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

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

(Stock Code: 1749)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Shanshan Brand Management Co., Ltd. (the "**Company**") hereby announces the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022 (the "**Year**"), together with the comparative figures for the year ended 31 December 2021 (the "**FY2021**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	**2022**	2021
		RMB	*RMB*
Continuing operations			
Revenue	*4*	**881,199,661**	993,032,379
Cost of sales		**(495,306,671)**	(507,811,003)
Gross profit		**385,892,990**	485,221,376
Other revenue		**837,915**	1,473,052
Other gains and losses, net		**1,349,484**	(3,742,191)
Selling and distribution expenses		**(327,077,985)**	(409,008,150)
Administrative expenses		**(36,820,353)**	(38,734,104)
Impairment loss on property, plant and equipment		**(333,435)**	(1,234,532)
Impairment loss on right-of-use assets		**(2,080,460)**	(792,846)
Impairment loss on trade receivables, net		**(2,423,478)**	(4,945,250)
Reversal of impairment loss/(impairment loss) on deposits and other receivables, net		**1,222,082**	(1,318,812)
Write-off of prepayment		**(1,708,379)**	–
Finance costs		**(7,795,763)**	(8,868,161)
Share of result of an associate		**5,987**	2,751,038
Share of result of a joint venture		**(115,695)**	(595,569)
Profit before income tax	*5*	**10,952,910**	20,205,851
Income tax credit/(expense)	*7*	**5,053,417**	(2,229,409)
Profit and total comprehensive income for the year from continuing operations		**16,006,327**	17,976,442
Discontinued operation			
Loss for the year from discontinued operation	*8*	**–**	(9,340,962)
Profit for the year		**16,006,327**	8,635,480

	Notes	**2022**	2021
		RMB	*RMB*
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company			
– from continuing operations		**16,006,327**	17,976,442
– from discontinued operation		**–**	(5,604,577)
		16,006,327	12,371,865
– Non-controlling interests			
– from discontinued operation		**–**	(3,736,385)
		16,006,327	8,635,480
Earnings/(losses) per share attributable to the owners of the Company			
– Basic and dilutive	*9*		
– from continuing operations		**0.12**	0.13
– from discontinued operation		**–**	(0.04)
		0.12	0.09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB	2021 RMB
Non-current assets			
Property, plant and equipment		**18,403,292**	35,518,392
Right-of-use assets		**13,557,364**	27,717,568
Intangible assets		**8,312,492**	5,987,008
Interest in an associate		**9,350,751**	12,224,364
Interest in a joint venture		**982,906**	1,098,601
Prepayments, deposits and other receivables	*11*	**2,655,187**	8,166,622
Deferred tax assets		**23,570,090**	19,182,507
Total non-current assets		**76,832,082**	109,895,062
Current assets			
Inventories		**311,939,143**	389,727,583
Contract assets		**–**	483,229
Trade and bill receivables	*10*	**205,408,626**	174,973,472
Prepayments, deposits and other receivables	*11*	**39,088,623**	46,143,503
Financial asset at fair value through profit or loss		**282,867**	–
Amount due from a related company		**624,293**	37,161
Income tax recoverable		**1,713,320**	1,047,487
Pledged deposits		**8,000,050**	18,856,703
Cash and cash equivalents		**114,688,165**	84,265,326
Total current assets		**681,745,087**	715,534,464

	Notes	2022 RMB	2021 RMB
Current liabilities			
Trade and bills payables	*12*	**155,326,092**	160,396,647
Contract liabilities	*13*	**28,451,996**	31,563,525
Other payables and accruals	*14*	**158,617,606**	204,154,282
Interest-bearing bank borrowings	*15*	**157,500,000**	172,877,546
Amount due to a joint venture		**856,455**	858,034
Amount due to a substantial shareholder		**1,200,000**	–
Derivative financial liabilities		**–**	8,562,934
Lease liabilities		**9,242,434**	13,828,748
Total current liabilities		**511,194,583**	592,241,716
Net current assets		**170,550,504**	123,292,748
Total assets less current liabilities		**247,382,586**	233,187,810
Non-current liabilities			
Other payables and accruals	*14*	**9,369,188**	7,710,000
Lease liabilities		**5,916,331**	13,978,594
Amount due to a substantial shareholder		**2,700,000**	–
Contract liabilities	*13*	**1,891,524**	–
Total non-current liabilities		**19,877,043**	21,688,594
Net assets		**227,505,543**	211,499,216
Capital and reserves			
Share capital	*16*	**133,400,000**	133,400,000
Reserves		**94,105,543**	78,099,216
Total equity		**227,505,543**	211,499,216

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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, 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 2022 and 2021 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**
				2022		2021		
				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	N/A	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 constituted a discontinued operation under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Detail information is set out in Note 8.

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

(a) Adoption of new/revised HKFRSs

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

Amendments to Hong Kong Accounting Standard ("**HKAS**") 16	Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements Project	Annual Improvements to HKFRSs 2018 – 2020

Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use

The Group has applied the amendments for the first time in the current year. The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 Inventories.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

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

The Group has applied the amendments for the first time in the current year. The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37, the unavoidable costs under a contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "**Conceptual Framework**") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010), add a requirement that, for transactions and events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

Annual Improvements Project, Annual Improvements to HKFRSs 2018-2020

The Group has applied the amendments for the first time in the current year. The annual improvements make amendments to the following standards:

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

HKAS 41 Agriculture

The amendment ensures consistency with the requirements in HKFRS 13 Fair Value Measurement by removing the requirement in paragraph 22 of HKAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

(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 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

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

2 Effective for annual periods beginning on or after 1 January 2024.

3 No mandatory effective date yet determined but available for adoption.

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

HKAS 1 is amended to 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 amendments also clarify that 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. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

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

HKFRS 17, Insurance Contracts

HKFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4 Insurance Contracts.

HKFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

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

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

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

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

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

Amendments to HKFRS 16, Lease Liability in a Sale and Leaseback

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements of HKFRS 15 to be accounted for as a sale. The amendments require a seller-lessee to determine "lease payments" or "revised lease payments" such that the seller-lessee would not recognise a gain or loss that relates to the right of use retained by the seller-lessee. The amendments also clarify that applying the requirements does not prevent the seller-lessee from recognising in profit or loss any gain or loss relating to subsequent partial or full termination of a lease.

As part of the amendments, Illustrative Example 25 accompanying HKFRS 16 is added to illustrate the application of the requirements in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate.

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

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

– specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

– clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

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

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

The amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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 "**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.

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.

(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. 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, brands and timing of revenue recognition.

	2022	2021
	RMB	*RMB*
Primary geographical market		
The PRC	**881,199,661**	993,032,379
Major product/service		
Standard garment products	**808,662,717**	939,009,267
Trademark sub-licensing income	**72,536,944**	54,023,112
	881,199,661	993,032,379
Revenue by brands		
FIRS	**513,193,767**	524,162,859
SHANSHAN	**358,617,136**	460,149,132
Others	**9,388,758**	8,720,388
	881,199,661	993,032,379
Timing of revenue recognition		
At a point in time	**871,810,903**	984,311,991
Transferred over time	**9,388,758**	8,720,388
	881,199,661	993,032,379

(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:	**2022** *RMB*	2021 *RMB*
Trading of garments	**808,662,717**	939,009,267
Trademark sub-licensing income	**72,536,944**	54,023,112
	881,199,661	993,032,379

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

	2022 *RMB*	2021 *RMB*
Contract assets	**–**	483,229
Trade and bill receivables *(Note 10)*	**205,408,626**	174,973,472
Contract liabilities *(Note 13)*	**30,343,520**	31,563,525

Contract liabilities

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 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB30,343,520 (2021: RMB31,563,525). This amount represents revenue expected to be recognised in the future. Details of the typical payment terms are set out in Note 13.

5. PROFIT BEFORE INCOME TAX

	2022	2021
	RMB	*RMB*
Continuing operations		
Profit before income tax is arrived at after charging/(crediting):		
Amortisation and depreciation		
– Amortisation of intangible assets	**1,795,398**	741,329
– Depreciation of right-of-use assets	**16,641,667**	23,061,162
– Depreciation of property, plant and equipment	**32,953,541**	30,650,454
Total amortisation and depreciation	**51,390,606**	54,452,945
Impairment loss/(reversal of impairment loss) on		
– Trade receivables, net	**2,423,478**	4,945,250
– Deposits and other receivables, net	**(1,222,082)**	1,318,812
– Property, plant and equipment	**333,435**	1,234,532
– Right-of-use assets	**2,080,460**	792,846
Total impairment loss, net	**3,615,291**	8,291,440
Write-off of prepayment	**1,708,379**	–
Write down/(reversal of write down) of inventories		
– Finished goods (included in cost of sales)	**19,692,205**	14,337,705
– Raw materials (included in other revenue)	**(1,339,472)**	(958,868)
Total write down of inventories, net	**18,352,733**	13,378,837
Expenses relating to lease		
– Short-term lease	**17,698,602**	18,738,701
– Variable lease payment	**10,866,127**	19,347,816
Total expenses relating to lease	**28,564,729**	38,086,517
Auditor's remuneration		
– Audit services	**1,018,104**	654,080
– Non-audit services	**436,720**	426,414
Total auditor's remuneration	**1,454,824**	1,080,494
Advertising and promotional expenses	**7,817,991**	13,926,450
Cost of inventories sold	**475,614,466**	493,473,298
Fair value (gains)/losses on derivative financial liabilities	**(4,638,900)**	10,895,820

6. DIVIDEND

No dividend was paid or proposed during the Year. At the Board meeting held on 24 March 2023, the Board resolved to recommend a final dividend of RMB4.0 cents (2021: Nil) per ordinary share. The proposed final dividend has not been recognised as a dividend payable as at 31 December 2022, but reflected as an appropriation of accumulated profits for the Year.

7. INCOME TAX (CREDIT)/EXPENSE

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%.

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

	2022	2021
	RMB	*RMB*
Continuing operations		
PRC EIT	**(665,834)**	–
Deferred taxation	**(4,387,583)**	2,229,409
Income tax (credit)/expense	**(5,053,417)**	2,229,409

8. DISCONTINUED OPERATION/NON-CONTROLLING INTERESTS

On 23 December 2020, the Company announced to execute the procedures for the voluntary liquidation of Lubiam Apparel, a 60% owned subsidiary.

