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

2022
ANNUAL REPORT

CONTENTS

	Page
Corporate Profile	2
Corporate Information	3
Financial Summary	5
Chairman's Statement	7
Management Discussion and Analysis	10
Biographies of Directors, Supervisors and Senior Management	20
Corporate Governance Report	27
Environmental, Social and Governance Report	47
Report of the Directors	82
Report of the Supervisory Committee	99
Independent Auditor's Report	101
Consolidated Statement of Profit or Loss and Other Comprehensive Income	108
Consolidated Statement of Financial Position	109
Consolidated Statement of Changes in Equity	111
Consolidated Statement of Cash Flows	112
Notes to the Consolidated Financial Statements	114
Summary of Financial Information	196

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
Ms. Zhou Yumei (Redesignated on 6 June 2022)

Non-executive Directors

Ms. Zhao Chunxiang
Mr. Zheng Shijie (Retired on 6 June 2022)
Mr. Du Peng (Appointed on 6 June 2022)

Independent Non-executive Directors

Mr. Chow Ching Ning
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. Chow Ching Ning (Chairman)
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
11-12/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 (Note)		2022	2021	2020 (Re-presented)	2019	2018
		Year ended 31 December				
Revenue	*RMB'000*	**881,200**	993,032	887,473	1,036,440	1,025,286
Profit/(loss)	*RMB'000*	**16,006**	8,635	(75,944)	(23,178)	35,668
Profit/(loss) attributable to the owners of the Company	*RMB'000*	**16,006**	12,372	(68,310)	(16,312)	36,210
Gross profit margin	*%*	**43.8%**	48.9%	48.2%	56.2%	58.1%
Profit margin/(loss from) operations	*%*	**1.8%**	0.9%	(8.6%)	(2.2%)	3.5%
Profit margin/(loss) attributable to the owners of the Company	*%*	**1.8%**	1.2%	(7.7%)	(1.6%)	3.5%
Earnings/(losses) per share – Basic and diluted	*RMB cents*	**12**	9	(51)	(12)	31
Final dividend per share	*RMB cents*	**4**	–	–	–	6

ASSETS AND LIABILITIES	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
	As at 31 December				
Non-current assets	**76,832**	109,895	130,186	212,689	145,902
Current assets	**681,745**	715,534	758,428	926,218	909,625
Inventories	**311,939**	389,728	428,466	503,448	461,779
Trade and bill receivable	**205,409**	174,973	162,834	188,093	183,247
Cash and cash equivalents	**114,688**	84,265	111,326	137,476	145,399
TOTAL ASSETS	**758,577**	825,429	888,614	1,138,907	1,055,527
Current liabilities	**511,195**	592,242	658,433	813,818	745,254
Trade and bills payables	**155,326**	160,397	168,666	229,872	218,121
Interest-bearing bank borrowings	**157,500**	172,878	202,244	180,000	260,000
Non-current liabilities	**19,877**	21,689	23,505	42,470	–
TOTAL LIABILITIES	**531,072**	613,931	681,938	856,288	745,254

Note: The figures of 2020 to 2021 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 other years' figures include 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 2022 (the "**Year**" or "**FY2022**").

Over the past three years, under the prolonged impact of the novel coronavirus, the progress of economic globalization was hindered, the systemic risk of the global supply chain increased, the risk of inflation intensified, the price of economic commodities greatly fluctuated, and the procurement cost, production cost and labour cost of enterprises continued to rise. The development of online business gathered overwhelming momentum, bringing about challenges to the real economy and opportunities to breakthrough at the same time. Downturns of various degrees were seen in the overall global consumption power and consumption indices, indicating that the global economy was facing a great challenge in its recovery. Affected by the severe and complicated macro situation at home and aboard and by layers of factors beyond expectation, the apparel industry in which the Group operates suffered extreme pressure in both demand and supply. The economy continued to experience a slowdown.

Faced with various unfavorable factors such as the strict pandemic prevention policies of local governments in the Year, the large-scale outbreaks of the pandemic in China at the end of last year, the severe market operating environment and the decline in consumer confidence of domestic residents, the Group held fast to its strategic positioning of "platform-based development". Thanks to the guidance of the annual operation strategy of "stable development and high-quality development", the coalescence of external business environment and internal operating situation, and the power of collective wisdom, the Group actively adopted a variety of strategies and measures to effectively address the shock and challenges brought by the adverse market environment. Through the constant efforts of the Company, the Group enjoyed a healthy momentum in its financial performance and operating position in its operating results in the Year. The Group's operating revenue amounted to RMB881.2 million in the Year, representing a decrease of approximately 11.3% compared with the corresponding period in the year ended 31 December 2021 ("**FY2021**"); the Group continued to strengthen its internal management and adopted a number of highly-effective measures to reduce cost and enhance efficiency, which led to an approximately 20.0% decrease in the selling and distribution expenses for the Year as compared with the corresponding period last year, and a non-wholly-owned subsidiary, Lubiam Apparel was liquidated in 2021, therefore the net profit increased by approximately 86.0% from RMB8.6 million in FY2021 to RMB16.0 million in the Year.

In FY2022, despite the presence of the various unfavorable factors, the Group still achieved an increase in profit. This was benefited by the Company's strategies and the timely adjustment on various effective measures in management and business, including but not limited to the following in particular:

1. DRIVING CORPORATE CULTURE FOR ORGANIZATION UPGRADE PROTECTION

The Group's corporate mission is to "create a better life" and its corporate vision is to "build a century-old classic fashion industry platform". With these in mind, the Group vigorously implemented the corporate values of being "pragmatic, brave, innovative and willing-to-share", fully promoted the corporate culture-driven orientation in strategies, business, organization and talents, and resolved to bring the corporate culture to a new high in corporate development strategies. The Group conducted in-depth study on market consumption trends, reinforced the blending of staff theory and practice, underscored the cultivation of professional qualities in employees, and strengthened target education on employees. The Group also fostered a full upgrade, from a phased adjustment to continuous adjustment, on the organizational mechanism, so as to actively address the difficulties encountered in operation, break the ossified organizational structure, enhance organizational flexibility, and actively or even preliminarily match with the Company's need to strategically develop via a more flexible organizational form.

