-of-use assets	18	**27,717,568**	42,263,598
Intangible assets	19	**5,987,008**	5,777,271
Interest in an associate	20	**12,224,364**	10,905,176
Interest in a joint venture	21	**1,098,601**	1,694,170
Prepayments, deposits and other receivables	25	**8,166,622**	10,321,602
Deferred tax assets	22	**19,182,507**	21,411,916
Total non-current assets		**109,895,062**	130,185,908
Current assets			
Inventories	23	**389,727,583**	428,466,391
Contract assets		**483,229**	–
Trade and bills receivables	24	**174,973,472**	162,834,347
Prepayments, deposits and other receivables	25	**46,143,503**	32,713,930
Amount due from a related company	35(c)	**37,161**	39,161
Income tax recoverable		**1,047,487**	1,047,487
Pledged deposits	26	**18,856,703**	22,000,000
Cash and cash equivalents	26	**84,265,326**	111,326,251
Total current assets		**715,534,464**	758,427,567
Current liabilities			
Trade and bills payables	27	**160,396,647**	168,666,155
Contract liabilities	28	**31,563,525**	43,166,717
Other payables and accruals	29	**204,154,282**	224,082,402
Interest-bearing bank borrowings	30	**172,877,546**	202,244,422
Amount due to a joint venture	21	**858,034**	927,380
Derivative financial liabilities	31	**8,562,934**	–
Lease liabilities	32	**13,828,748**	19,345,617
Total current liabilities		**592,241,716**	658,432,693
Net current assets		**123,292,748**	99,994,874
Total assets less current liabilities		**233,187,810**	230,180,782

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 RMB	2020 RMB
Non-current liabilities			
Other payables and accruals	29	**7,710,000**	–
Lease liabilities	32	**13,978,594**	23,505,153
Total non-current liabilities		**21,688,594**	23,505,153
Net assets		**211,499,216**	206,675,629
Capital and reserves			
Share capital	33	**133,400,000**	133,400,000
Reserves	34	**78,099,216**	65,727,351
		211,499,216	199,127,351
Non-controlling interests	14	**–**	7,548,278
Total equity		**211,499,216**	206,675,629

The consolidated financial statements on pages 104 to 187 were approved and authorised for issue by the Board of Directors on 29 March 2022 and are signed on its behalf by:

Luo Yefei
Director

Yan Jingfen
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital RMB (Note 33)	Capital reserve RMB (Note 34(a))	Statutory surplus reserve RMB (Note 34(b))	Merger reserve RMB (Note 34(c))	Accumulated profits RMB	Attributable to ordinary equity holders of the Company RMB	Non-controlling interests RMB	Total equity RMB
Balance at 1 January 2020	133,400,000	73,109,956	10,434,068	(41,226,670)	91,719,787	267,437,141	15,182,059	282,619,200
Loss and total comprehensive income for the year	–	–	–	–	(68,309,790)	(68,309,790)	(7,633,781)	(75,943,571)
Balance at 31 December 2020	133,400,000	73,109,956	10,434,068	(41,226,670)	23,409,997	199,127,351	7,548,278	206,675,629
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**12,371,865**	**12,371,865**	**(3,736,385)**	**8,635,480**
Liquidation of a subsidiary (Note 14)	**–**	**–**	**–**	**–**	**–**	**–**	**(3,811,893)**	**(3,811,893)**
Balance at 31 December 2021	**133,400,000**	**73,109,956**	**10,434,068**	**(41,226,670)**	**35,781,862**	**211,499,216**	**–**	**211,499,216**

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 RMB	2020 RMB (Re-presented)
Cash flows from operating activities		
Profit/(loss) before income tax from continuing operations	**20,205,851**	(59,295,542)
Loss before income tax from discontinued operation	**(9,340,962)**	(19,084,450)
Profit/(loss) before income tax	**10,864,889**	(78,379,992)
Adjustments for:		
Interest income	**(688,562)**	(1,408,520)
Interest expenses on bank borrowings	**7,116,778**	8,119,614
Interest expenses on lease liabilities	**1,751,383**	2,553,899
Imputed interest expenses on amount due to a non-controlling shareholder of a subsidiary	**–**	78,865
Interest expenses on amount due to a related company	**–**	1,174,017
Impairment loss on trade receivables, net	**5,974,539**	1,947,306
Impairment loss on deposits and other receivables, net	**1,318,812**	784,250
Write down of finished goods, net	**14,337,705**	16,682,926
(Reversal of write down)/write down of raw materials, net	**(958,868)**	420,894
Impairment loss on property, plant and equipment	**1,234,532**	4,819,915
Impairment loss on right-of-use assets	**792,846**	1,337,379
Amortisation of right-of-use assets	**23,061,162**	25,823,584
Depreciation of property, plant and equipment	**30,655,449**	45,308,124
Amortisation of intangible assets	**741,329**	547,031
Loss/(gain) on disposal of property, plant and equipment	**1,271,073**	(89,407)
Loss on disposal of intangible assets	**384,437**	–
Gain on disposal of an associate	**–**	(16,861,595)
Gain on lease modification	**(1,690,561)**	(969,517)
COVID19-related rent concession	**(430,217)**	(861,453)
Fair value loss on derivative financial liabilities	**10,895,820**	–
Share of results of associates	**(2,751,038)**	1,072,068
Share of result of a joint venture	**595,569**	55,830
Exchange gains, net	**(6,092,731)**	–
Operating cash flows before working capital changes	**98,384,346**	12,155,218
Decrease in inventories	**18,748,875**	57,876,907
(Increase)/decrease trade and bills receivables	**(18,113,664)**	23,310,423
(Increase)/decrease in prepayments and other receivables	**(16,405,299)**	30,599,104
Increase in contract assets	**(483,229)**	–
Decrease in amount due from immediate holding company	**–**	433,200
Decrease/(increase) in amount due from a related company	**2,000**	(39,161)
Decrease in trade and bills payables	**(8,269,509)**	(61,205,201)
(Decrease)/increase in contract liabilities	**(11,603,192)**	13,840,132
Decrease in other payables and accruals	**(5,607,025)**	(17,278,852)
Decrease in amount due to a non-controlling shareholder of a subsidiary	**–**	(9,891,275)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 RMB	2020 RMB (Re-presented)
Decrease in amount due to an associate	–	(83,648)
(Decrease)/increase in amount due to a joint venture	(69,346)	52,380
Cash generated from operations	56,583,957	49,769,227
Income taxes refunded	–	497,593
Net cash generated from operating activities	56,583,957	50,266,820
Cash flows from investing activities		
Interest received	688,562	1,408,520
Decrease in pledged deposits	3,143,297	11,556,150
Capital reduction of an associate	–	3,742,339
Dividend received from an associate	1,380,000	2,300,000
Proceeds from disposal of an associate, net	–	50,000,000
Capital contribution to a joint venture	–	(875,000)
Proceeds from disposal of property, plant and equipment	82,120	131,000
Purchase of property, plant and equipment	(30,949,391)	(30,104,036)
Purchase of intangible assets	(1,335,503)	(2,520,450)
Decrease in amounts due from fellow subsidiaries	–	156,541
Net cash (used in)/generated from investing activities	(26,990,915)	35,795,064
Cash flows from financing activities		
Interest paid	(7,116,778)	(9,293,631)
Interest elements of lease rentals paid	(1,751,383)	(2,553,899)
Capital elements of lease rentals paid	(22,230,628)	(22,608,067)
Proceeds from bank borrowings	227,006,582	308,244,422
Repayment of bank borrowings	(252,561,760)	(286,000,000)
Repayment of loan to a related company	–	(100,000,000)
Net cash used in financing activities	(56,653,967)	(112,211,175)
Net decrease in cash and cash equivalents	(27,060,925)	(26,149,291)
Cash and cash equivalents at beginning of year	111,326,251	137,475,542
Cash and cash equivalents at end of year	84,265,326	111,326,251

1. GENERAL

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

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

Particulars of the Company's principal subsidiaries at 31 December 2021 and 2020 were as follows:

Name of subsidiaries	Date of establishment and type of legal entity	Place of operation and establishment	Issued and paid-up capital	Proportion of effective equity interests held by the Company				Principal activities
				2021		2020		
				Directly	Indirectly	Directly	Indirectly	
Ningbo Shanshan Fashion Brand Management Co., Ltd	17 June 2009/ Limited liability company	The PRC	RMB100 million	100%	N/A	100%	N/A	Investment holding and trademark sub-licensing
Ningbo Shanshan E-commerce Co., Ltd	27 August 2020/Limited liability company	The PRC	RMB10 million	100%	N/A	100%	N/A	Distribution of causal and business menswear through e-commerce
Lubiam (Ningbo) Apparel Co., Ltd ("Lubiam Apparel") (Note a)	21 December 2005/Limited liability company	The PRC	US$5 million	N/A	N/A	N/A	60%	Design, develop and sales of men's apparel under LUBIAM brand

Note (a): The Directors resolved to wind up Lubiam Apparel by way of voluntary liquidation. The wind up was completed on 13 December 2021 and constitutes a discontinued operation under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Detail information is set out in Note 14.

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

(a) Adoption of new/revised HKFRSs

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

- Amendments to HKFRS 9, Hong Kong Accounting Standard ("**HKAS**") 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

- Amendments to HKFRS 16, Covid-19-related Rent Concessions beyond 30 June 2021

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("**IBOR reform**"). The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Amendment to HKFRS 16, Covid-19-related Rent Concessions beyond 30 June 2021

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

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

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

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction[2]
Amendments to HKAS 16	Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Annual Improvements Project	Annual Improvements to HKFRSs 2018 – 2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at end of reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at end of reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Interpretation 5 (2020) updates the wording in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The Directors do not anticipate that the application of the amendments and revision in the future will have a material impact on the Group's consolidated financial statements.