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

Analysis of the results of the discontinued operation:

Consolidated Statement of Profit or Loss and Other Comprehensive Income	**Year ended 31 December 2021** *RMB*
Revenue	5,517,570
Cost of sales	(4,714,040)
Gross profit	803,530
Other revenue	296,057
Other gains and losses, net	(875,608)
Selling and distribution expenses	(4,939,085)
Administrative expenses	(5,655,145)
Reversal of impairment on trade receivables, net	1,029,289
Loss for the year from discontinued operation	(9,340,962)

Consolidated Statement of Cash Flows	Year ended 31 December 2021 *RMB*
Net cash outflow from operating activities	(5,404,388)
Net cash inflow from investing activities	301,362
Net cash outflows	(5,103,026)

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

	Year ended 31 December 2021 *RMB*
Depreciation of property, plant and equipment	4,995
Loss on disposal of property, plant and equipment	310,196
Reversal of impairment loss on trade receivables, net	(1,029,289)
Expenses relating to short-term lease	185,896
Trademark payment	982,975

9. EARNINGS/(LOSSES) PER SHARE

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

	2022 ***RMB***	2021 *RMB*
Profit/(loss) for the purposes of basic and diluted earnings/ (losses) per share attributable to owners of the Company		
– Continuing operations	**16,006,327**	17,976,442
– Discontinued operation	**–**	(5,604,577)
	16,006,327	12,371,865

	2022 Shares	2021 Shares
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(losses) per share	**133,400,000**	133,400,000

	2022 *RMB*	2021 *RMB*
Earnings/(losses) per share		
– Continuing operations	**0.12**	0.13
– Discontinued operation	**–**	(0.04)
	0.12	0.09

There were no potential ordinary shares outstanding during the years ended 31 December 2022 and 2021, and hence the diluted earnings per share is the same as basic earnings per share.

10. TRADE AND BILL RECEIVABLES

	2022 *RMB*	2021 *RMB*
Trade receivables	**256,047,886**	224,052,038
Less: Provision for impairment	**(50,989,260)**	(49,078,566)
	205,058,626	174,973,472
Bill receivable	**350,000**	–
	205,408,626	174,973,472

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

	2022 *RMB*	2021 *RMB*
Within 3 months	**168,686,516**	128,950,354
Over 3 months but within 6 months	**17,396,441**	8,965,444
Over 6 months but within 1 year	**17,004,797**	33,636,931
Over 1 year	**1,970,872**	3,420,743
	205,058,626	174,973,472

Expected credit loss measurement

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2022	2021
	RMB	*RMB*
At 1 January	**49,078,566**	71,260,169
Amounts written off during the year	**(512,784)**	(27,126,853)
Net impairment losses recognised during the year	**2,423,478**	4,945,250
At 31 December	**50,989,260**	49,078,566

The Group offers a general credit period from 30 to 240 days to its customers depends on the financial abilities of these business partners.

Bill receivable

The balance represents a bill receivable issued by a bank in PRC held by the Group and is measured at fair value through other comprehensive income, since the bill receivable is held within the business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and the contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022	2021
	RMB	*RMB*
Deposits and other receivables *(Note a)*	**11,230,076**	28,414,772
Less: Provision for impairment *(Note b)*	**(178,338)**	(1,400,420)
	11,051,738	27,014,352
Prepayments *(Note c)*	**30,692,072**	27,295,773
	41,743,810	54,310,125
Less: Non-current portion included in prepayments, deposits and other receivables	**(2,655,187)**	(8,166,622)
	39,088,623	46,143,503

(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) Movements in provision for impairment of deposits and other receivables are as follows:

	2022	2021
	RMB	*RMB*
At 1 January	**1,400,420**	2,403,962
Write-off	**–**	(2,322,354)
(Reversal of impairment losses)/impairment loss for the year	**(1,222,082)**	1,318,812
At 31 December	**178,338**	1,400,420

(c) The breakdown of prepayments is as follows:

	2022	2021
	RMB	*RMB*
Prepayments to suppliers	**15,412,218**	7,054,982
Prepayments to original equipment manufacturer suppliers	**3,154,791**	9,070,197
Prepayments for short-term leases	**5,233,341**	2,445,945
Prepayments for advertising	**2,734,444**	6,379,827
Prepayments for renovation	**1,733,148**	472,231
Others	**2,424,130**	1,872,591
	30,692,072	27,295,773

12. TRADE AND BILLS PAYABLES

	2022	2021
	RMB	*RMB*
Trade payables	**140,326,092**	160,396,647
Bills payables	**15,000,000**	–
	155,326,092	160,396,647

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

	2022	2021
	RMB	*RMB*
Within 3 months	**61,483,954**	117,389,488
Over 3 months but within 6 months	**34,887,327**	23,487,015
Over 6 months but within 1 year	**39,574,216**	14,035,037
Over 1 year	**4,380,595**	5,485,107
	140,326,092	160,396,647

13. CONTRACT LIABILITIES

	2022	2021
	RMB	*RMB*
Contract liabilities arising from:		
Trading of garments		
– Prepaid cards	**1,611,308**	2,177,156
– Advance from customers	**24,366,072**	26,302,543
	25,977,380	28,479,699
Trademark sub-licensing income	**4,366,140**	3,083,826
	30,343,520	31,563,525

Movements in contract liabilities:

	2022	2021
	RMB	*RMB*
At 1 January	**31,563,525**	43,166,717
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of year	**(28,872,038)**	(41,724,101)
Increase in contract liabilities as a result of receiving advances from customers	**27,652,033**	30,120,909
At 31 December	**30,343,520**	31,563,525

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.

Except for balances of RMB1,891,524 from trademark sub-licensing income which are expected to be realised as revenue beyond one year, the remaining balances of the contract liabilities are expected to be realised as revenue within one year.

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' discretion.

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 received in advance for prepaid sub-licensing income, and this will give rise to contract liabilities in which revenue has not been recognised.