2. CONTROLLING EXPENSES ACCURATELY THROUGH STRATEGIC MEASURES

At the beginning of 2022, the Group formulated its strategic plan for 2022 based on its review on the strategies for 2021, the consolidated consideration on external market environment and pandemic development, and in-depth analysis and scientific verification. The Group clearly identified "seeking benefits and efficiency through management" as its business management approach and continued to promote the strategy of "two increases and two decreases", namely to increase profits and results and to decrease expenses and inventories, thereby driving a steady, healthy and high-quality development of the Company. For the two core brand business, FIRS and SHANSAHN, the Group targeted a growth in existing markets, a gradual withdrawal from unproductive and loss-making markets, and an expansion on the "grain-producing region" market size. At the same time, the Group strengthened its strategic, continuous and preliminary financial control, performed in-depth analyses on the input-output ratio of various expenses, and resulted in the selling and distribution expenses accounting for 37.1% of the revenue of the Group for the Year, representing a decrease by approximately 4 percentage points as compared with FY2021.

3. PRODUCING SUPERIOR GOODS OF THE NATION TO EMBRACE CONSUMPTION TREND

By stepping up market research, analysing changes in internal and external operating environment, consumption trend and structure, and nailing down the positioning of the Group's products, the Group launched a campaign of "brand image rebuilding", initiated a comprehensive upgrade on product research and development, store image and supply chain formulation, and rolled out the "Shanshan Suit" large single product breakthrough plan. The rise of national brands and products also promoted the upgrade of the Shanshan apparel brand, and consumers' recognition of the Shanshan apparel brand continued to increase.

4. EMPOWERING ONLINE AND OFFLINE BUSINESS LINES BY DIGITALIZATION

Since 2020, the Group has been fully developing its online business channels and continuing to deepen its cooperation with high-quality professional authorised customers, together promoting and expanding the layout on new retail markets; the Group also actively embraced the diversified new retail landscape, promoted the integration of online and offline channels, and empowered all business lines. The flourishing of online business effectively made up for the loss caused by the adjustment of offline terminal stores.

The acceleration of the digitalization process of enterprises actively promoted the upgrading of the Group's flexible supply chain. Trendy and innovative product designs drove the growth of consumer demand, and the establishment of a consumer data platform allowed for a sharing of online and offline sales data for an accurate target group positioning. In particular, the Group continued to promote the digitalization of the Group's warehouses and logistics hubs, effectively enhancing the Group's digitalized operation capability; and the Group continuously strengthened the construction of supplier access and evaluation system and consolidated its control on cost, efficiency and product quality.

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

In FY2022, faced with the macro-economic environment of waves of pandemic recurrence and difficulties in global economy recovery, the Group stood up to the challenge and made certain achievements. In 2023, the Group will capture the momentum of a full domestic market recovery to develop the two core self-owned brands, FIRS and SHANSHAN. The Group will also revitalize dormant brands and product categories through diversified, multi-cooperative and multi-channel business models to constantly incubate new opportunities for business growth, promote the sustainable business development of the Group, and create greater values for the shareholders of the Company (the "**Shareholders**").

Luo Yefei
Chairman of the Board

Ningbo, the PRC, 24 March 2023

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 authorised 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.

Management Discussion and Analysis

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 Renminbi ("**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 30 to the consolidated financial statements in this report. 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 (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 this annual report 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 RMB1.9 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.

Biographies of Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. Luo Yefei (駱葉飛), aged 48, 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 (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 was a director of Lubiam Apparel, a non-wholly-owned subsidiary of the Company voluntarily liquidated and deregistered on 13 December 2021. He has over 19 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, an executive Director. Mr. Luo is interested in 8.5% of the Company's total number of issued shares. 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 51, 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 17 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; and has been the project manager of Ningbo Shanshan Co.,Ltd. (寧波杉杉股份有限公司)("**Shanshan**") since November 2022 and the head of the project department since January 2023.

Ms. Yan Jingfen (嚴靜芬), previously known as Yan Xuefang (嚴雪舫), aged 49, 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, a subsidiary 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. She was a director of Lubiam Apparel, a non-wholly-owned subsidiary of the Company voluntarily liquidated and deregistered on 13 December 2021. 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 15 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*

Ms. Zhou Yumei (周玉梅), aged 52, was appointed as a non-executive Director on 21 August 2020 and redesignated as an executive Director on 6 June 2022. 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 also the sole director of Shaanxi Maoye, she is deemed to be (i) interested in approximately 80% of the registered capital of Shaanxi Maoye held by Mr. Luo; and (ii) interested in the 8.5% of the Company's total number of issued shares held by Mr. Luo under the SFO.

NON-EXECUTIVE DIRECTORS

Ms. Zhao Chunxiang (趙春香), aged 42, 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.

Mr. Du Peng (杜鵬), previously known as Du Bin (杜賓), aged 33, was appointed as a non-executive Director on 6 June 2022. Mr. Du has 11 years of experience in operation management and is currently the general manager of SHANSHAN business division of the Company and in charge of SHANSHAN business division related affairs. Since 23 March 2023, Mr. Du has been an executive director and manager of Tengzhou Shanshan Commerce and Trading Co., Ltd.* (滕州杉山商貿有限公司) ("**Tengzhou Shanshan**"), a wholly-owned subsidiary of the Company. Mr. Du joined the Company in March 2016 as the operation head of the marketing department and was responsible for the operation and management of the regional market. In March 2017, he was promoted as a director of the marketing division II and was responsible for coordinating the operation and management of stores in the regional market until June 2017. In April 2019, Mr. Du rejoined the Company as the head of the professional store manager department, responsible for the management of the professional store manager department, and in July of the same year, he was promoted as the operation director of the Company, responsible for sales management, operation management, marketing planning, market development and cost control. From June 2012 to March 2016, Mr. Du served as a professional store manager in the marketing department of Heilan Home Group Co., Ltd. (a company listed on Shanghai Stock Exchange (Stock Code: 600398), engaged in men's wear brand management and sales), responsible for the operation and teaching of newly opened stores, as well as the professional store manager supervisor, and responsible for organizing the training of professional store managers. From October 2017 to August 2018, Mr. Du served as the general manager of Henan Jinyan Jewelry Co., Ltd.* (河南金炎珠寶有限公司), and was fully responsible for the operation and management of the company. From September 2018 to March 2019, he served as the general manager of Wuhan Meilimo Trading Co., Ltd.* (武漢美麗摩商貿有限公司), and was fully responsible for the company's operation and management. Mr. Du graduated from Wuhan Textile University in Art Design in 2012 with a Bachelor of Arts degree.