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

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

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

The amendments change the requirements in HKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in HKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Guidance and examples have been developed to explain and demonstrate the application of the 'four-step materiality process' described in HKFRS Practice Statement 2.

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the concept of changes in accounting estimates was retained in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

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

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

Amendments to HKAS 12, Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying HKFRS 16 at the commencement date of a lease.

Following the amendments to HKAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12.

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling a contract' comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

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

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

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Directors do not anticipate that the application of the amendments in the future will have a material impact on the Group's consolidated financial statements.

Annual Improvements Project, Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the "10 per cent" test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as the "HKFRSs") 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, except for financial asset and liability stated at fair values, which are measured at fair value as explained in the accounting policies set out in Note 4.

It should be noted that accounting estimates and assumptions are used in the preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statement are disclosed in Note 5.

(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. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Business combination and basis of consolidation (Continued)

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries (Continued)

In the Company's statement of financial position disclosed in Note 42, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivables.

(c) Associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

(d) Joint arrangement

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- *Joint ventures:* where the Group has rights to only the net assets of the joint arrangement; or

- *Joint operations:* where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- the structure of the joint arrangement;

- the legal form of joint arrangements structured through a separate vehicle;

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Joint arrangement (Continued)

- the contractual terms of the joint arrangement agreement; and
- any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interest in a joint venture in the same manner as investment in an associate (i.e. using the equity method – see Note 4(c)).

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

The Company's interest in a joint venture is stated at cost less impairment losses, if any. Result of joint venture is accounted for by the Company on the basis of dividends received and receivables.

(e) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is a part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation and post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at end of each reporting period. The useful lives are as follows:

Leasehold improvements	Over the lease terms
Plant and machinery	2-10 years
Furniture and fixtures	1-5 years
Motor vehicles	5 years

Furniture and fixtures includes retail stores' leasehold improvements, which useful lives are over the lease terms.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(g) Leasing

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases for retail stores (see below for the accounting policy to account for short-term leases) and/or (ii) leases for which the underlying asset is of low-value. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leasing (Continued)

Right-of-use assets

The right-of-use assets should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liabilities (see below for the accounting policy to account for lease liabilities); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use assets that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated amortisation and any impairment losses, if any, and adjusted for any remeasurement of lease liabilities. Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at end of lease term is amortisated from commencement date to the end of the useful lives. Otherwise, right-of-use assets are amortisated on a straight-line basis over the shorter of its estimated useful lives and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Short-term leases

The Group applies the short-term lease recognition exemption to leases retail stores that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Variable lease payments

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leasing (Continued)

Lease liabilities

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

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

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

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

(h) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(j) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Intangible assets (other than goodwill)

(i) Intangible assets acquired separately

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. The amortisation expense is recognised in profit or loss and included in selling and distribution expenses.

Trademark	10 years
Software	5 years

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets (other than goodwill) (Continued)

(ii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see Note 4(p)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount; however, the carrying amount should not be increased above the lower of its recoverable amount and the carrying amount that would have resulted had no impairment loss been recognised for the asset in prior years. All reversals are recognised in the profit or loss immediately, unless the relevant asset is carried at a revalued amount, in which case any reversal of impairment should be treated as a revaluation and therefore credited to other comprehensive income. However, to the extent that an impairment on the revalued asset was previously recognised as an expense in profit or loss, a reversal of that impairment loss is recognised as income in profit or loss.

(l) Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Financial Instruments (Continued)

(i) Financial assets (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. 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.

Fair value through other comprehensive income ("FVOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Debt investments at fair value through other comprehensive income 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.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECLs on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months 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. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Financial Instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

The Group has elected to measure loss allowances for trade receivables using simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's expected credit loss rates, 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-months ECLs. 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 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 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 financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that financial assets are credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; and

(e) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Financial Instruments (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and bills payables, other payables and accruals, interest-bearing bank borrowings and amount due to a joint venture are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising the gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial Instruments (Continued)

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(m) Employee benefits

(i) Retirement benefit costs

The employees of the Group which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute certain percentage of employees' salaries to the central pension scheme.

(ii) Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits that are expected to be settled wholly before twelve months after end of annual reporting period) in which the employees render the related services. Short term employee benefits are recognised in the year when the employee render the related service.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue recognition (Continued)

(i) Trading of garments

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 a point in time when control of the products is transferred to the customers, generally when the products are delivered to and the risks of obsolescence and loss have been transferred to customers.

Some of the Group's contracts with customers from the trading of garment products provide customers a volume rebate if the customers purchase more than certain volume of garment products in a calendar year. The volume rebates give rise to a separate performance obligation in addition to the performance obligation to deliver standard garment products. The Group has applied the expected value method to estimate stand-alone selling price of refund liabilities. The Group shall allocate the transaction price to the garment products and refund liabilities.

(ii) Trademark sub-licensing income

Trademark sub-licensing income is recognised over time in accordance with the terms of the relevant agreements if all of the following criteria are met, that are (a) the contract requires, or the customers reasonably expects, that the entity will undertake activities that significantly affect the intellectual property to which the customers have rights; (b) the rights granted by the licence directly expose the customers to any positive or negative effects of the entity's activities identified; and (c) those activities do not result in the transfer of a good or a service to the customers as those activities occur.

(iii) Other income

Revenue from sale of raw materials is recognised at a point in time when the control of raw materials has been transferred to customers.

Interest income is recognised on time-proportion basis using effective interest method.

Contract assets

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

Contract asset is recognised when the service of trademark sub-licensing income rendered. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the consideration (including advances received from customers) exceeds the revenue recognised to date under the input method, then the Group recognises a contract liability for the difference.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue recognition (Continued)

Contract liabilities

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

If the consideration (including advances received from customers) exceeds the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

Trading of garments (prepaid cards)

Prepaid cards that can be utilised in the future consumption in retail stores by the customers, are recognised as contract liabilities. Revenue from prepaid cards is recognised when the prepaid cards are redeemed by the customers.

Trading of garments (advance from customers)

Advance from customers for which the goods have not been delivered are recognised as liabilities until the relevant goods are transferred and is classified as contract liabilities.

Trademark sub-licensing income

Advance from customers for which the service have not been rendered are recognised as liabilities until the relevant services are performed and is classified as contract liabilities.

(o) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Impairment of assets (other than financial assets)

At end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment, intangible assets and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRSs, in which case the impairment loss is treated as a revaluation decrease under that HKFRSs.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRSs, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRSs.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Related parties

(a) A person or a close member of that person's family is related to the Company if that person:

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

(ii) has significant influence over the Company; or

(iii) is a member of key management personnel of the Company or the Company's parent.

(b) An entity is related to the company if any of the following conditions apply:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Company or an entity related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

A Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate);

- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate);

- Otherwise, the Group considers other factors including historical lease durations, future business direction, business plan of management and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if any option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

A Critical judgements in applying accounting policies (Continued)

(b) Joint control assessment

According to the Articles of Association of Hangzhou Shanxi E-commerce Co., Ltd.* (杭州杉喜電子商務有限公司) ("Hangzhou Shanxi"), unanimous resolution of all shareholders of Hangzhou Shanxi for certain key business decisions is needed. Therefore, Hangzhou Shanxi is determined as a joint venture of the Group, and its financial results were accounted for using equity method.

B Key sources of estimation uncertainty

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

(a) Useful lives, residual values and depreciation of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(b) Impairment of property, plant and equipment, right-of-use assets and intangible assets

The impairment loss on property, plant and equipment, right-of-use assets and intangible assets are recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amounts of the assets, or, where appropriate, the cash generating unit to which they belong, are the higher of its fair value less costs of disposal and value in use. The recoverable amounts are determined based on fair value less costs of disposal which are based on the best information available to reflect the amount obtainable at end of reporting period, from the disposal of the assets in an arm's length transaction between knowledgeable and willing parties, after deducting the costs of disposal. For the estimation of value in use, the Group's management estimates future cash flows from the cash generating units and chooses a suitable discount rate in order to calculate the present value of those cash flows.

* *For identification purpose only*

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

B Key sources of estimation uncertainty (Continued)

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated cost necessary to make the sale. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses the estimations at end of each reporting period.

(d) Impairment of trade and other receivables

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and deposits received when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

(e) Leases – estimating the incremental borrowing rate

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

B Key sources of estimation uncertainty (Continued)

(f) Recognition of deferred tax assets

As at 31 December 2021, deferred tax assets of RMB19,182,507 (2020: RMB21,411,916) in relation to impairment of assets, refund liabilities and lease liabilities were recognised in the consolidated financial statements. Estimating the deferred tax assets to be recognised require a process that involves determining appropriate tax provisions, forecasting future years' taxable income and assessing the ability to utilise tax benefits through future earnings and tax structuring. In cases where the actual future profits generated are less than expected, a material reversal of the deferred tax asset may arise, which would be recognised in profit or loss for the period in which such a reversal takes place. The current financial models indicate that the tax losses can be utilised in the foreseeable future. Management believes that any reasonable changes in the model assumptions would not affect management's view. However, any unexpected changes in assumptions and estimates in tax regulations could affect the recoverability of these deferred tax assets in the future.

(g) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted);

Level 2: Observable direct or indirect inputs other than Level 1 inputs; and

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period as they occur.

In 2021, the Group measures derivative financial liabilities (Note 31) at fair value.

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

6. SEGMENT INFORMATION AND REVENUE

(a) Reportable segment

During the reporting 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 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.

In the following table, revenue from continuing operations is disaggregated by primary geographical market, major products and service lines, brands and timing of revenue recognition.