14. OTHER PAYABLES AND ACCRUALS

	2022	2021
	RMB	*RMB*
Deposits received *(Note a)*	**132,461,074**	177,842,029
Other tax payables	**14,246,384**	12,717,616
Refund liabilities *(Note b)*	**4,595,475**	10,012,015
Others	**16,683,862**	11,292,622
	167,986,795	211,864,282
Less: Non-current portion included in other payables and accruals	**(9,369,188)**	(7,710,000)
	158,617,607	204,154,282

(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:

	2022	2021
	RMB	*RMB*
Deposits received from franchisees	**116,849,616**	158,242,017
Deposits received from distributors	**9,622,269**	12,170,823
Deposits received from sub-licensing users	**5,989,189**	7,259,189
Deposits received from others	**–**	170,000
	132,461,074	177,842,029

(b) Refund liabilities represent the estimated volume rebate to be settled to customers by inventories. The movements of provision for refund liabilities are as follows:

	2022	2021
	RMB	*RMB*
At beginning of year	**10,012,015**	7,181,688
Addition of provision	**5,232,088**	9,441,422
Utilisation of provision	**(10,648,628)**	(6,611,095)
At end of year	**4,595,475**	10,012,015

15. INTEREST-BEARING BANK BORROWINGS

	2022	2021
	RMB	*RMB*
Bank borrowings denominated in RMB *(Note a)*	**157,500,000**	85,000,000
Bank borrowings denominated in United States dollars ("**USD**") *(Note b)*	**–**	20,066,886
Bank borrowings denominated in Euro ("**EUR**") *(Note c)*	**–**	67,810,660
	157,500,000	172,877,546

(a) As at 31 December 2022, bank borrowings denominated in RMB included the following:

– An amount of RMB82,500,000 (2021: RMB85,000,000) being guaranteed by Ningbo Shanshan Co., Ltd., a shareholder of the Company, with fixed interest rates range from 4.79% to 4.95% (2021: from 5.00% to 5.10%) per annum and repayable within one year.

The above guarantee given by Ningbo Shanshan Co., Ltd, is under counter-guarantee offered by two shareholders of the Company, namely Shaanxi Maoye Gongmao Co., Ltd.* (陝西茂葉工貿有限公司) ("**Shaanxi Maoye**") and Ningbo Liankangcai Brand Management Co., Ltd.* (寧波聯康財品牌管理有限責任公司) ("**Ningbo Liankangcai**"). A Director controlled Shaanxi Maoye, and certain Directors have equity interests in Ningbo Liankangcai.

– An amount of RMB35,000,000 being guaranteed by Shanshan Group Co., Ltd. and personal guarantee from directors of the Group, with fixed interest rate at 4.35% per annum and repayable within one year.

– An amount of RMB40,000,000 being guaranteed by Shanshan Group Co., Ltd. and personal guarantee from directors of the Group together with a charge on a property held by a director of the Group, with variable interest rate at Loan Prime Rate -0.2% per annum and repayable within one year.

(b) As at 31 December 2021, a bank borrowing of USD3,150,000 (equivalent to RMB20,066,886) being guaranteed by Shanshan Group Co., Ltd., bore fixed interest rate at London Inter-Bank Offered Rate +3.49% per annum and repayable within one year. The borrowing was fully repaid in 2022.

(c) As at 31 December 2021, a bank borrowing for EUR9,400,000 (equivalent to RMB67,810,660) bore interest at 3-month Euro Inter-Bank Offered Rate +0.28% per annum and repayable within one year. The borrowing was fully repaid in 2022.

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*

16. SHARE CAPITAL

	Number of shares	RMB
Registered domestic share capital and H Shares		
At 31 December 2021 and 31 December 2022	133,400,000	133,400,000

17. 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 include additional rentals, which is calculated 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:

	2022	2021
	RMB	*RMB*
Within one year	**4,398,233**	6,917,408

(b) Capital commitments

In addition to those capital commitment disclosed elsewhere in the consolidated financial statements, the Group had capital commitments as follows:

	2022	2021
	RMB	*RMB*
Commitments for the acquisition of:		
Property, plant and equipment	**1,925,118**	1,392,137

18. CONTINGENT LIABILITIES

As at 31 December 2022 and 2021, the Group had no significant contingent liabilities.

19. SUBSEQUENT EVENTS

Lease agreement

On 28 February 2023, the Company entered into the lease agreement with an independent third party to lease properties which will be used as warehouse, workshop and office of the Group. The total value of the right-of-use assets to be acquired under the lease agreement is estimated to be approximately RMB9,000,000. Further details regarding the lease agreement are set out in the Company's announcement dated 28 February 2023.

Principal activity of an associate

On 13 February 2023, Ningbo Shanjing Apparel Co., Ltd. ("**Ningbo Shanjing**"), an associate of the Company, passed its board resolution to discontinue the manufacture of apparel products under sub-contracting. The board of Ningbo Shanjing formed a committee to handle the discontinued operation and proposed the future business plan.

BUSINESS REVIEW

In the Year, due to the continuous impact from the COVID-19 pandemic, the external environment of the domestic apparel industry was becoming increasingly complicated and severe, with the impact brought about by the pandemic causing deep troubles to the recovery of market demand at home and abroad. Coupled with layers of factors including a decline in consumption power and consumer confidence, as well as a continuous increase in enterprise operating costs, it is still a challenge for the industry to return to the pre-COVID-19 pandemic level. Although the nation-wide pandemic prevention and control policy was optimized and relaxed in December 2022, residents in most areas were still infected with the virus, thus the domestic apparel market was yet to show a noticeable trend of recovery.