* *for identification purpose only*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Ching Ning (周政寧), aged 54, 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 22 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 61, 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 52, 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 27 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 was 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 from June 2002 to May 2021. 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 41, 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 was the deputy director of the administration department of the Group, and currently holds the position of the assistant to president of the Group and the manager of administration office, where she is in charge of the president office and administration-related affairs. Ms. Zhou is also a supervisor of Fashion Brand, Shanshan Hanfu, Ningbo Magic Music E-Commerce Co., Ltd.(寧波魔音電子商務有限公司) ("**Ningbo Magic E-Commerce**") and Tengzhou Shanshan, all of these are subsidiaries of the Company. She has over 16 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 45, 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 32, was appointed as the Supervisor on 18 May 2016. She has over 10 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 58, 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 37 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 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 7% of the registered capital of Ningbo Liankangcai, a substantial shareholder of the Company.

Mr. Yang Yong (楊勇), aged 54, 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 29 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.

Corporate Governance Report

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 Part 2 of Appendix 14 to the Listing Rules as its own code of corporate governance. During the Year, the Company has applied the CG 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.

VISION, MISSION AND VALUE

The mission of the Group is to create a quality life with our vision of building a century-old classic fashion industry platform, and adheres to our corporate value of "pragmatism, aggressiveness, innovation and sharing". The Group inherits 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.

The values underpin the Company's success and guide the actions in achieving continuous and sustainable growth. It also reflects our culture which defines the qualities and behaviours of our people who help us make our purpose a reality.

Corporate Governance Report

The Company aims to achieve its purpose and values through building partnerships and collaboration to create value and develop and apply emerging technologies and innovative business approaches for long-term business growth.

Under the leadership of the Board, the Company instils these vision, missions, core values and sustainability approach in our staff and stakeholders while integrating them into the Group's day-to-day operations.

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)
Ms. Zhou Yumei (Redesignated on 6 June 2022)

Non-executive Directors
Ms. Zhao Chunxiang
Mr. Zheng Shijie (Retired on 6 June 2022)
Mr. Du Peng (Appointed on 6 June 2022)

INEDs
Mr. Chow Ching Ning
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 2022, 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.

Mechanism(s) Ensuring Independent Views Available to the Board

The Board has adopted a board independent evaluation mechanisms during the Year for Directors to seek independent professional advices for them to discharge their duties and responsibilities, and to ensure a strong independent element on the Board, which allows the Board to effectively exercise independent judgement to better safeguard shareholders' interests.

Continuing improvement and development of the Board of the Company and its committee processes and procedures through Board independence evaluation provides a powerful and valuable feedback mechanism for improving Board effectiveness, maximising strengths, and identifying the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Directors may, in making decisions to perform their duties as Directors, seek such independent professional advice and opinions as they considered necessary to fulfil their responsibilities and in exercising independent judgement at the Company's expense (the "**Policy**"). Independent professional advice shall include advice of lawyers, auditors, accountants, financial advisers and other professional on matters of law, accounting, tax and other regulatory and professional matters. If the Directors consider that independent professional advice and views are necessary, the Directors should communicate with the Company Secretary and to provide background and details of the events and/or transactions and/or the issues involved and/or their problems, questions, concerns or specific advice to be sought. Subject to the approval of the Chairman, the Company or the Directors shall contact a professional adviser within a reasonable period of time to seek independent professional advice. Any advice obtained through the Policy shall be duly documented and made available to other members of the Board.

The Board reviewed the implementation and effectiveness of the mechanisms and considered the same remain effective to ensure independent views and input are available to the Board since adoption of the mechanisms up to the date of this annual report.

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.

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.

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 code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills.

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, the Company's legal advisers held a training seminar on the amendments to the Listing Rules in relation to share schemes of listed issuers and all the Directors attended the aforesaid training as well as other 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 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
Ms. Zhou Yumei (Redesignated on 6 June 2022)	A and C
Non-executive Directors	
Ms. Zhao Chunxiang	A and C
Mr. Zheng Shijie (Retired on 6 June 2022)	A and C
Mr. Du Peng (Appointed on 6 June 2022)	A and C
INEDs	
Mr. Chow Ching Ning	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, six (6) 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	6/6	1/1
Mr. Cao Yang	6/6	1/1
Ms. Yan Jingfen	6/6	1/1
Ms. Zhou Yumei (Redesignated on 6 June 2022)	6/6	1/1
Non-executive Directors		
Ms. Zhao Chunxiang	6/6	1/1
Mr. Zheng Shijie (Retired on 6 June 2022)	2/2	1/1
Mr. Du Peng (Appointed on 6 June 2022)	4/4	0/0
INEDs		
Mr. Chow Ching Ning	6/6	1/1
Mr. Wang Yashan	6/6	1/1
Mr. Wu Xuekai	6/6	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.

As of 31 December 2022, the Group employed a total of 352 employees including senior management (2021: 384), who are from various age groups, with a male-female ratio of 39%:61% (2021: 42%:58%), almost achieving gender equality.

As at 31 December 2022, the Board has three female members, representing one-third of the Board. The Nomination Committee is of the opinion that the Board is sufficiently diverse in terms of gender, background and experience, thus the Board has not set any measurable objectives. The Board will consider to set measurable objectives for implementing the Board Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and determine the progress of achieving such objectives.

The Company will also ensure that there is gender diversity when recruiting staff at mid to senior level of the Group so that it will have a pipeline of female senior management and potential successors to the Board in the future.

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 annual report, the Audit Committee comprises all the INEDs, namely Mr. Chow Ching Ning, Mr. Wang Yashan and Mr. Wu Xuekai. 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 reviewed the final results of the Group for the year ended 31 December 2021 and the unaudited interim results of the Group for the six months ended 30 June 2022 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. Chow Ching Ning	3/3
Mr. Wang Yashan	3/3
Mr. Wu Xuekai	3/3

The Audit Committee met on 24 March 2023 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 5 June 2023.

Remuneration Committee

The Remuneration Committee was established on 28 May 2018 with written terms of reference in compliance with the CG Code. In November 2022, the terms of reference of the Remuneration Committee were updated to reflect additional responsibility of the Remuneration Committee arising from the amendments to the Listing Rules pertaining to the share option schemes and share award schemes came into effect on 1 January 2023. 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, 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;

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

- reviewing and/or approving matters related to the share schemes under Chapter 17 of the Listing Rules.