	2021 **RMB**	2020 RMB (Re-presented)
Primary geographical market		
The PRC	**993,032,379**	887,472,993
Major product/service		
Standard garment products	**939,009,267**	829,012,665
Accessories	**45,302,724**	45,422,200
Trademark sub-licensing income	**8,720,388**	13,038,128
	993,032,379	887,472,993
Revenue by brands		
FIRS	**524,162,859**	375,621,400
Shanshan	**460,149,132**	498,813,465
Others	**8,720,388**	13,038,128
	993,032,379	887,472,993
Timing of revenue recognition		
At a point in time	**984,311,991**	874,434,865
Transferred over time	**8,720,388**	13,038,128
	993,032,379	887,472,993

6. SEGMENT INFORMATION AND REVENUE (CONTINUED)

(b) Geographic information

During the reporting 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 customers

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

(d) Revenue

The following summary describes the operations of the Group's revenue from continuing operations by reportable segments:

Revenue from contracts with customer within the scope of HKFRS 15:	**2021 RMB**	2020 RMB (Re-presented)
Trading of garments	**939,009,267**	829,012,665
Trading of accessories	**45,302,724**	45,422,200
Trademark sub-licensing income	**8,720,388**	13,038,128
	993,032,379	887,472,993

The following table provides information about contract assets, trade and bills receivables and contract liabilities from contracts with customers.

	2021 RMB	2020 RMB
Contract assets	**483,229**	–
Trade and bills receivables (Note 24)	**174,973,472**	162,834,347
Contract liabilities (Note 28)	**31,563,525**	43,166,717

6. SEGMENT INFORMATION AND REVENUE (CONTINUED)

(d) Revenue (Continued)

A contract liability is an entity's unfulfilled obligation to transfer goods or render services to a customer for which the entity has received consideration. The Group's contract liabilities comprise receipt in advance from customers.

As at 31 December 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB31,563,525 (2020: RMB43,166,717). This amount represents revenue expected to be recognised in the future. Details of the typical payment terms are set out in Note 28.

7. OTHER REVENUE

	2021 **RMB**	2020 RMB (Re-presented)
Continuing operations		
Interest income	**688,562**	804,527
Sale of raw materials*	**422,567**	295,400
Sundry income	**361,923**	63,087
	1,473,052	1,163,014

*Amount included a reversal of write-off of raw materials of RMB 958,868

8. OTHER GAINS AND LOSSES

	2021 RMB	2020 RMB (Re-presented)
Continuing operations		
Donation	**(1,035,857)**	(586,252)
Exchange gains, net	**6,013,143**	5,755,045
Fair value loss on derivative financial liabilities	**(10,895,820)**	–
Government grant	**384,404**	1,048,897
(Loss)/gain on disposal of property, plant and equipment, net	**(960,877)**	89,407
Loss on disposal of intangible assets	**(384,437)**	–
Gain on lease modification	**1,690,561**	969,517
COVID-19-related rent concessions	**430,217**	861,453
Gain on disposal of an associate	**–**	16,861,595
Rent subsidies to franchisees	**–**	(7,009,488)
Others	**1,016,475**	1,553,169
	(3,742,191)	19,543,343

9. FINANCE COSTS

	2021 RMB	2020 RMB (Re-presented)
Continuing operations		
Interest expenses on bank borrowings	**7,116,778**	8,119,614
Interest expenses on lease liabilities	**1,751,383**	2,553,899
Imputed interest expenses on amount due to a non-controlling shareholder of a subsidiary	**–**	78,865
Interest expenses on amount due to a related company	**–**	1,174,017
	8,868,161	11,926,395

10. PROFIT/(LOSS) BEFORE INCOME TAX

	2021 RMB	2020 RMB (Re-presented)
Continuing operations		
Profit/(loss) before income tax is arrived at after charging/(crediting):		
Amortisation and depreciation		
– Amortisation of intangible assets	741,329	547,031
– Amortisation of right-of-use assets	23,061,162	25,823,584
– Depreciation of property, plant and equipment	30,650,454	43,613,818
Total amortisation and depreciation	54,452,945	69,984,433
Impairment loss on		
– Trade receivables, net	4,945,250	1,704,676
– Deposits and other receivables, net	1,318,812	784,250
– Property, plant and equipment	1,234,532	4,819,915
– Right-of-use assets	792,846	1,337,379
Total impairment loss, net	8,291,440	8,646,220
Write down/(reversal of write down) of inventories		
– Finished goods (included in cost of sales)	14,337,705	5,225,354
– Raw materials (included in other revenue)	(958,868)	178,307
Total write down of inventories, net	13,378,837	5,403,661
Expenses relating to lease		
– Short-term lease	18,738,701	18,448,136
– Variable lease payment	6,278,410	5,055,545
– Low value assets	–	13,835
Total expenses relating to lease	25,017,111	23,517,516
Auditor's remuneration		
– Audit services	654,080	767,045
– Non-audit services	426,414	432,165
Total auditor's remuneration	1,080,494	1,199,210
Advertising and promotional expenses	13,926,450	22,637,885
Cost of inventories sold	493,473,298	453,938,671
Fair value loss on derivative financial liabilities	10,895,820	–

11. STAFF COSTS

	2021 RMB	2020 RMB (Re-presented)
Continuing operations		
Staff costs (including directors) comprise:		
– Salaries and allowances	**68,073,337**	72,340,427
– Contributions to defined contribution retirement plan	**12,523,552**	6,703,414
	80,596,889	79,043,841

No forfeited contribution may be used by the Group to reduce the contribution payable in the future.

12. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emolument for each of the Directors for the years ended 31 December 2021 and 2020 is set out below:

Year ended 31 December 2021

	Fee RMB	Salaries and allowance RMB	Discretionary bonus RMB	Contribution to defined contribution retirement plan RMB	Total RMB
Executive Directors					
Luo Ye Fei	49,920	430,400	65,000	24,462	569,782
Cao Yang	49,920	30,100	–	2,083	82,103
Yan Jing Fen	49,920	290,400	51,667	20,244	412,231
Non-Executive Directors					
Zhao Chun Xiang	49,920	–	–	–	49,920
Zhou Yu Mei	49,920	–	253,237	–	303,157
Zheng Shi Jie	49,920	290,400	46,667	20,244	407,231
Independent Non-Executive Directors					
Chow Ching Ning (Note a)	50,630	–	–	–	50,630
Au Yeung Po Fung (Note b)	49,167	–	–	–	49,167
Wang Ya Shan	99,520	–	–	–	99,520
Wu Xue Kai	99,700	–	–	–	99,700
	598,537	1,041,300	416,571	67,033	2,123,441

12. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Directors' emoluments (Continued)

Year ended 31 December 2020

	Fee RMB	Salaries and allowance RMB	Discretionary bonus RMB	Contribution to defined contribution retirement plan RMB	Total RMB
Executive Directors					
Luo Ye Fei	53,211	430,950	–	25,799	509,960
Cao Yang	53,211	370,950	–	29,611	453,772
Yan Jing Fen	53,211	290,950	–	20,595	364,756
Non-Executive Directors					
Zhao Chun Xiang	18,577	–	–	–	18,577
Zhou Yu Mei	18,577	–	–	–	18,577
Zheng Shi Jie	18,577	–	–	–	18,577
Zhuang Wei (Note c)	25,214	–	–	–	25,214
Yang Feng (Note c)	25,214	–	–	–	25,214
Hui Ying (Note c)	25,214	–	–	–	25,214
Independent Non-Executive Directors					
Au Yeung Po Fung	106,649	–	–	–	106,649
Wang Ya Shan	106,649	–	–	–	106,649
Wu Xue Kai	106,649	–	–	–	106,649
	610,953	1,092,850	–	76,005	1,779,808

Notes:

(a) Mr. Chow Ching Ning was appointed as an independent non-executive director on 4 June 2021.

(b) Mr. Au Yeung Po Fung resigned as an independent non-executive director on 4 June 2021.

(c) Mr. Zhuang Wei, Mr. Yang Feng and Ms. Hui Ying were resigned as non-executive directors on 26 June 2020.

12. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2020: three) were directors of the Company whose emoluments are included in the disclosures in Note (a) above. The emoluments of the remaining two (2020: two) individuals were as follows:

	2021 RMB	2020 RMB
Salaries and other benefits	790,800	924,838
Performance related bonuses	51,667	–
Contributions to defined contribution retirement plan	40,488	52,012
	882,955	976,850

The emoluments paid or payable to the above individuals were within the following band:

	2021 No. of individuals	2020 No. of individuals
Nil to HK$1,000,000	2	2

During the years ended 31 December 2021 and 2020, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

In addition, none of the Directors waived or agreed to waive any emoluments for each of the years ended 31 December 2021 and 2020.

13. INCOME TAX EXPENSE/(CREDIT)

Income tax expense/(credit) recognised in the consolidated statement of profit or loss and other comprehensive income are as follow:

	2021 RMB	2020 RMB (Re-presented)
Continuing operations		
PRC Enterprise Income Tax:		
– Under provision in respect of prior years	–	910,094
Deferred taxation (Note 22)	2,229,409	(3,346,515)
Income tax expense/(credit)	2,229,409	(2,436,421)

The PRC Enterprise Income Tax ("EIT") represents tax charged on the estimated assessable profits arising in Mainland China. The Company and its subsidiaries operating in Mainland China are subject to the PRC EIT rate of 25%.

13. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

The income tax expense/(credit) for the year can be reconciled to the profit/(loss) before income tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	2021 RMB	2020 RMB (Re-presented)
Continuing operations		
Profit/(loss) before income tax	**20,205,851**	(59,295,542)
Tax credit calculated at the domestic income tax rate	**5,051,463**	(14,823,886)
Tax effect of revenue not taxable for tax purposes	**(592,644)**	(69,773)
Tax effect of expenses not deductible for tax purposes	**7,828**	1,707,126
Tax effect of tax losses and deductible temporary differences not recognised	**8,710**	9,572,001
Under provision in prior years	**–**	910,094
Tax effect of share of results of associates	**(687,760)**	268,017
Tax effect of share of result of a joint venture	**148,892**	–
Utilisation of tax losses previously not recognised	**(1,707,080)**	–
Income tax expense/(credit)	**2,229,409**	(2,436,421)

The domestic income tax rate represents the EIT rate in the PRC where the Group's operations are substantially based.