According to the data from the National Bureau of Statistics, from January to December 2022, the industrial added-value of enterprises above designated size in the apparel industry recorded a decrease of 1.9% year-on-year and the growth rate decreased by 10.4 percentage points compared with the corresponding period in 2021. In the same period, enterprises above designated size recorded an output of 23.242 billion pieces of garment products, representing a decrease of 3.36% year-on-year, with the decline rate increased by 1.88 percentage points compared with the first half of the year and representing a decrease of 11.74 percentage points compared with the corresponding period in 2021. On the whole, the recovery momentum in the apparel industry slowed down in 2022 compared with 2021.

Faced with various unfavorable factors such as the large-scale outbreaks of the pandemic in China, the strict pandemic prevention policies of local governments, the severe market operating environment and the decline in consumer confidence of domestic residents, the Group adhered to the strategic positioning of “platform-based development”. Thanks to the guidance of the annual operation strategy of “stable development and high-quality development” and by integrating of the external business environment and internal operating situation, the Group actively and effectively addressed the shock and challenges brought by the adverse market environment via the adoption of a variety of strategies and measures. In particular, the Group accelerated enterprise digitalization, actively laid out omni-channel marketing, continued to promote integration of online and offline retailing and worked on live streaming and socializing e-commerce platforms. The Group also conducted research on the trends in industrial development and market consumption, launched a campaign of “brand image rebuilding”, devised the Shanshan Suit large single product breakthrough strategy, and enhanced product design and quality. Besides, the Group upgraded marketing network, provided huge support to high-quality distributors, and built a flexible supply chain to enhance its response efficiency. And the Group took measures to dispose of its inventories via multiple channels and other measures to increase the turnover rate of goods and the inventory clearance measures adopted by the Group achieved remarkable results, thus the inventory balance of the Group in the Year recorded a year-on-year decrease of approximately 20.0%. Furthermore, the Group has continued to strengthen internal management, and implemented a number of effective cost reduction and efficiency enhancement measures, which led to a year-on-year decrease of approximately 20.0% in the selling and distribution expenses for the Year, the selling and distribution expenses for the Year accounted for 37.1% of the revenue, representing a decrease of approximately 4 percentage points as compared to 41.2% in 2021.

The Group is committed to a high-quality development to improve the overall profitability and market share of the Group. The Group also focuses on the core of its strategic development to optimize the layout of terminal markets, deepen the existing market, and strengthen its ability to make profits. The Group continues to eliminate low-quality stores with poor performance, so as to optimize its distribution network and focus on the main markets. Upon restructuring in terminal channels, the number of retail outlets of the Group decreased from 910[(note)] as at 31 December 2021 to 766 as at 31 December 2022, including 464 retail outlets under FIRS and 302 retail outlets under SHANSHAN, representing a decrease of approximately 15.8% in the total number of retail outlets.

In addition, the Group continued to strengthen its collaboration with clients authorized to operate e-commerce business and increased its investment in new retail business and channel expansion, which played a crucial role in the Group's growth in its online business. At the same time, there was also a continuous growth in high-quality customer resources and key industry customer resources thanks to cultivation in the business suit market, and the segment results increased by approximately 54.1%.

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. However, the growth in sales revenue of the advantaged channels was unable to offset the decline in retail revenue, with the operating revenue of the Group amounting to approximately RMB881.2 million in the Year, representing a decrease of approximately 11.3% compared with FY2021. The Group's profit increased by approximately 86.0% from RMB8.6 million in FY2021 to RMB16.0 million in 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.

FINANCIAL REVIEW

Revenue

The Group generated revenue primarily from sales to distributors, direct sales, franchisee sales, sales of business suit and trademark sub-licensing income, etc. For the Year, the Group's total revenue decreased by approximately 11.3% to RMB881.2 million from RMB993.0 million for the FY2021, primarily attributable to (i) the containment of the COVID-19 pandemic in various places and the nation-wide pandemic outbreak at the end of the Year, resulting in a decrease in revenue by approximately 26.1% and 36.0% for self-operated retail outlets and cooperative arrangement stores respectively; (ii) the optimization of SHANSHAN brand channel in the Year, which led to a decrease in the number of stores by approximately 26.0% compared with the corresponding period last year, resulting in a decrease in the revenue of SHANSHAN brand channel by approximately 22.1%; and (iii) the growth in results of approximately 54.1% in the business suit channel thanks to our cultivation in the business suit market, but this was unable to offset the decline in retail revenue. 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			
	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
Sales to distributors	**112,411**	**12.8**	103,620	10.4
Direct sales				
E-commerce platforms	**190,372**	**21.6**	194,847	19.6
Self-operated retail outlets (note)	**121,399**	**13.8**	164,357	16.6
Franchisee sales				
Cooperative arrangement stores	**248,057**	**28.1**	387,679	39.0
Business suit	**136,424**	**15.5**	88,506	8.9
Trademark sub-licensing income	**72,537**	**8.2**	54,023	5.5
Total	**881,200**	**100**	993,032	100

Note: Excluding revenue from sales of Lubiam Apparel (a non-wholly-owned subsidiary of the Company which was voluntarily liquidated) to self-operated retail outlets for the FY2021, amounted to RMB5,518 thousand.

Revenue by brands

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

	Year ended 31 December			
	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
FIRS	**513,194**	**58.2**	524,163	52.8
SHANSHAN	**358,617**	**40.7**	460,149	46.3
Others	**9,389**	**1.1**	8,720	0.9
Total *(note)*	**881,200**	**100**	993,032	100

Note: Excluding revenue from sales of Lubiam Apparel to LUBIAM brand for the FY2021, amounted to RMB5,518 thousand.

Gross profit

For the Year, the Group's gross profit decreased by approximately 20.5% to RMB385.9 million from RMB485.2 million for the FY2021, primarily attributable to the decreases in revenue and gross profit margin of the Group.