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 24 March 2023 to, among others, review the remuneration package of the Directors including the proposed non-executive Director 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; (iii) reviewing and making recommendations on the re-election of all Directors for the third session of the Board at the annual general meeting of the Company held on 6 June 2022 (the "**2022 AGM**"); and (iv) reviewing and making recommendations on the appointment of a Director at the 2022 AGM upon the retirement of Mr. Zheng Shijie, 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 24 March 2023 and among other matters, reviewed the structure, size and composition of the Board and assessed the independence of the INEDs and proposed appointment of a non-executive Director.

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 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 code provision A.2.1 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, legal compliance risks and environmental, social and governance 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.

The Group has formulated a whistleblowing policy for employees to raise concerns, in confidence, about possible improprieties in operation, financial reporting or other matters. Such arrangement will be reviewed by the Audit Committee which ensures that proper arrangement is in place for fair and independent investigation of the matters.

The Group has also formulated an anti-corruption policy to promote and support anti-corruption laws and regulations. The Group is committed to achieving the highest standards of integrity and ethical behaviour in conducting business.

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 the date of the 2022 AGM until the end of the term of third session of the Board (i.e. 5 June 2025) 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 date of the 2022 AGM until the end of the term of third session of the Board (i.e. 5 June 2025).

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.

All members of the current Board were elected at the 2022 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 code provision E.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	1,018
Non-audit services	
— Professional service fees in relation to agreed upon procedures on interim financial information	269
— Other professional services	168
Total	1,455

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**") and Ms. Cheng Lucy ("**Ms. Cheng**"), the Joint Company Secretaries, are 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.

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.

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 Extraordinary General Meeting (the "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 soon 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 http://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.

The Board welcomes views of the Shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management directly. Board members and appropriate senior staff of the Group are available at the meetings to answer any questions raised by the Shareholders. The Board has reviewed the shareholders' communication policy and its effectiveness was confirmed.

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 of Association. Pursuant to Rule 13.90 of the Listing Rules, the latest version of the Company's Articles of Association is available on the respective websites of the Company and the Stock Exchange.

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 aspires 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 between 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 understand their needs and carry out comprehensive management on ESG issues. While implementing the sustainable development plan, the Group will consider the relevant short-term and long-term factors, including the challenges that it is facing, its responsibility to 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 an appropriate working environment for employees, and pay attention to social issues, including responsible procurement, drug abuse prevention, environmental conservation, volunteer activities, etc. At the meantime, the Group makes 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 2022 to 31 December 2022, the Board is hereby pleased to present the 2022 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 FY2022, 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 the Company 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 2022 to 31 December 2022. 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. (the "**Company**") accounted for the majority of the Group's results, the scope of this ESG Report is based on the Company'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 the Company (i.e. the principal operation unit of the Group) for the reporting year. The information contained herein is helpful to understand and evaluate the Group's ESG performance in its 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 the Company.

Reporting Principles

This ESG Report follows the requirements of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Main Board Listing Rules issued by The Stock Exchange of Hong Kong Limited 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 competitiveness, 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 quantified data and measurable standards. The sources 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 advice and suggestion that may enhance the Group's ESG performance. The Group is open to and values all advice and suggestions received, in order to uphold the common interests of the Group and all stakeholders. Stakeholders are welcome to send such advice and suggestions to the Group's email: ssfz@shanshan.com.

Environmental, Social and Governance Report

ABOUT SHANSHAN BRAND MANAGEMENT CO. LTD.

The Business of the Group

The Company (Stock Code: 1749) and its subsidiaries are principally engaged in the design, marketing and sales of formal and casual business menswear in the PRC under the brands 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 province and Tibet Autonomous Region. 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. Committed to becoming a century-old classic menswear brand in China, the Group inherits the tradition and leads the trend, and cooperates with colleagues within the industry chain to forge high-quality products and services, so as to jointly create industry values; the Group also delivers an elegant dress concept to consumers 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)	Mr. Zheng Shijie (retired on 6 June 2022)	Mr. Wang Yashan
Ms. Yan Jingfen	Mr. Du Peng (appointed on 6 June 2022)	Mr. Wu Xuekai
Ms. Zhou Yumei (re-designated on 6 June 2022)		

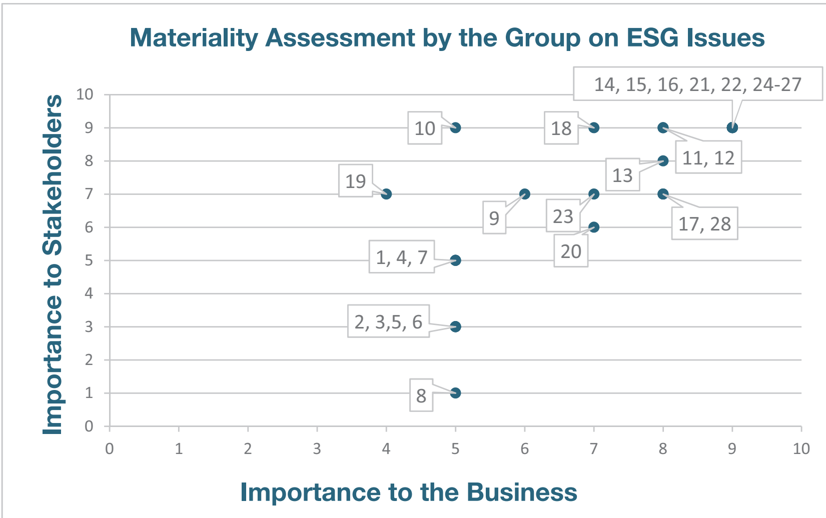
PARTICIPATION OF STAKEHOLDERS

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, procurement agreement, e-mail and telephone correspondence
Investors	Corporate governance system, business strategy and performance, and investment returns	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 FY2022, the Group conducted surveys of internal and external stakeholders, including the 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, business characteristics and 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:



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
20	Labour standards in the supply chain

Number	ESG Issues Operational Issues:
21	Supply chain management
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.

The Group will be more proactive to maintain communication with stakeholders and solicit advice from them through different channels to conduct more comprehensive analysis. Meanwhile, the Group will revise the reporting principles of materiality, quantitative 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 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 the 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 arranging 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 work; and
- reviewing the annual ESG report and submitting 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 reporting 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 goals 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 sacrificed 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 FY2022, the Group did not find any crucial illegal behaviour relating to environmental issues.