At 31 December 2021, the Group had estimated unused tax losses of approximately RMB71,285,702 (2020: RMB100,906,518) available for offset against future profits which were arising from operation. The tax losses are subject to the final assessment by the tax authorities in the respective jurisdictions where the tax losses arising from.

No deferred tax asset has been recognised in respect of the estimated unused tax losses and deductible temporary difference due to unpredictability of future profit streams. The tax losses may be carried forward for a period of five years from their respective year of origination.

14. DISCONTINUED OPERATION/NON-CONTROLLING INTERESTS

On 23 December 2020, the Company announced to execute the procedures for the voluntary liquidation of Lubiam (Ningbo) Apparel Co., Ltd.* (寧波魯彼昂姆服飾有限公司) ("Lubiam Apparel"), a 60% owned subsidiary.

The voluntary liquidation was completed on 13 December 2021 ("Date of Liquidation") and constituted discontinued operation under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as Lubiam brand represented one of the major business lines of the Group.

(a) Results of discontinued operation

Consolidated Statement of Profit or Loss and Other Comprehensive Income	Period from 1 January 2021 to the Date of Liquidation RMB	Year ended 31 December 2020 RMB
Revenue	**5,517,570**	12,213,227
Cost of sales	**(4,714,040)**	(17,071,761)
Gross profit/(loss)	**803,530**	(4,858,534)
Other revenue	**296,057**	603,993
Other gains and losses	**(875,608)**	559,855
Selling and distribution expenses	**(4,939,085)**	(9,954,430)
Administrative expenses	**(5,655,145)**	(5,192,704)
Reversal of impairment/(impairment loss) on trade receivables, net	**1,029,289**	(242,630)
Loss for the year from discontinued operation	**(9,340,962)**	(19,084,450)

Consolidated Statement of Cash Flows	Period from 1 January 2021 to the Date of Liquidation RMB	Year ended 31 December 2020 RMB
Net cash outflow from operating activities	**(5,404,388)**	(9,156,449)
Net cash inflow from investing activities	**301,362**	222,559
Net cash outflows	**(5,103,026)**	(8,933,890)

* *For identification purpose only*

14. DISCONTINUED OPERATION/NON-CONTROLLING INTERESTS (CONTINUED)

(a) Results of discontinued operation (Continued)

Loss before taxation has been arrived at after charging/(crediting):

	Period from 1 January 2021 to the Date of Liquidation RMB	Year ended 31 December 2020 RMB
Depreciation of property, plant and equipment	**4,995**	1,694,306
Loss on disposal of property, plant and equipment	**310,196**	–
(Reversal of impairment)/impairment loss on trade receivables, net	**(1,029,289)**	242,630
Expenses relating to short-term lease	**185,896**	2,075,154
Expenses relating to variable lease payment	**–**	1,942,154
Trademark payment	**982,975**	1,682,975

For the purpose of presenting the discontinued operation, certain comparative figures in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and the related notes have been re-presented to present the results of the Lubiam Apparel as discontinued operation in the comparative period.

(b) Summarised financial information

	2021 RMB	2020 RMB
Current assets	**–**	21,450,989
Non–current assets	**–**	900,644
Current liabilities	**–**	(3,480,938)
Net assets	**–**	18,870,695
Accumulated non–controlling interests	**–**	7,548,278

15. EARNINGS/(LOSS) PER SHARE

The basic and diluted earnings/(loss) per share attributable to the owners of the Company are calculated as follows:

	2021 RMB	2020 RMB (Re-presented)
Profit/(loss) for the purposes of basic and diluted earnings/(loss) per share attributable to owners of the Company		
– Continuing operations	**17,976,442**	(56,859,121)
– Discontinued operation	**(5,604,577)**	(11,450,669)
	12,371,865	(68,309,790)

	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share	**133,400,000**	133,400,000

	2021 RMB	2020 RMB (Re-presented)
Earnings/(loss) per share		
– Continuing operations	**0.13**	(0.43)
– Discontinued operation	**(0.04)**	(0.08)
	0.09	(0.51)

16. DIVIDEND

No dividend was paid or proposed during the year, nor has any dividend been proposed since the end of reporting period (2020: Nil).

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB	Plant and machinery RMB	Furniture and fixtures RMB	Motor vehicles RMB	Total RMB
Cost:					
At 1 January 2020	11,929,005	7,501,451	142,435,072	2,295,665	164,161,193
Additions	381,433	31,138	29,329,401	362,064	30,104,036
Disposals	–	–	(69,684,325)	(1,214,989)	(70,899,314)
At 31 December 2020 and 1 January 2021	12,310,438	7,532,589	102,080,148	1,442,740	123,365,915
Additions	852,670	10,310	29,829,960	256,451	30,949,391
Disposals	(11,018,275)	–	(21,367,449)	(748,923)	(33,134,647)
At 31 December 2021	**2,144,833**	**7,542,899**	**110,542,659**	**950,268**	**121,180,659**
Accumulated depreciation and impairment:					
At 1 January 2020	10,503,471	4,915,380	88,696,901	2,167,670	106,283,422
Charge for the year	1,678,681	824,678	42,764,569	40,196	45,308,124
Impairment	–	–	4,819,915	–	4,819,915
Eliminated on disposals	–	–	(69,684,325)	(1,173,396)	(70,857,721)
At 31 December 2020 and 1 January 2021	12,182,152	5,740,058	66,597,060	1,034,470	85,553,740
Charge for the year	47,365	63,581	30,455,654	88,849	30,655,449
Impairment	–	–	1,234,532	–	1,234,532
Eliminated on disposals	(10,889,987)	–	(20,176,688)	(714,779)	(31,781,454)
At 31 December 2021	**1,339,530**	**5,803,639**	**78,110,558**	**408,540**	**85,662,267**
Carrying amounts:					
At 31 December 2021	**805,303**	**1,739,260**	**32,432,101**	**541,728**	**35,518,392**
At 31 December 2020	128,286	1,792,531	35,483,088	408,270	37,812,175

As at 31 December 2021, the Group's management identified certain retail stores, which continued to underperform, and estimated the corresponding recoverable amounts of their property, plant and equipment.

Based on these estimates, an impairment loss of RMB1,234,532 (2020: RMB4,819,915) was recognised to write down the carrying amounts of these property, plant and equipment to their recoverable amounts. The recoverable amounts of these property, plant and equipment are determined based on a value in use calculation using cash flow projections based on financial budgets covering a period of the remaining lease term, which was approved by senior management. The pre-tax discount rate applied for the cash flow projection was 24.57%.

18. RIGHT-OF-USE ASSETS

Nature of leasing activities

The Group has obtained the right to use properties as its retail stores, warehouses and offices premises and others through tenancy agreements. The leases generally have lease terms between 1 to 5 years.

Variable lease payments

The Group leased a number of retail stores which contain variable lease payment terms that are based on sales generated from the retail stores and certain of these leases also include a fixed minimum annual lease payment terms.

Up to 100% of lease payments are on the basis of variable payment terms with percentages ranging from 9% to 32% (2020: 11% to 35%) of monthly sales. These payment terms are common in retail stores in PRC where the Group operates.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

As at 31 December 2021, a 5% increase in sales across these retail stores in the Group with such variable lease contract would increase total lease payments by RMB607,230 (2020: RMB349,885).

The overall financial effect of using variable payment terms is that higher rental costs are incurred by retail stores with higher sales. Variable rental expenses are expected to continue to represent a similar proportion of store sales in future years.

The analysis of the net carrying amounts of the right-of-use assets by class of underlying assets is as follow:

	Retail stores RMB	Warehouses RMB	Office premises and others RMB	Total RMB
Balance at 1 January 2020	46,679,747	20,753,160	–	67,432,907
Additions	10,997,828	–	1,201,336	12,199,164
Impairment	(1,337,379)	–	–	(1,337,379)
Effect of lease modification	(10,207,510)	–	–	(10,207,510)
Amortisation	(21,453,564)	(4,169,796)	(200,224)	(25,823,584)
Balance at 31 December 2020 and 1 January 2021	24,679,122	16,583,364	1,001,112	42,263,598
Additions	12,315,680	648,893	1,498,146	14,462,719
Impairment	(792,846)	–	–	(792,846)
Effect of lease modification	(5,154,741)	–	–	(5,154,741)
Amortisation	(15,440,527)	(5,769,687)	(1,850,948)	(23,061,162)
Balance at 31 December 2021	**15,606,688**	**11,462,570**	**648,310**	**27,717,568**

18. RIGHT-OF-USE ASSETS (CONTINUED)

As at 31 December 2021, the Group's management identified certain retail stores which continued to underperform, and estimated the corresponding recoverable amounts of their right-of-use assets.

Based on these estimates, an impairment loss of RMB792,846 (2020: RMB1,337,379) was recognised to write down the carrying amounts of these right-of-use assets to their recoverable amounts. The recoverable amounts of these right-of-use assets are determined based on a value in use calculation using cash flow projections based on financial budgets covering a period of the remaining lease terms, which was approved by senior management. The pre-tax discount rate applied for the cash flow projection was 24.57%.