Other revenue

Other revenue mainly comprises the Group's income derived from interest income from banks. For the Year, the Group's other revenue decreased by approximately 46.7% to RMB0.8 million from RMB1.5 million for the FY2021.

Other gains and losses, net

For the Year, other gains, net amounted to RMB1.3 million, which mainly represented liquidated damages from customers of approximately RMB3.4 million.

Other losses, net for the FY2021 amounted to RMB3.7 million, which was mainly derived from the fair value loss on derivative financial liabilities of RMB10.9 million.

Selling and distribution expenses

Selling and distribution expenses mainly include the Group's commission sharing to franchisees, 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 20.0% to RMB327.1 million from RMB409.0 million for the FY2021, mainly attributable to (i) the decrease in the commission sharing paid to franchisees due to a significant decrease in sales of cooperative arrangement channels; and (ii) a reduction in expenses such as advertising fees, intermediary service fees and depreciation of right-of-use assets due to effective cost-reduction measures.

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 4.9% to RMB36.8 million from RMB38.7 million for the FY2021, mainly attributable to the decrease in staff costs attributable to administrative expenses.

Impairment loss on property, plant and equipment

The impairment loss on property, plant and equipment of the Group decreased from RMB1.2 million for the FY2021 to RMB0.3 million for the Year.

Impairment loss on right-of-use assets

The impairment loss on right-of-use assets of the Group increased from RMB0.8 million for the FY2021 to RMB2.1 million for the Year.

Impairment loss on trade receivables, net

For the Year, the Group's impairment loss on trade receivables decreased to RMB2.4 million from RMB4.9 million for the FY2021.

Reversal of impairment loss/(impairment loss) on deposits and other receivables, net

The reversal of impairment loss/(impairment loss) on deposits and other receivables, net of the Group amounted to reversal of RMB1.2 million for the Year from impairment loss of RMB1.3 million for the FY2021.

Write-off of prepayment

The write-off of prepayment of the Group amounted to RMB1.7 million for the Year.

Finance costs

Finance costs mainly include interest expenses on bank borrowings of the Group and interest expenses on lease liabilities.

For the Year, the Group's finance costs decreased by approximately 12.4% to RMB7.8 million from RMB8.9 million for the FY2021. The decrease was mainly due to a decrease in interest expenses on lease liabilities.

Income tax credit/(expense)

Income tax credit/(expense) mainly represents the income tax payable by the Group according to the relevant PRC income tax laws and regulations. For the Year, the Group's income tax credit amounted to RMB5.1 million compared with income tax expense of RMB2.2 million for the FY2021, which was mainly due to the increase in write-down of inventories by the Group in the Year, resulting in a deferred tax.

Profit for the year

For the Year, the profit recorded by the Group increased by approximately 86.0% to RMB16.0 million from profit of RMB8.6 million for the FY2021, which was mainly due to (i) the voluntary liquidation and discontinued operation of Lubiam Apparel, a subsidiary of the Company in FY2021, the operation of which recorded a loss of approximately RMB9.3 million in FY2021; and (ii) the decrease in selling and distribution expenses due to effective cost reduction measures.

WORKING CAPITAL MANAGEMENT

	Year ended 31 December	
	2022	2021
Average inventory turnover days	**259**	294
Average trade receivables turnover days	**79**	62
Average trade payables turnover days	**116**	118

The Group's average inventory turnover days decreased from 294 days as at 31 December 2021 to 259 days as at 31 December 2022, 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 increased from 62 days as at 31 December 2021 to 79 days as at 31 December 2022, which was mainly due to the appropriate extension of the credit period by the Company in light of the environment.

The Group's average trade payables turnover days remained relatively stable, decreased from 118 days as at 31 December 2021 to 116 days as at 31 December 2022.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a solid financial position for the Year. The Group's cash and cash equivalents increased from RMB84.3 million as at 31 December 2021 to RMB114.7 million as at 31 December 2022, its pledged deposits decreased to RMB8.0 million as at 31 December 2022 from RMB18.9 million as at 31 December 2021. The cash and cash equivalents were mainly denominated in RMB.

As at 31 December 2022 and 31 December 2021, the Group's total bank borrowings amounted to approximately RMB157.5 million and RMB172.9 million, respectively. As at 31 December 2022, all bank borrowings were denominated in RMB and repayable within a year from the respective year end dates. The details for the Group's bank borrowings are stated in Note 15 to the consolidated financial statements in this announcement. The Group's gearing ratios (total borrowings over total assets of the Group) were approximately 20.8% and 20.9% as at 31 December 2022 and 31 December 2021, 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. The net proceeds from the issuance of 33,400,000 H Shares of the par value of RMB1 each at a price of HK$3.78 per share on 27 June 2018 (the "**Share Offer**") were received in Hong Kong dollars and any payment of dividends to the holders of H Shares were or will be made in Hong Kong dollars, which expose the Group to market risks arising from changes in foreign exchange rates.