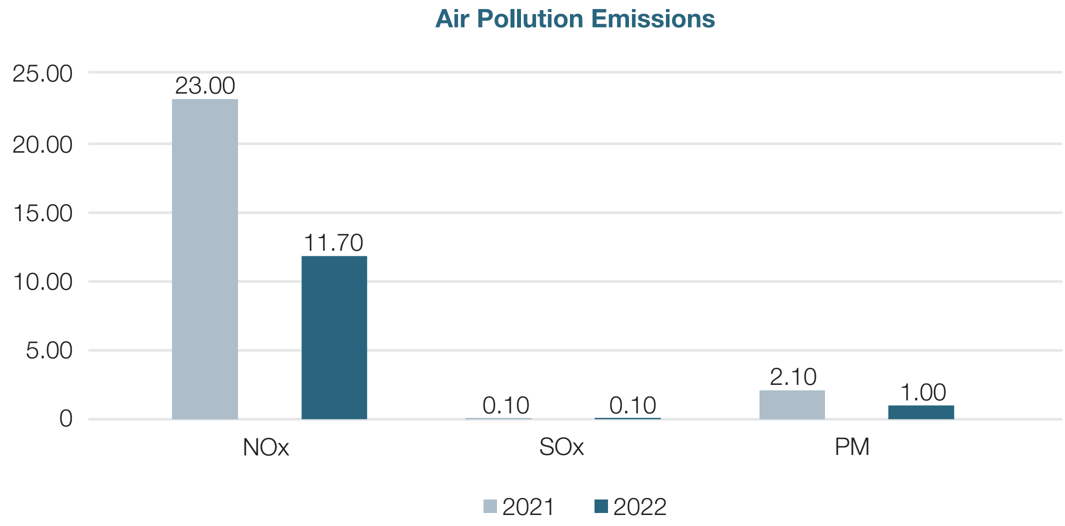
A1. EMISSIONS

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 FY2022, the Group discharged an aggregate of approximately 12.8 kg (2021: 25.2 kg) of air pollutant emissions arising from its operation with an emission density per automobile of approximately 4.3 kg (2021: 8.4 kg), representing a decrease of approximately 49.2% and a decrease of approximately 48.8% as compared to the total amount and the emission density of air pollutant emissions discharged by the Group during FY2021, respectively. In FY2022, as affected by the pandemic, the government of Mainland China adopted strict lockdown and control management to address the pandemic situation, which led to a decline in the usage rate of the Group's vehicles. In addition, the Group has implemented a number of measures to limit its sources of air pollution emissions, for example a suitable control of delivery frequency, an advanced planning of route to increase vehicle usage efficiency, and an adoption of express logistics for certain deliveries, reducing the amount of air pollutant emissions by the Group. 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 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.

Looking forward, the Group will continue to regularly inspect and maintain vehicles, encourage employees to take public transportation in order to reduce the amount of air pollution emissions where feasible in the future, and maintain an emission target no higher than that in 2022.



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 came from the use of the 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 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 FY2022 was approximately 441.0 tonnes (2021: 461.2 tonnes[1]), of which 3.0% (2021: 3.2%) was direct emissions from the use of vehicles, 94.0% (2021: 94.7%) was indirect emissions from electricity consumption of the headquarter in Ningbo, and the remaining 6.6% (2021: 2.1%) was indirect emissions from other sources. Direct GHG emission from the use of vehicles decreased from approximately 14.6 tonnes to approximately 13.2 tonnes, representing a decrease of approximately 9.6%. On the other hand, electricity consumption decreased from approximately 436.70 tonnes to approximately 398.60 tonnes, representing a decrease of approximately 4.1%, which was due to the consolidation of energy-saving measures in the year 2022 by the Group, including the use of human-body-sensitive radar electronic switch in common areas such as washrooms and corridors, and the replacement with energy-saving lighting facilities. The need for employees to travel by plane for business significantly increased, which was mainly due to a number of store visits in various regions conducted by the management for the sake of a deeper understanding of the situation of the stores in the regions to improve store image, operation and products, so its greenhouse gas emissions increased significantly by approximately 349.2% from approximately 6.1 tonnes to approximately 27.4 tonnes.

Given that a substantial portion of the GHG emissions was derived from electricity consumption, the Group posted slogans internally to remind the employees to unplug idle electrical appliances and encouraged them to adopt natural light to reduce electricity consumption. The Group's total GHG emissions generated in FY2022 decreased slightly by approximately 4.4% as compared to FY2021. Except for the increase in energy indirect GHG emissions due to increased business visits to various places by the management, 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.

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 transport; if the commuting time or distance is less than the recommended standard, employees are advised to take public transport 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 optimize and reduce GHG emissions.

Scope	Source of GHG emission	GHG emissions for FY2021 (tonne)	GHG emissions for FY2022 (tonne)
Scope 1	Direct GHG emission from the use of vehicles	**14.6**	**13.2**
Scope 2	Indirect GHG emissions from the electricity purchased by the Group's headquarter in Ningbo[2]	**436.7**	**398.6**
	Waste paper disposed in the landfill	**–**	**–**
Scope 3	Electricity consumed for treatment of drinking water and sewage[3]	**3.8**	**1.6**
	Business air travel by employees	**6.1**	**27.4**
Data of GHG emissions			
Total GHG emissions (tonnes)		**461.2**	**440.9**
GHG emissions per capita (tonnes/number of staff)[4]		**1.2**	**1.3**

2 According to the Corporate Greenhouse Gas Emission Accounting Methodology and Reporting Guidance – Power Generation Facilities (2022 Revised Edition) issued by the Ministry of Ecology and Environment of the People's Republic of China on 15 March 2022, the 2021 and 2022 baseline emission factor for Zhejiang Province is 0.5810 tonne/MWh.

3 In accordance with the latest data announced by the Water Supplies Department in Hong Kong for the Year 2020/21 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 0.612 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 assumed to be consistent with that in the PRC.

4 The GHG emission intensity was calculated by per capita emission. The Group's total number of staff was 352 as of 31 December 2022.

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 daily business operation. In FY2022, all waste paper generated by the Group was recycled by engaging a third party waste paper recycling company, thus no waste paper was disposed of to 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 paper for reuse. The Group also conducts monitoring and review of the Group's daily business processes and use electronic documents in place of paper documents to reduce the consumption of paper.