19. INTANGIBLE ASSETS

	Trademark RMB	Software RMB	Total RMB
Cost:			
At 1 January 2020	13,016,800	4,862,136	17,878,936
Additions	–	2,520,450	2,520,450
At 31 December 2020 and 1 January 2021	13,016,800	7,382,586	20,399,386
Additions	–	1,335,503	1,335,503
Disposals	–	(415,094)	(415,094)
At 31 December 2021	**13,016,800**	**8,302,995**	**21,319,795**
Accumulated amortisation			
At 1 January 2020	13,016,800	1,058,284	14,075,084
Charge for the year	–	547,031	547,031
At 31 December 2020 and 1 January 2021	13,016,800	1,605,315	14,622,115
Charge for the year	–	741,329	741,329
Eliminated on disposals	–	(30,657)	(30,657)
At 31 December 2021	**13,016,800**	**2,315,987**	**15,332,787**
Carrying amounts:			
At 31 December 2021	**–**	**5,987,008**	**5,987,008**
At 31 December 2020	–	5,777,271	5,777,271

20. INTEREST IN AN ASSOCIATE

	2021 **RMB**	2020 RMB
Share of net assets	**12,224,364**	10,905,176

Details of the Group's associates as at 31 December 2021 and 2020 are as follows:

Name of associate	Form of business structure	Place of incorporation and operation	Proportion of nominal value of issued capital held by the Group **2021**	2020	Principal activity
Ningbo Shanjing Apparel Co., Ltd. ("Ningbo Shanjing")	Incorporated	The PRC	**46%**	46%	Manufacture of apparel products under sub-contracting
Le Coq Sportif (Ningbo) Co., Ltd. ("Le Coq Sportif")	Incorporated	The PRC	**–**	–	Retailing, trading and distribution of sporting goods

(a) Summarised financial information of associates

	2021 **RMB**	2020 RMB
Ningbo Shanjing		
Current assets	**23,442,394**	25,087,409
Non-current assets	**10,925,571**	13,027,420
Current liabilities	**(7,793,260)**	(14,407,925)
Revenue	**56,732,514**	65,509,029
Profit for the year and total comprehensive income	**5,980,517**	2,061,562
Dividend received	**(1,380,000)**	(2,300,000)
Le Coq Sportif		
Revenue	**–**	233,849,153
Loss for the year and total comprehensive income	**–**	(11,190,651)

20. INTEREST IN AN ASSOCIATE (CONTINUED)

(b) Reconciliation of summarised financial information

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements:

	2021 RMB	2020 RMB
Ningbo Shanjing		
Net assets	**26,574,705**	23,706,904
Proportion of the Group's ownership interest	**46%**	46%
Carrying amount of the Group's interest in an associate	**12,224,364**	10,905,176

(c) Disposal of the 20% equity interest in Le Coq Sportif

On 29 April 2020, the Group entered into an agreement with Ningbo Shanshan Rongguang Apparel Co., Ltd., an independent third party, to dispose of 20% equity interests of Le Coq Sportif, for a total consideration of RMB50,000,000. On 22 June 2020, the disposal was completed and Le Coq Sportif ceased to be an associate of the Company.

The details of the 20% equity interest in Le Coq Sportif at the date of the disposal were as follows:

	2020 RMB
Consideration received	50,000,000
Carrying amount of the Group's interest in an associate disposed of	(33,138,405)
Gain on disposal of an associate	16,861,595

21. INTEREST IN A JOINT VENTURE

	2021 RMB	2020 RMB
Share of net assets	**1,098,601**	1,694,170
Amount due to a joint venture	**(858,034)**	(927,380)

Details of the Group's joint venture as at 31 December 2021 and 2020 are as follows:

Name of joint venture	Form of business structure	Place of incorporation and operation	Proportion of nominal value of issued capital held by the Group 2021	2020	Principal activity
Hangzhou Shanxi	Incorporated	The PRC	**35%**	35%	Trading and distribution of apparel products through E-commerce

(a) Summarised financial information of a joint venture

	2021 RMB	2020 RMB
Hangzhou Shanxi		
Current assets	**3,148,591**	5,160,855
Non-current assets	**578,358**	503,841
Current liabilities	**(588,088)**	(824,210)
Revenue	**156,004**	689,008
Loss for the year and total comprehensive income	**(1,701,625)**	(159,514)

21. INTEREST IN A JOINT VENTURE (CONTINUED)

(b) Reconciliation of summarised financial information

Reconciliation of the above summarised financial information to the carrying amount of the interest in a joint venture recognised in the consolidated financial statements:

	2021 RMB	2020 RMB
Hangzhou Shanxi		
Net assets	**3,138,861**	4,840,486
Proportion of the Group's ownership interest	**35%**	35%
Carrying amount of the Group's interest in a joint venture	**1,098,601**	1,694,170

22. DEFERRED TAX ASSETS

	Impairment loss on property, plant and equipment and right-of-use assets RMB	ECL allowance on trade and other receivables RMB	Provision for impairment loss on inventories RMB	Refund liabilities RMB	Lease liabilities RMB	Total RMB
At 1 January 2020	–	10,046,266	6,519,598	2,033,225	(533,688)	18,065,401
Credit/(charge) to profit or loss (Note 13)	1,204,978	347,942	1,350,915	(237,803)	680,483	3,346,515
As 31 December 2020 and 1 January 2021	1,204,978	10,394,208	7,870,513	1,795,422	146,795	21,411,916
Credit/(charge) to profit or loss (Note 13)	245,551	(6,402,900)	3,344,710	707,582	(124,352)	(2,229,409)
At 31 December 2021	**1,450,529**	**3,991,308**	**11,215,223**	**2,503,004**	**22,443**	**19,182,507**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2021 RMB	2020 RMB
Deferred tax assets	**19,182,507**	21,411,916

23. INVENTORIES

	2021 RMB	2020 RMB
Raw materials	**8,115,693**	11,080,404
Work-in-progress	**10,628,350**	9,531,250
Finished goods	**415,844,430**	454,900,457
	434,588,473	475,512,111
Less: Provision for obsolete inventories	**(44,860,890)**	(47,045,720)
	389,727,583	428,466,391

24. TRADE AND BILLS RECEIVABLES

	2021 RMB	2020 RMB
Trade receivables	**224,052,038**	233,524,516
Less: Provision for impairment	**(49,078,566)**	(71,260,169)
	174,973,472	162,264,347
Bills receivable	**–**	570,000
	174,973,472	162,834,347

24. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	2021 **RMB**	2020 RMB
Within 3 months	**128,950,354**	140,148,601
Over 3 months but within 6 months	**8,965,444**	15,962,437
Over 6 months but within 1 year	**33,636,931**	6,109,186
Over 1 year	**3,420,743**	614,123
	174,973,472	162,834,347

The Group recognised impairment loss based on the accounting policy stated in Note 4(l)(ii).

The Group offers a general credit period from 30 to 240 days on sale of goods to customers which depends on the financial ability of these business partners. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 41(a).

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 **RMB**	2020 RMB
Deposits and other receivables (Note a)	**28,414,772**	19,168,016
Less: Provision for impairment (Note b)	**(1,400,420)**	(2,403,962)
	27,014,352	16,764,054
Prepayments (Note c)	**27,295,773**	26,271,478
	54,310,125	43,035,532
Less: Non-current portion included in prepayments, deposits and other receivables	**(8,166,622)**	(10,321,602)
	46,143,503	32,713,930

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

(a) Deposits and other receivables mainly represent refundable earnest money paid to the shopping malls and online platform operators and advances paid to franchisees.

Deposits consist of an amount of RMB600,000 paid to a substantial shareholder in accordance with the trademark licensing agreement.

(b) Details of impairment assessment of deposits and other receivables are set out in Note 41(a).

Movements in provision for impairment of deposits and other receivables are as follows:

	2021 RMB	2020 RMB
At beginning of year	**2,403,962**	1,619,712
Write-off	**(2,322,354)**	–
Recognised in profit or loss, net	**1,318,812**	784,250
At end of year	**1,400,420**	2,403,962

(c) The breakdown of prepayments is as follows:

	2021 RMB	2020 RMB
Prepayments to suppliers	**7,054,982**	5,672,649
Prepayments to original equipment manufacturer suppliers	**9,070,197**	8,538,704
Prepayments for short-term leases	**2,445,945**	3,481,429
Prepayments to advertising companies	**6,379,827**	652,376
Prepayments for renovation	**472,231**	2,327,584
Others	**1,872,591**	5,598,736
	27,295,773	26,271,478

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2021 RMB	2020 RMB
Cash and bank balances	**84,265,326**	111,326,251
Pledged deposits for:		
– Bank borrowings (Note 30)	**–**	12,000,000
– Bank acceptance bills (Note 27)	**–**	10,000,000
– Derivative financial liabilities (Note 31)	**18,856,703**	–
	18,856,703	22,000,000
	103,122,029	133,326,251

(a) As at 31 December 2021, over 90% (2020: 90%) of the cash and cash equivalents denominated in RMB, which are deposited in the PRC banks.

RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks in the PRC that are authorised to conduct foreign exchange business.

Bank balances earn interest at floating rates based on daily bank deposit rates.

(b) The bank balances are deposited with creditworthy banks. The Directors considered that the fair values of the cash and cash equivalents and pledged deposits are not materially different from their carrying amount because of the short maturity period on their inception.

27. TRADE AND BILLS PAYABLES

	2021 RMB	2020 RMB
Trade payables	**160,396,647**	148,926,155
Bills payables	**–**	19,740,000
	160,396,647	168,666,155

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

	2021 RMB	2020 RMB
Within 3 months	**117,389,488**	126,377,607
Over 3 months but within 6 months	**23,487,015**	17,170,466
Over 6 months but within 1 year	**14,035,037**	3,227,602
Over 1 year	**5,485,107**	2,150,480
	160,396,647	148,926,155

28. CONTRACT LIABILITIES

	2021 RMB	2020 RMB
Contract liabilities arising from:		
Trading of garments		
– Prepaid cards	**2,177,156**	7,855,407
– Advance from customers	**26,302,543**	34,444,419
	28,479,699	42,299,826
Trademark sub-licensing income	**3,083,826**	866,891
	31,563,525	43,166,717

28. CONTRACT LIABILITIES (CONTINUED)

Movements in contract liabilities:

	2021 RMB	2020 RMB
Balance at 1 January	**43,166,717**	29,326,585
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at beginning of year	**(41,724,101)**	(27,585,784)
Increase in contract liabilities as a result of receiving advances from customers	**30,120,909**	41,425,916
Balance at 31 December	**31,563,525**	43,166,717

Contract liabilities represent advances received from the customers for trading of garments and trademark sub-licensing income. These advances are recognised as contract liabilities until the transactions are completed.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Trading of garments (Prepaid cards)

The Group issues prepaid cards which have no expiration and can be utilised in the future consumption in retail stores at customers' direction.