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 2022, a total of RMB53.7 million of the proceeds from the offering of H 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 2022** *RMB (million)*	**Actual utilised amount during the Year** *RMB (million)*	**Unutilised amount as at 31 December 2022** *RMB (million)*
Retail network	20.9	–	–	–
Brand promotion and marketing	13.6	–	–	–
Information technology system	10.7	2.3	0.8	1.5*(note)*
Warehouses and logistics center	4.5	–	–	–
General working capital	5.5	–	–	–
Total	55.2	2.3	0.8	1.5

Note: Owing to project delay during the COVID-19 pandemic, the Group expected to utilise the proceeds to upgrade its information technology system in the fourth quarter of 2023.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2022, the Group had 352 employees (31 December 2021: 384 employees). Employee costs, including Directors' emoluments, amounted to approximately RMB69.0 million for the Year (2021: RMB80.6 million). 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 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 will be issued in accordance with the Environmental, Social and Governance Reporting Guide as contained in Appendix 27 to the Listing Rules and will be included in the 2022 annual report of the Company which will be published on the respective websites of the Stock Exchange and the Company and despatched to the shareholders of the Company (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 RMB1.9 million, there was no plan for material investments or capital assets as at 31 December 2022. 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 2022 as compared with that as at 31 December 2021.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2022 (31 December 2021: Nil).

PLEDGE OF ASSET

As at 31 December 2022, the Group pledged deposits of RMB8.0 million to secure outstanding bills payables (31 December 2021: RMB18.9 million was placed as security for derivative financial liabilities). Except for the abovementioned pledged deposits, there were no other assets pledged as security by the Group.

OUTLOOK AND STRATEGIES

Looking forward to 2023, as China's domestic policy on pandemic control fully relaxes, the effect of the nation's policy to galvanize consumption gradually comes to be felt. Consumer confidence gradually rises, production, logistics and sales return to normal operation, and the operating environment of the industry starts to stabilize. Industries actively carry out marketing campaign amid gradual resumption of market activities, and the apparel domestic market continues to recover. The Group will seize such inviting opportunity for development, focus on its core strategies in 2023, and adhere to the development theme of "high-quality development". The Group will continue to base on the in-depth management of the three core assets of "talents", "products" and "capital" to create a "refined and beautiful" development model for all business lines of the Group and promote a rapid growth of the overall business and profits of the Company.

The Group will further accelerate its enterprise digitalization, speed up the digitalization of omni-channel marketing network, continue to map out the new and diversified retail landscape, and strengthen channel expansion and cooperation across different internet platforms. Relying on the strong influence of Shanshan apparel brand, the Group will fully develop online business to ensure a continuous, stable and rapid growth of online business. Meanwhile, the Group will continue to focus on the upgrading iteration of the "brand image rebuilding" campaign. Via a multi-dimensional upgrade on brand positioning, customer experience, channel layout, product research and development and service awareness as well as expanding the development of our membership system to help the brand market to member customers precisely, the Group will improve consumers' brand experience of offline stores and enhance their loyalty to Shanshan Brand. In addition, the Group will continue to optimize and upgrade the channel network, expedite its layout on the key markets, expand the number of terminal stores with high quality and high efficiency, enlarge brand influence, and enhance brand implantation on target groups.

The Group is optimistic about the future development prospects. The Group will continue to deepen and cultivate on the two core brands, FIRS and SHANSHAN, to play out its core brand values through a series of business cooperation models. Promised by the rising tide of consumption of domestic goods and domestic brands, the Group actively explores and continues to implement the Shanshan Suit large single product breakthrough strategy to create high-quality products that come into consumers' favor. At the same time, on the premise of an improvement on current business profits and scale, the Group actively seeks for new opportunities for business growth to further increase the market share of the Group and achieve sustainable growth of our results, so as to deliver better returns to Shareholders, staff and customers.

EVENTS AFTER THE REPORTING PERIOD

Lease agreement

On 28 February 2023, the Company entered into the lease agreement with an independent third party to lease properties which will be used as warehouse, workshop and office of the Group. The total value of the right-of-use assets to be acquired under the lease agreement is estimated to be approximately RMB9,000,000. Further details regarding the lease agreement are set out in the Company's announcement dated 28 February 2023.

Principal activity of an associate

On 13 February 2023, Ningbo Shanjing, an associate of the Company, passed its board resolution to discontinue the manufacture of apparel products under sub-contracting. The board of Ningbo Shanjing formed a committee to handle the discontinued operation and proposed the future business plan.

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 and any of its subsidiaries purchase or sell any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Board firmly believes that conducting the businesses of the Group in a transparent and responsible manner and 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 Part 2 of 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 code provisions as set out in the CG Code during the Year except for the following deviation:

Pursuant to the code provision C.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.

Presently, the Company does not have a position of the title "chief executive officer". However, Mr. Luo Yefei, an executive Director and the chairman of the Board, has been carrying out the duties of the chief executive officer. 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct governing the securities transactions by the Directors and the supervisors of the Company (the "**Supervisors**") on terms no less exacting than the required standard 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.

REVIEW BY THE AUDIT COMMITTEE

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

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

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's results for the Year contained in the financial information set out on pages 2 to 27 of this announcement have been agreed by the Group's independent auditor, BDO Limited ("**BDO**"), to the amounts set out in the Group's consolidated financial statements for the Year as approved by the Board. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by HKICPA and consequently no assurance has been expressed by BDO in this preliminary announcement.

FINAL DIVIDEND

The Board has resolved to recommend the distribution of a final dividend of RMB0.04 per share (pre-tax) for 133,400,000 shares for the Year, representing a total amount of RMB5,336,000 (pre-tax) (2021: Nil).

The proposed final dividend is subject to the approval of Shareholders at the annual general meeting of the Company to be held on Monday, 5 June 2023 (the "**2023 AGM**"), and the proposed final dividend is expected to be paid on or before Friday, 4 August 2023. The proposed final dividend will be declared in RMB and distributed in Hong Kong dollars (H Shares) and RMB, and the exchange rate will be the average of the middle rate of the exchange rate published by the People's Bank of China one calendar week prior to the date of declaration of proposed final dividend.