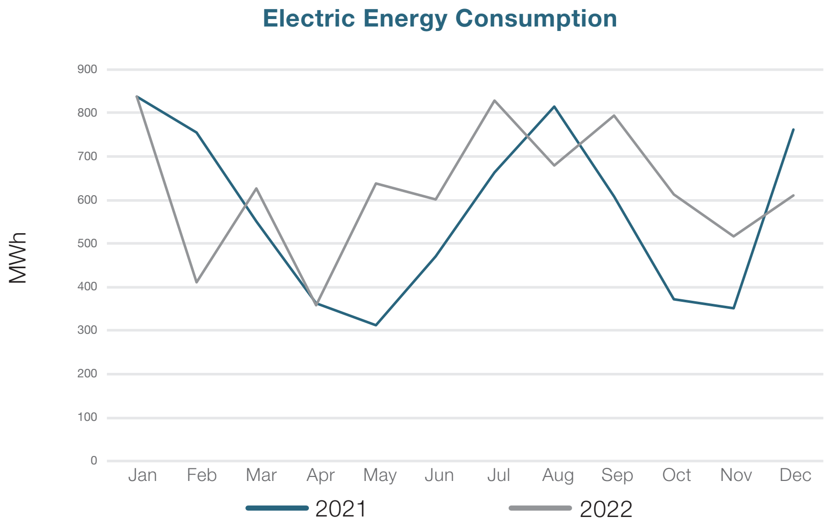
In addition to waste paper, the Group has set up a staff canteen including the recovery areas for kitchen waste, food waste and tableware at its headquarter to recover the waste generated by the canteen and reduce the total weight of waste disposed of to the landfill.

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 daily work, but also sets environmental targets for resource consumption and has implemented a set of measures to reduce resource consumption to achieve the goal of carbon emission reduction.

Electric Energy Consumption

The major carbon footprints of the Group came from electric energy consumption. The electric energy consumption of the Group's headquarter in Ningbo reduced by approximately 8.7% to approximately 686.1 MWh for FY2022, as compared to 751.6 MWh for FY2021; the electric energy consumptions per capita remained at approximately 2.1 MWh/number of staff (2021: 2.1 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 idle electrical appliances, such as air conditioner and lighting system. The corridors and windows of offices are also designed to channel natural light, 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 new showrooms in our future operations, so as to maintain a similar level of electricity consumption 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 FY2022 was 2,608.2 m^3 (2021: 6,087.0 m^3), representing a significant decrease of approximately 57.2% as compared to FY2021; the density of relevant water consumption also reduced to 7.4 m^3 per capita (2021: 15.9 m^3).

The Group will continue to encourage employees to save water while using the washrooms, and the Group lately opted for water-saving urinals with smart sensors and small-volume flush tanks to save water usage, with a one-third reduction in the estimated use of water for a urinal compared with last year. In addition, the Group discontinued the use of kettles and other non-essential appliances for individual staff members and provided with water dispensers with purifiers. The above measures ensured safety in electricity usage in office area, reduced electricity consumption arising from work, and lowered consumption of water resources to a certain extent, thereby reducing the Group's carbon footprints. In FY2022, 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, and will keep encouraging employees to save water where possible to avoid waste. The Group will also strive to maintain in the future a similar level of water consumption to that in the year through the measures as mentioned above.

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 FY2022. 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 by growing 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 to source natural light 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 becoming 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

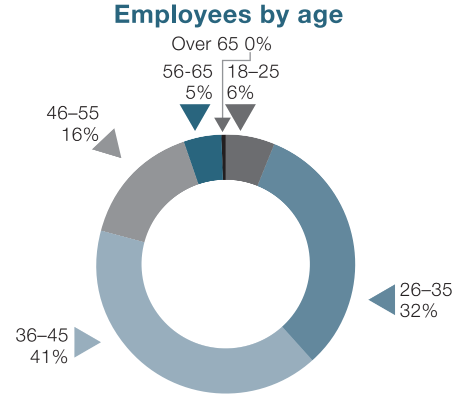
Employees are one of the most important assets of the Group. We provide the best treatment to employees in different aspects, such as generous employee benefits, development and training plans, and a harmonious and healthy working environment. Therefore, while the employees are contributing to the Group's 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 by considering their work experience, competence and ability to create values only, and will not treat them unfairly based on their gender, sexual orientation, age, national or ethnic origin, family status or other personal characteristics. As of 31 December 2022, the Group employed a total of 352 employees (2021: 384), all from mainland China. Our employees are among various age groups, with a male-female ratio of 39%:61% (2021: 42%:58%), almost achieving gender equality. In addition, different types of employment contracts are adopted to enhance diversity and inclusiveness among employees, with 17% of employees with permanent employment contracts, 82% with fixed-term employment contracts and the remaining 1% with post-retirement 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 29% (2021: 26%) of employees who had worked for more than five years and 49% (2021: 52%) 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