Trading of garments (Advance from customers)

The Group requires certain customers to provide upfront deposits. A deposit received before the goods have been delivered to the designated location will give rise to contract liabilities at the start of a contract until the goods delivered to date outweighs the amount received.

Trademark sub-licensing income

Transaction price is always received in advance for prepaid sub-licensing income, and this will give rise to contract liabilities in which revenue has not been recognised.

29. OTHER PAYABLES AND ACCRUALS

	2021 RMB	2020 RMB
Deposits received (Note a)	**177,842,029**	190,004,363
Other tax payables	**12,717,616**	20,685,586
Refund liabilities (Note b)	**10,012,015**	7,181,688
Others	**11,292,622**	6,210,765
	211,864,282	224,082,402
Less: Non-current portion included in other payables and accruals	**(7,710,000)**	–
	204,154,282	224,082,402

(a) The deposits received represent interest-free refundable deposits from franchisees, distributors and sub-licensing users according to the sale contracts. The breakdown of deposits received is as follows:

	2021 RMB	2020 RMB
Deposits received from franchisees	**158,242,017**	174,903,256
Deposits received from distributors	**16,830,823**	12,501,107
Deposits received from sub-licensing users	**2,599,189**	2,600,000
Deposits received from others	**170,000**	–
	177,842,029	190,004,363

(b) Refund liabilities represent the estimated volume rebate to be settled by inventories to customers.

Movements in provision for refund liabilities are as follows:

	2021 RMB	2020 RMB
At beginning of year	**7,181,688**	8,132,900
Addition of provision	**9,441,422**	6,115,085
Utilisation of provision	**(6,611,095)**	(7,066,297)
At end of year	**10,012,015**	7,181,688

30. INTEREST-BEARING BANK BORROWINGS

	2021 RMB	2020 RMB
Bank borrowings denominated in:		
– United States dollars ("USD") (Note a)	**20,066,886**	70,338,422
– Euro ("EURO") (Note b)	**67,810,660**	96,906,000
– RMB (Note c)	**85,000,000**	35,000,000
	172,877,546	202,244,422

(a) As at 31 December 2021, a bank borrowing of USD3,150,000 (equivalent to RMB20,066,886), bears interest at LIBOR +3.49% per annum and repayable within one year.

(b) As at 31 December 2020, a bank borrowing of EURO12,400,000 (equivalent to RMB96,906,000) bears interest at 3-month EURIBOR +0.28% per annum and repayable at a pre-determined amount of RMB96,906,000 within one year from the drawdown date. Bank deposits of RMB12,000,000 were pledged as securities for the bank borrowing. The borrowing was fully repaid during the year.

In March 2021, the Group entered into a loan agreement with a bank for EURO9,400,000 (equivalent to RMB67,810,660). The borrowing bears interest at 3-month EURIBOR +0.28% per annum and repayable within one year.

(c) As at 31 December 2021, bank borrowings denominated in RMB bears at fixed interest rate of 5.00% to 5.10% (2020: 5.00%) per annum and repayable within one year.

(d) Non-controlling shareholders of the Company, Shaanxi Maoye Gongmao Co., Ltd.* (陝西茂葉工貿有限公司) ("Shaanxi Maoye"), Ningbo Liankangcai Brand Management Co., Ltd.* (寧波聯康財品牌管理有限責任公司), and Ms. Li Xinghua provided a further guarantee, by the Company's shares they held, in favour of Ningbo Shanshan Co., Ltd.* (寧波杉杉股份有限公司) for its obligations to the guarantee given to the bank borrowings as disclosed in Notes a, b and c above. Shaanxi Maoye is controlled by certain Directors.

The Directors estimated the fair value of the interest-bearing bank borrowings by discounting their future cash flows at the market rate, and the Directors considered that the carrying amounts of the Group's interest-bearing bank borrowings approximate to their fair values at each reporting date.

* *For identification purpose only*

31. DERIVATIVE FINANCIAL LIABILITIES

	2021 RMB	2020 RMB
Forward contracts denominated in:		
— USD	**926,872**	–
— EURO	**7,636,062**	–
	8,562,934	–

As at 31 December 2021, the Group's derivative financial instruments represented foreign currency forward contracts denominated in USD and EURO. The fair values are estimated based on the quoted prices of the relevant foreign currency. The notional amounts of these forward contracts are USD3,150,000 and EURO9,400,000 respectively. The forward currency exchange rates of these contracts are USD1:RMB6.6990 and EURO1:RMB8.0979.

The forward contracts were secured by pledged deposits.

32. LEASE LIABILITIES

Movement of the Group's lease liabilities is analysis as follows:

	Retail stores RMB	Warehouses RMB	Office premises and others RMB	Total RMB
Balance at 1 January 2020	47,107,850	18,190,303	–	65,298,153
Addition of new leases	10,997,828	–	1,201,336	12,199,164
Effect of lease modification	(11,177,027)	–	–	(11,177,027)
Interest expenses (Note 9)	1,540,945	980,818	32,136	2,553,899
Lease payment				
– Interest element	(1,540,945)	(980,818)	(32,136)	(2,553,899)
– Capital element	(20,053,424)	(2,372,380)	(182,263)	(22,608,067)
COVID-19-related rent concessions (Note 8)	(861,453)	–	–	(861,453)
Balance at 31 December 2020 and 1 January 2021	26,013,774	15,817,923	1,019,073	42,850,770
Addition of new leases	12,315,680	648,893	1,498,146	14,462,719
Effect of lease modification	(6,845,302)	–	–	(6,845,302)
Interest expenses (Note 9)	1,025,043	661,872	64,468	1,751,383
Lease payment				
– Interest element	(1,025,043)	(661,872)	(64,468)	(1,751,383)
– Capital element	(15,471,550)	(5,121,873)	(1,637,205)	(22,230,628)
COVID-19-related rent concessions (Note 8)	(100,000)	(330,217)	–	(430,217)
Balance at 31 December 2021	**15,912,602**	**11,014,726**	**880,014**	**27,807,342**

Future lease payments are due as follows:

	Minimum lease payments RMB	Interest RMB	Present value RMB
Not later than one year	**14,829,142**	**1,000,394**	**13,828,748**
Later than one year and not later than two years	**10,607,560**	**422,126**	**10,185,434**
Later than two years and not later than five years	**3,860,827**	**67,667**	**3,793,160**
At 31 December 2021	**29,297,529**	**1,490,187**	**27,807,342**

32. LEASE LIABILITIES (CONTINUED)

	Minimum lease payments RMB	Interest RMB	Present value RMB
Not later than one year	20,956,568	1,610,951	19,345,617
Later than one year and not later than two years	13,915,470	794,878	13,120,592
Later than two years and not later than five years	10,711,340	326,779	10,384,561
At 31 December 2020	45,583,378	2,732,608	42,850,770

The present value of future lease payments are analysed as:

	2021 RMB	2020 RMB
Current liabilities	**13,828,748**	19,345,617
Non-current liabilities	**13,978,594**	23,505,153
	27,807,342	42,850,770

33. SHARE CAPITAL

	Number of shares	**RMB**
Registered domestic share capital and H Shares		
At 31 December 2020 and 31 December 2021	133,400,000	133,400,000

34. PURPOSE OF RESERVES

(a) Capital reserve

Being part of the Group's Reorganisation which details were set out in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus dated 12 June 2018, the Company (previously known as "Shanshan Garment Brand") increased share capital from RMB50,000,000 to RMB100,000,000 with reference to the net asset value of the Company at the date of capital restructuring. Increase in share capital was completed through utilisation of accumulated profits and statutory surplus reserve. The excess portion of net asset value of the Company at the date of capital restructuring over the enlarged share capital was transferred to capital reserve.

(b) Statutory surplus reserve

Statutory surplus reserve is required by the relevant laws and regulations in the PRC. The Company and its subsidiaries, which established in the PRC, is required to appropriate 10% of its net profit after tax, as determined under the PRC accounting regulation, to a statutory surplus reserve until the reserve fund reaches 50% of these companies' registered capital. It may be utilised by the Company for restricted purposes including offsetting against prior years' losses or increase the capital of the Company. The transfer of this reserve must be made before the distribution of dividend to the equity owners of these companies.

(c) Merger reserve

Merger reserve was created which mainly includes investment costs less proceeds from disposal, transfer of and deregister of these non-consolidated entities. Merger reserve also includes the amount of issued capital and premium of consolidated entities under the Group's Reorganisation completed on 26 May 2016.

35. RELATED PARTY DISCLOSURES

(a) Continuing connected transactions

In addition to the transactions detailed elsewhere in these consolidated financial statements during the year, the Group entered into the following significant transaction with its related party which also constitute connected party as defined under Chapter 14A of the Listing Rules.

Connected party	Nature of transaction	2021 RMB	2020 RMB
Shanshan Fashion Industrial Park Suqian Co., Ltd ("ShanShan Suqian") （杉杉時尚產業園宿遷有限公司） (Note a)	Rental expenses	**107,382**	644,890

(a) Shanshan Suqian is a wholly-owned subsidiary of Ningbo Shanshan.