As of the date of this announcement, there is no arrangement under which a Shareholder has waived or agreed to waive any dividends.

Dividend Taxation

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) with effect on 1 January 2008 and being revised on 24 February 2017 and 29 December 2018, the Implementation Regulations on the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) with effect on 1 January 2008 and being revised on 23 April 2019, and the Notice on Issues concerning Withholding the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H Shares holders who are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (國稅函[2008]897號) issued with effect on 6 November 2008 by State Taxation Administration, etc., any Chinese domestic enterprise which pays dividend to a non-resident enterprise shareholder in respect of annual dividends of and after 2008 shall withhold and pay 10% enterprise income tax for such shareholder for fiscal periods after 1 January 2008. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of the annual dividend as enterprise income tax, distribute the annual dividend to non-resident enterprise shareholders (i.e. any shareholders who hold H Shares in the name of non-individual shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or holders of H Shares registered in the name of other organizations and groups) whose names appear on the register of members of H Shares. Upon receipt of such dividends, an overseas non-resident enterprise shareholder may apply to the competent tax authorities for relevant treatment under the tax treaties (arrangements) in person or through a proxy or the Company and provide evidence in support of its status as a beneficial owner as defined in the tax treaties (arrangements). Upon verification by the competent tax authorities, the difference between the tax levied and the amount of tax payable as calculated at the tax rate under the tax treaties (arrangements) will be refunded.

Pursuant to the State Administration of Taxation Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) (the "**No. 348 Circular**") issued on 28 June 2011, the overseas resident individual shareholders of the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they are residents and China as well as the tax arrangements between China and Hong Kong or Macau. Pursuant to the No. 348 Circular, individual income tax at a tax rate of 10% may in general be withheld in respect of the dividend or bonus income to be distributed by the PRC non-foreign-invested enterprises whose shares have been issued in Hong Kong to the overseas resident individual shareholders, without any application for favourable tax treatments. However, the tax rate for each overseas resident individual shareholder may vary depending on the relevant tax agreements between the countries of its domicile and the PRC.

If the individual holders of H Shares are Hong Kong residents, Macau residents and residents of other countries or regions that have a tax rate of 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders. If the individual holders of H Shares are residents of countries or regions that have a tax rate lower than 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders. If such Shareholders wish to claim refund of the amount in excess of the individual income tax payable under the tax treaties, the Company may apply on behalf of such Shareholders according to the relevant tax treaties for the relevant agreed preferential tax treatment, provided that the relevant Shareholders submit the relevant documents and information required by the Administrative Measures on Enjoying Treatment under Tax Treaties by Non-resident Taxpayers (State Administration of Taxation Announcement 2015, No. 60) and the provisions of the relevant tax treaties in a timely manner.

The Company will assist with the tax refund of additional amount of tax withheld and paid subject to the approval of the competent tax authorities.

If the individual holders of H Shares are residents of countries or regions that have a tax rate higher than 10% but lower than 20% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the applicable tax rates stated in such tax treaties on behalf of such Shareholders.

If the individual holders of H Shares are residents of countries or regions that have a tax rate of 20% under the tax treaties with the PRC, or have not entered into any tax treaties with the PRC, or otherwise, the Company will withhold and pay individual income tax at the rate of 20% on behalf of such Shareholders.

Shareholders are recommended to consult their tax advisors regarding the ownership and disposal of H Shares in the PRC and in Hong Kong and other tax effects.

2023 AGM

The 2023 AGM will be held on Monday, 5 June 2023. The notice of the 2023 AGM will be published on the Company's website (http://www.chinafirs.com) and the website of the Stock Exchange (http://www.hkexnews.hk) and dispatched to the Shareholders in the manner prescribed under the Listing Rules in due course.

Closure of Register of Members

For the purpose of determining the Shareholders' entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Wednesday, 31 May 2023 to Monday, 5 June 2023, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify as the Shareholders to attend and vote at the 2023 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with in case of holders of H Shares (the "**H Shareholders**"), with the Company's H share registrar and transfer office, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, and in case of holders of domestic shares of the Company (the "**Domestic Shareholders**"), to the Company's registered office address at the Office of the Board, 238 Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, the PRC, no later than 4:30 p.m. on Tuesday, 30 May 2023.

For the purpose of determining the Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 12 June 2023 to Friday, 16 June 2023, both days inclusive, during which no transfer of shares will be registered. In order to determine the Shareholders' entitlement to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with in case of H Shareholders, with the Company's H share registrar and transfer office, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, and in case of

Domestic Shareholders, to the Company's registered office address at the Office of the Board, 238 Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, the PRC, no later than 4:30 p.m. on Friday, 9 June 2023. Shareholders whose names appear on the register of members of the Company on Friday, 16 June 2023 are entitled to receive the above final dividend.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND 2022 ANNUAL REPORT

This annual results announcement is published on the Stock Exchange's website at http://www.hkexnews.hk and on the Company's website at http://www.chinafirs.com. The 2022 annual report of the Company will be available on both websites and will be despatched to the Shareholders in due course.

By Order of the Board
Shanshan Brand Management Co., Ltd.
Luo Yefei
Chairman

Ningbo, the PRC, 24 March 2023

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

Executive Directors:
Mr. Luo Yefei *(Chairman)*
Mr. Cao Yang *(Vice Chairman)*
Ms. Yan Jingfen
Ms. Zhou Yumei

Non-executive Directors:
Ms. Zhao Chunxiang
Mr. Du Peng

Independent Non-executive Directors:
Mr. Chow Ching Ning
Mr. Wang Yashan
Mr. Wu Xuekai