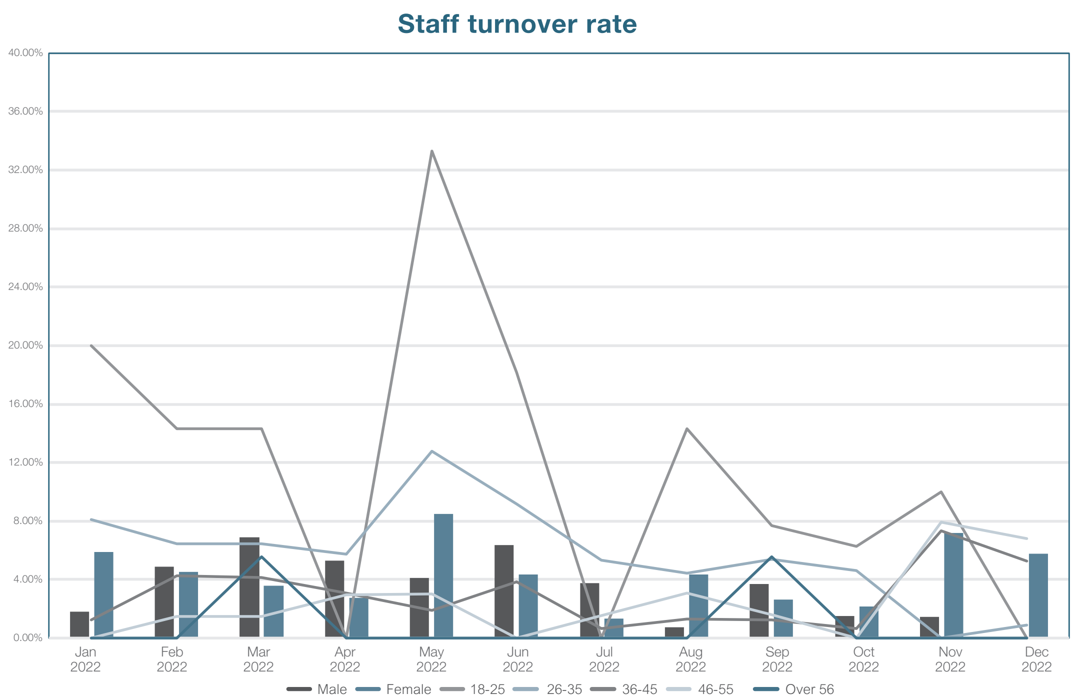
Staff Compensation

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 strictly follows 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 can strike a balance between work and life, and maintain a balanced and healthy lifestyle, the Group has implemented a standard working hour 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 organized 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 know each other through games and interaction. 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 personnel turnover rate of the Group was successfully controlled at about 4% during FY2022 (2021: 6%). The average staff turnover rate by age group was approximately 12% (18-25), 6% (26-35), 3% (36-45), 2% (46-55) and 1% (56-65); the average staff turnover rate by gender was approximately 3% (male) and 4% (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 stipulate the preparedness plan for the epidemic, the daily management of office area during the epidemic and measures to be taken in case of outbreak. The Group has also strictly monitored the hygienic conditions of the working environment by carrying out daily temperature measurement for 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 and implemented 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. In December 2022, after the relaxation of pandemic control in Mainland China, there were numerous cases of COVID-19 infection among staff members of the Group. In response, the Group has adopted emergency measures such as the implementation of work-from-home arrangement to reduce our staff's risk of infection, ensuring the safety of our staff and a normal operation of work.

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 protective 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 FY2022, the Group reported 2 work-related injuries and lost 105 working days (2020 and 2021: no work-related injury). The Group will provide employees suffering from work-related injuries with sufficient sick leave for recuperation in case of such an event. During FY2022 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 strive to provide 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 FY2022, the number of employees of the Group who received trainings was 80 (2021: 430), accounting for 23% (2021: 100%) of the total number, while the total training hours were 1,200 hours (2021: 860 hours). During the Year, as affected by the fluctuating pandemic situation, the Group was unable to conduct trainings for all staff members. During this period, there was also an adjustment of company organization and personnel, with trainings organized specifically for middle management and senior management first in the second half of the year, resulting in a reduction in the total training hours provided in the Year compared with last year. The percentages of trained employees by employment category of junior employees, middle management and senior management were approximately 0%, 56% and 44%, respectively. The percentages of trained employees by gender were 63% for male and 37% for female, respectively.

On the other hand, the average training hours per trainee amounted to approximately 15 hours (2021: 2 hours). The average training hours per employee by gender were approximately 5.64 hours and 1.95 hours for each male and female employee, respectively. During the Year, the Group continued to be affected by the pandemic and organized trainings specifically for middle management and senior management first in the second half of the year, and junior employees, middle management and senior management received an average of 0 hours, 27.1 hours and 18 hours of training, respectively. Although it was unable to provide trainings to all our employees during the Year, the average training time for each employee who received training substantially increased, which demonstrated the Group's determination and commitment to improve the employees' work ability so as to endeavour to improve the overall quality of employees; and the Group will put forward training on junior employees in 2023.

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 FY2022, there was 1 case of labor dispute in the Group, but the dispute was dismissed in the year. In addition, there was no cases of forced labor in the Group. 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 FY2022, the Group has cooperated with 201 suppliers, all of them are located in Mainland China. The OEM suppliers cooperating 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, with a quality complying with or even exceeding the industry standard, with an intention to safeguard the reputation of the Group and public interest. In addition, the Group places strong emphasis on long-term mutual trust relationship with its customers so as to deliver the customer-oriented principle.

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 will only purchase the goods that passed the test. The quality assurance team of the Group will check all the major stages of the production process conducted by the OEM suppliers 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, semi-finished goods and components used by the OEM suppliers in the production process, 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 sampling 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 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-sales services in a bid to establish a relationship with its customers based on mutual trust. The Group has already formulated an after-sales 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 the quality inspection team to improve quality testing standards. During FY2022, the Group received a total of 12 (2021: 12) complaints about its product and service, and all had been comprehensively dealt with by our after-sales commissioners for return 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 the 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 FY2022, 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.

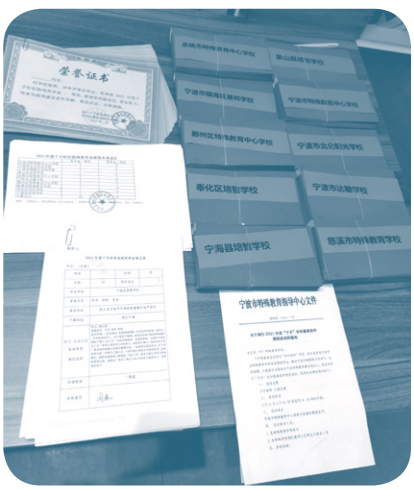
Whistle-Blowing Channel and Policy

The Group has established written whistleblowing monitoring procedure, encouraging employees to report and file complaints relating to fraud and immoral behaviour 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 upholds 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 2022, the Group has donated materials and money equivalent to approximately RMB1,785,832 (2021: RMB1,035,000) 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 18 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 to 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

	FY2021	**FY2022**
Air pollution emissions		
Total air pollution emissions	25.2 kg	**12.8 kg**
Air pollution emission density	8.4 kg/vehicle	**4.3 kg/vehicle**
Total NOx emission	23.0 kg	**11.7 kg**
Total SOx emission	0.1 kg	**0.1 kg**
Total PM emission	2.1 kg	**1.0 kg**
GHG emission		
Total GHG emission	461.2 tonnes	**441.0 tonnes**
GHG emission density	1.2 tonnes/person	**1.3 tonnes/person**
Scope 1 – direct GHG emissions generated from business operations	14.6 tonnes	**13.2 tonnes**
Scope 2 – "energy indirect" GHG emissions	436.7 tonnes	**398.6 tonnes**
Scope 3 – all other indirect GHG emissions	9.9 tonnes	**29.0 tonnes**
Non-hazardous wastes		
Total waste paper disposal	–	**–**
Waste paper disposal density	–	**–**
Electric energy consumption		
Total electric energy consumption	751.6 MWh	**686.1 MWh**
Electric energy consumption density	2.1 MWh/person	**2.1 MWh/person**
Water resource consumption		
Total water resource consumption	6,087.0 m^3	**2,608.2 m^3**
Water resource consumption density	15.9 m^3/person	**7.41 m^3/person**