(b) Related parties transactions

During the year, the Group entered into the following transactions with related parties:

	2021 RMB	2020 RMB
Sale of goods to:		
– a related company	**–**	335,468
– a joint venture	**211,574**	–
Purchase of goods from:		
– an associate	**(2,465,590)**	–
Rental expenses charged by:		
– related companies	**(1,508,859)**	(2,731,183)
Royalty fees charged by:		
– a non-controlling shareholder of a subsidiary	**(982,975)**	(1,682,975)
Water and electricity expenses charged by:		
– a related company	**(911,830)**	(779,832)
Processing fees recharged to:		
– an associate	**(58,462)**	–
Interest expense charged by:		
– a related company	**–**	(1,174,017)
Shopping mall expenses charged by:		
– a related company	**–**	(61,700)

35. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Amount due from a related company

	2021 **RMB**	2020 RMB
Amount due from a related company	**37,161**	39,161

Amount is unsecured, interest-free and repayable on demand.

(d) Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

	2021 **RMB**	2020 RMB
Short-term benefits	**4,780,823**	3,197,712
Contributions to defined contribution retirement plan	**168,252**	194,589
	4,949,075	3,392,301

The emoluments paid or payable to Directors and other members of key management were within the following band:

	2021 **No. of individuals**	2020 No. of individuals
Nil to HK$1,000,000		
– Directors	**10**	12
– Other members of key management	**5**	3

36. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOW

(a) Non-cash transaction

During 2021, the following significant non-cash transactions have been taken place:

– The Group had non-cash additions to right-of-use assets and lease liabilities of RMB14,462,719, in respect of the new lease agreements.

– Utilisation of inventory items of RMB6,611,095 for the settlement of refund liabilities as detailed in Note 29(b).

36. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOW (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

	Interest-bearing bank borrowings RMB (Note 30)	Lease liabilities RMB (Note 32)	Amount due to immediate holding company RMB
At 1 January 2020	180,000,000	65,298,153	100,000,000
Changes from financing cash flows:			
Proceeds from bank borrowings	308,244,422	–	–
Repayment of bank borrowings	(286,000,000)	–	–
Repayment of loan to a related company	–	–	(100,000,000)
Interest paid	(8,119,614)	–	(1,174,017)
Repayment of principal portion of the lease liabilities	–	(22,608,067)	–
Repayment of interest portion of the lease liabilities	–	(2,553,899)	–
Other changes:			
Interest expense (Note 9)	8,119,614	2,553,899	1,174,017
Effect of lease modification	–	(11,177,027)	–
Covid-19-related rent concessions (Note 8)	–	(861,453)	–
New leases	–	12,199,164	–
At 31 December 2020	202,244,422	42,850,770	–

36. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOW (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Interest-bearing bank borrowings RMB (Note 30)	Lease liabilities RMB (Note 32)	Amount due to immediate holding company RMB
At 1 January 2021	202,244,422	42,850,770	–
Changes from financing cash flows:			
Proceeds from bank borrowings	227,006,582	–	–
Repayment of bank borrowings	(252,561,760)	–	–
Interest paid	(7,116,778)	–	–
Repayment of principal portion of the lease liabilities	–	(22,230,628)	–
Repayment of interest portion of the lease liabilities	–	(1,751,383)	–
Other changes:			
Interest expense (Note 9)	7,116,778	1,751,383	–
Effect of lease modification	–	(6,845,302)	–
COVID-19-related rent concessions (Note 8)	–	(430,217)	–
New leases	–	14,462,719	–
Exchange difference	(3,811,698)	–	–
At 31 December 2021	172,877,546	27,807,342	–

37. COMMITMENTS

(a) Operating lease commitments

The operating lease commitments are all related to short-term leases which are exempted from recognising the related right-of-use assets and lease liabilities under HKFRS 16.

The operating leases of certain retail stores also call for additional rentals, which will be based on a certain percentage of revenue of the operation being undertaken therein pursuant to the terms and condition as stipulated in the respective agreements. As the future revenue of these retail stores could not be accurately determined as at end of year, the relevant contingent rentals have not been included in the following operating lease commitments.

Total future minimum lease payments under non-cancellable operating leases are due as follows:

	2021 **RMB**	2020 RMB
Not later than one year	**6,917,408**	8,543,473

(b) Capital commitments

	2021 **RMB**	2020 RMB
Commitments for the acquisition of:		
Property, plant and equipment	**1,392,137**	–

38. CONTINGENT LIABILITIES

As at 31 December 2021 and 2020, the Group had no significant contingent liabilities.

39. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which includes the borrowings as disclosed in Note 30, cash and cash equivalents and equity of the Company, comprising share capital, reserves and accumulated profits. The Group's management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

Based on the management's recommendations, the Group will balance its overall capital structure through the issue of new debts and the payment of dividends.

The gearing ratio at end of year was as follows:

	2021 **RMB**	2020 RMB
Debts	**172,877,546**	202,244,422
Cash and cash equivalents	**(84,265,326)**	(111,326,251)
Pledged deposits for bank borrowings	**–**	(12,000,000)
Net debts	**88,612,220**	78,918,171
Equity	**211,499,216**	206,675,629
Net debts to equity ratio	**42%**	38%

40. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and liabilities:

	2021 RMB	2020 RMB
Financial assets at FVOCI:		
Bills receivable	–	570,000
Financial assets at amortised cost:		
Trade receivables	174,973,472	162,264,347
Deposits and other receivables	27,014,352	16,764,054
Amount due from a related company	37,161	39,161
Pledged deposits	18,856,703	22,000,000
Cash and cash equivalents	84,265,326	111,326,251
	305,147,014	312,393,813
Financial liabilities at FVTPL:		
Derivative financial liabilities	8,562,934	–
Financial liabilities at amortised cost:		
Trade and bills payables	160,396,647	168,666,155
Other payables and accruals	189,134,651	196,215,128
Interest-bearing bank borrowings	172,877,546	202,244,422
Amount due to a joint venture	858,034	927,380
	523,266,878	568,053,085
Lease liabilities	27,807,342	42,850,770

41. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk, currency risk and fair value risk. These risks are limited by the Group's financial management policies and practices described below:

(a) Credit risk

At end of reporting period, the Group's maximum exposure to credit risk which may cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Trade receivables

In order to minimise the credit risk in relation to trade receivables, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual receivables at end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2021 and 2020:

31 December 2021	Expected loss rate (%)	Gross carrying amount RMB	Loss allowance RMB
Not past due	0.7%	156,871,005	1,107,903
Less than 1 month past due	3.7%	972,471	35,982
1 to 3 months past due	1.9%	2,798,576	53,373
Over 3 months past due	75.5%	63,409,986	47,881,308
		224,052,038	49,078,566

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Trade receivables (Continued)

31 December 2020	Expected loss rate (%)	Gross carrying amount RMB	Loss allowance RMB
Not past due	1.5%	159,275,009	2,450,866
Less than 1 month past due	1.8%	974,086	17,935
1 to 3 months past due	6.6%	3,797,382	251,309
Over 3 months past due	98.6%	69,478,039	68,540,059
		233,524,516	71,260,169

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the year over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2021 RMB	2020 RMB
Balance at 1 January	**71,260,169**	69,676,254
Amounts written off during the year	**(27,126,853)**	(363,391)
Impairment losses recognised during the year	**4,945,250**	1,947,306
Balance at 31 December	**49,078,566**	71,260,169

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance during 2021 and 2020:

- Origination of new trade receivables net of those settled resulted in an increase in loss allowance of RMB4,945,250 (2020: RMB1,947,306); and

- A write off of trade receivables with a gross carrying amount of RMB27,126,854 (2020: RMB363,391) resulted in a decrease in loss allowance.

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Deposits and other receivables

As at 31 December 2021 and 2020, deposits and other receivables are classified as financial assets at amortised cost. The management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of deposits and other receivables based on historical settlement records and past experience. The management of the Group believes that generally there is no material credit risk inherent in the Group's outstanding balance of deposits and other receivables. The measurement of loss allowance was therefore generally based on 12 months expected credit losses. The Group considers that there has been a significant increase in credit risk (i.e. Stage 2 for ECL calculations) in specified case when contractual payments are more than 30 days past due. The Group has assessed that the expected loss rate for deposits and other receivables and concluded that the expected loss was material. Thus, RMB1,318,812 (2020: RMB784,250) for impairment loss on deposits and other receivables was recognised. As at 31 December 2021 and 2020, no collateral was held by the Group, the maximum exposure to loss of deposits and other receivables was RMB27,014,352 (2020: RMB16,764,054).

Cash and cash equivalents and pledged deposits

Most of the Group's cash and cash equivalents and pledged deposits are held in major reputable financial institutions in the PRC in which management believes are of high credit quality.

Concentration risk

The Group's concentration of credit risk on the trade receivables as at 31 December 2021 and 2020 included five major counterparties accounting for 29% and 30% of the trade receivables respectively. The Group has closely monitored the recoverability of the receivables from these counterparties and taken effective measures to ensure timely collection of outstanding balances. The Group has not obtained collateral from customers while receives deposits from certain customers.

The Group is exposed to the concentration of geographic risk on revenue which is generated mostly from customers located in the PRC. The Group has closely monitored the business performance of these customers in the PRC.

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The management of the Company is satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future in the normal course of business.

The following table details the remaining contractual maturities at end of reporting period of the Group's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Carrying amount RMB	Total contractual undiscounted cash flow RMB	Within 1 year or on demand RMB	More than 1 year but less than 2 years RMB	More than 2 years but less than 5 years RMB
31 December 2021					
Trade and bills payables	160,396,647	160,396,647	160,396,647	–	–
Other payables and accruals	189,134,651	189,134,651	189,134,651	–	–
Interest-bearing bank borrowings	172,877,546	174,579,539	174,579,539	–	–
Amount due to a joint venture	858,034	858,034	858,034	–	–
Lease liabilities	27,807,342	29,297,529	14,829,142	10,607,560	3,860,827
	551,074,220	554,266,400	539,798,013	10,607,560	3,860,827

	Carrying amount RMB	Total contractual undiscounted cash flow RMB	Within 1 year or on demand RMB	More than 1 year but less than 2 years RMB	More than 2 years but less than 5 years RMB
31 December 2020					
Trade and bills payables	168,666,155	168,666,155	168,666,155	–	–
Other payables and accruals	196,215,128	196,215,128	196,215,128	–	–
Interest-bearing bank borrowings	202,244,422	203,098,313	203,098,313	–	–
Amount due to a joint venture	927,380	927,380	927,380	–	–
Lease liabilities	42,850,770	45,583,378	20,956,568	13,915,470	10,711,340
	610,903,855	614,490,354	589,863,544	13,915,470	10,711,340

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk

Interest rate risk means the risk on the fluctuation of fair value on future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing the risk of changes in market interest rate, and fixed interest rate instruments will result in the Group facing the fair value interest rate risk.

Other than cash and cash equivalents (Note 26), pledged deposits (Note 26) and interest-bearing bank borrowings (Note 30), the Group does not have any other significant interest-bearing financial assets and liabilities. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

The Group's interest rate risk arises primarily from the floating interest rates of cash and cash equivalents, pledged deposits and interest-bearing bank borrowings. Cash and cash equivalents and interest-bearing bank borrowings at floating interest rates expose the Group to cash flow interest rate risk. Interest-bearing bank borrowings at fixed rates expose the Group to fair value interest rate risk.

At 31 December 2021, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would increase the Group's profit after tax for the year (through the impact on the Group's cash and cash equivalents which is subject to floating interest rate) by approximately RMB132,418 (2020: decrease the loss after tax for the year by RMB153,704). For a general decrease of 50 basis points in interest rates, with all other variables held constant, there would be an equal and opposite impact on the Group's results for the year. No impact would be on other components of consolidated equity in response to the general increase/decrease in interest rates.

The sensitivity analysis as above has been determined assuming that the change in interest rates had occurred at each of reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis points increase or decrease represents the management's assessment of a reasonably possible change in interest rates over the period until the next reporting date.

The measures to manage interest rate risk have been followed by the Group for the year and are considered to be effective.

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Currency risk

The Group mainly operates and invests in the PRC with most of the transactions denominated and settled in RMB. Other than the interest-bearing bank borrowings of USD3,150,000 (equivalent to RMB20,066,886), and EURO9,400,000 (equivalent to RMB67,810,660), which stated in Note 30, all the major financial assets and financial liabilities are denominated in RMB, which is the functional currency of the Company and its subsidiaries in the PRC to which these transactions relate.

The Group manages its currency risk by closely monitoring the movements of the currency exchange rates and entered into forward exchange contracts to reduce its exposure to currency fluctuation risk.

At 31 December 2021, the Group had forward exchange contracts with a fair value of RMB8,562,934 (2020: Nil), recognised as derivative financial liabilities.

	Assets		Liabilities	
	2021	2020	**2021**	2020
	RMB	RMB	**RMB**	RMB
EURO	**–**	–	**67,810,660**	–
USD	**–**	–	**20,066,886**	70,338,422

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Currency risk (Continued)

The following table indicates the approximate change in the Group's profit for the year and accumulated profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at end of reporting period. A positive number below indicates an increase in profit and equity where the RMB strengthens against the relevant currency. For a weakening of the RMB against the relevant currency, there would be an equal and opposite impact on the profit and equity, and the balances below would be negative.

	2021 **RMB**	2020 RMB
RMB strengthens against the relevant currency	**1%**	1%
Effect on profit after tax for the year and accumulated profits	**659,082**	527,538

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at end of reporting period and had been applied to each of the group entities.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit for the year and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at end of reporting period for presentation purposes.

(e) Fair value risk

The fair value of financial assets and financial liabilities in determined based on discounted cash flow analysis. The Directors considered that, due to their short term nature, the carrying amount of the financial assets and financial liabilities at amortised cost in the consolidated statement of financial position approximates to their fair values.

A number of assets and liabilities included in the consolidated financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial assets and liabilities utilised market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable inputs used in the valuation technique utilised are (the "Fair Value Hierarchy").

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value risk (Continued)

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The following table provides an analysis of financial instruments carried at fair value by level of Fair Value Hierarchy:

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
31 December 2021				
Financial liability at FVTPL				
– Derivative financial liabilities	**8,562,934**	**–**	**–**	**8,562,934**
31 December 2020				
Financial asset at FVOCI				
– Bills receivable	–	570,000	–	570,000

The fair value of the bills receivable has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

During the year ended 31 December 2021 and 2020, there was no transfer between level 1 and level 2 Fair Value Hierarchy or transfer into or out of level 3.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 RMB	2020 RMB
Non-current assets		
Investments in subsidiaries	**15,000,010**	10,000,010
Property, plant and equipment	**34,713,087**	37,554,219
Right-of-use assets	**27,717,568**	42,263,598
Intangible assets	**5,987,006**	5,777,271
Prepayments, deposits and other receivables	**7,986,624**	9,646,061
Deferred tax assets	**20,524,100**	21,411,916
Total non-current assets	**111,928,395**	126,653,075
Current assets		
Inventories	**387,962,774**	423,697,313
Trade and bills receivables	**167,602,534**	155,991,334
Prepayments, deposits and other receivables	**34,668,571**	29,387,394
Amount due from a related company	**37,161**	37,161
Amounts due from subsidiaries	**1,941,826**	8,472,025
Income tax recoverable	**1,713,320**	1,713,320
Pledged deposits	**18,856,703**	22,000,000
Cash and cash equivalents	**73,088,625**	86,421,930
Total current assets	**685,871,514**	727,720,477
Current liabilities		
Trade and bills payables	**155,260,551**	167,423,181
Contract liabilities	**25,630,712**	42,261,670
Other payables and accruals	**201,425,065**	218,173,684
Interest-bearing bank borrowings	**172,877,546**	202,244,422
Amount due to a subsidiary	**17,009,911**	9,900,000
Amount due to a joint venture	**–**	52,380
Derivative financial liabilities	**8,562,934**	–
Lease liabilities	**13,828,748**	19,345,617
Total current liabilities	**594,595,467**	659,400,954
Net current assets	**91,276,047**	68,319,523
Total assets less current liabilities	**203,204,442**	194,972,598
Non-current liabilities		
Other payables and accruals	**5,910,000**	–
Lease liabilities	**13,978,594**	23,505,153
Total non-current liabilities	**19,888,594**	23,505,153
Net assets	**183,315,848**	171,467,445
Capital and reserves		
Share capital	**133,400,000**	133,400,000
Reserves	**49,915,848**	38,067,445
Total equity	**183,315,848**	171,467,445

On behalf of the Directors

Luo Yefei
Director

Yan Jingfen
Director

43. RESERVES OF THE COMPANY

	Capital reserve RMB	Statutory surplus reserve RMB	Accumulated profits/(losses) RMB	Total RMB
At 1 January 2020	73,109,956	8,480,611	39,662,626	121,253,193
Loss and total comprehensive income for the year	–	–	(83,185,748)	(83,185,748)
As 31 December 2020 and 1 January 2021	73,109,956	8,480,611	(43,523,122)	38,067,445
Profit and total comprehensive income for the year	–	–	11,848,403	11,848,403
At 31 December 2021	**73,109,956**	**8,480,611**	**(31,674,719)**	**49,915,848**

44. SIGNIFICANT EVENT

In early 2022, reported COVID-19 infections remained to be high around the world as the Omicron variant remains to dominate new cases around the world. In the PRC, temporary lock down policy has been imposed in certain areas and has affected business and economic activities. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this consolidated financial statement were authorised for issue, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of the COVID-19 outbreak.

45. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 March 2022.

Summary of Financial Information

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements is set out below. The summary does not form part of the audited consolidated financial statements.

	Years ended 31 December				
	2021	2020	2019	2018	2017
	RMB	RMB	RMB	RMB	RMB
		(Re-presented)			
RESULTS					
Revenue (Note)	**993,032,379**	887,472,993	1,036,439,097	1,025,285,807	797,888,217
Gross profit (Note)	**485,221,376**	428,130,661	582,425,190	595,759,686	431,260,307
Profit/(loss) before income tax (Note)	**20,205,851**	(59,295,542)	(19,210,385)	47,661,948	55,806,908
Income tax (expense)/credit	**(2,229,409)**	2,436,421	(3,967,997)	(11,994,103)	(18,845,753)
Profit/(loss) for the year:					
From continuing operations	**17,976,442**	(56,859,121)	(23,178,382)	35,667,845	36,961,155
From discontinued operation	**(9,340,962)**	(19,084,450)	–	–	–
	8,635,480	(75,943,571)	(23,178,382)	35,667,845	36,961,155

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB	RMB	RMB	RMB	RMB
ASSETS AND LIABILITIES					
Non-current assets	**109,895,062**	130,185,908	212,688,447	145,901,776	120,923,641
Current assets	**715,534,464**	758,427,567	926,217,847	909,624,369	746,914,295
TOTAL ASSETS	**825,429,526**	888,613,475	1,138,906,294	1,055,526,145	867,837,936
Current liabilities	**592,241,716**	658,432,693	813,817,587	745,253,740	684,438,407
Non-current liabilities	**21,688,594**	23,505,153	42,469,507	—	—
TOTAL LIABILITIES	**613,930,310**	681,937,846	856,287,094	745,253,740	684,438,407
NET ASSETS	**211,499,216**	206,675,629	282,619,200	310,272,405	183,399,529

Note: The figures for the years 2021 and 2020 are for the Group's continuing operations and exclude the figures relating to Lubiam Apparel, while the other years include figures for both continuing and discontinued operations.