SOCIAL ASPECTS DATA

	FY2021	FY2022
Number of employees		
Total employees	384	**352**
Number of employees by gender		
Male	163	**139**
Female	221	**213**
Number of employees by age		
Under 18	–	**–**
18–25	24	**22**
26–35	150	**113**
36–45	148	**144**
46–55	45	**55**
Over 56	17	**18**
Number of employees by position		
Frontline staff	338	**301**
Mid level management	30	**31**
Senior management	16	**20**
Number of employees by working year		
Less than 1 year	108	**77**
1–3 years	75	**102**
3–5 years	102	**70**
5–10 years	71	**70**
Over 10 years	28	**33**
Number of employees by type of employment		
Open-ended contracts	70	**61**
Fixed-term contracts	312	**288**
Temporary workers	–	**–**
Post-retirement employment contracts	2	**3**

	FY2021	FY2022
Number of employees by geographical region		
Mainland China	384	**352**
Employee turnover rate		
Average monthly turnover rate	5.7%	**4.0%**
Employee turnover rate by gender		
Male	5.5%	**3.4%**
Female	5.9%	**4.4%**
Employee turnover rate by age		
Under 18	–	**–**
18–25	10.3%	**11.5%**
26–35	6.9%	**5.8%**
36–45	4.4%	**2.9%**
46–55	3.5%	**2.5%**
Over 56	2.9%	**0.9%**
Employee turnover rate by geographical region		
Mainland China	5.7%	**4.0%**
Health and safety		
Reported injuries	–	**2**
Lost days	–	**105**
Development and training		
Total internal training hours for employees	860	**1,200**
Total employees trained	430	**80**
Averaged training hours per trainee	2.2	**15**
Percentage of employees trained	100%	**23%**
Percentage of employee trained by gender		
Male	50%	**63%**
Female	50%	**37%**

	FY2021	FY2022
Percentage of employee trained by position		
Frontline staff	87%	**–**
Mid level management	8%	**56%**
Senior management	5%	**44%**
Average training hours completed per employee		
Average training hours completed per employee by gender		
Male	2.6	**5.6**
Female	2.0	**2.0**
Average training hours completed per employee by position		
Frontline staff	2.2	**–**
Mid level management	2.4	**27.1**
Senior management	2.8	**18**
Supply chain management		
Total suppliers	208	**201**
Product responsibility		
Number of products and service related complaints received	12	**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	RMB1,035,000	**RMB1,785,832**
Employees' volunteer hours	11 hours	**11 hours**
Number of employees involved in volunteer activities	23	**18**

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.		54-58
KPI A1.1	The types of emissions and respective emission data	54-55
KPI A1.2	Greenhouse gas emission in total (in tonnes) and intensity (e.g per unit of production volume, per facility).	56-57
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).	58
KPI A1.5	Description of measures to mitigate emissions and results achieved.	54-58
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	58

A2. Use of Resources		Page #
Policies on the efficient use of resources, including energy, water and other raw materials.		58-60
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).	58-60
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	59-60
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	59-60
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	59-60
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	60

A3. The Environment and Natural Resources		Page #
Policies on minimizing the issuer’s significant impact on the environment and natural resources.		60-62
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	60

A4. Climate Change		Page #
Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		63
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.	63

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.		63-65
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	64
KPI B1.2	Employment turnover rate by gender, age group and geographical region.	65

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.		66
KPI B2.1	Number and rate of work-related fatalities.	66
KPI B2.2	Lost days due to work injury.	66
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	66

B3. Development and Training		Page #
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		67
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc.).	67
KPI B3.2	The average training hours completed per employee by gender and employee category.	67

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.		68
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	68
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	68

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

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.		69-70
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	70
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.	70
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	70

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.		70-71
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.	71
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	71
KPI B7.3	Description of anti-corruption training provided to directors and staff.	71

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.		72-73
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	72
KPI B8.2	Resources contributed (e.g. money or time) to the focus areas.	72

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 two brands, namely FIRS and SHANSHAN, 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.

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 to the holders of domestic shares and H Shares whose names appear in the register of members of the Company (the "**Register of Members**") on Friday, 16 June 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 report, 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.

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 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 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.

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 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 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. With the full liberalization of COVID-19 surveillance by the China government, and after experiencing the peak of the first wave of the epidemic, China's economy has gradually recovered. Therefore, the management of the Group anticipates that the Group's exposure to the adverse effects of the epidemic will be correspondingly reduced in 2023, 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 on the financial position and operating results of the Group, expand brand influence through various operating strategies, and boost consumer confidence.

Save as disclosed in note 44 to the consolidated financial statements, since 31 December 2022, 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 2022 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 RMB1,785,832 (2021: RMB1,035,857).

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.

RESERVES AND DISTRIBUTABLE RESERVES

As at 31 December 2022, the distributable reserves of the Company, calculated in accordance with the provisions of the PRC Companies Law, amounted to approximately RMB51,788,189 (2021: RMB35,781,862). 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 111 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 196 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 4.1% and 10.5% (2021: 3.1% and 9.4%) 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 11.1% and 25.9% (2021: 7.2% and 13.2%) 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 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.

Report of the Directors

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
Ms. Zhou Yumei (Redesignated on 6 June 2022)

Non-executive Directors
Ms. Zhao Chunxiang
Mr. Zheng Shijie (Retired on 6 June 2022)
Mr. Du Peng (Appointed on 6 June 2022)

INEDs
Mr. Chow Ching Ning
Mr. Wang Yashan
Mr. Wu Xuekai

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

CHANGE IN INFORMATION OF DIRECTORS

The change in information of Directors 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. Zheng Shijie	:	retired as a non-executive Director on 6 June 2022.
Mr. Du Peng	:	appointed as a non-executive Director on 6 June 2022 and serving as an executive director and manager of Tengzhou Shanshan, a wholly-owned subsidiary of the Company, since 23 March 2023.
Ms. Zhou Yumei	:	redesignated as an executive Director on 6 June 2022.
Mr. Cao Yang	:	serving as the project manager of Shanshan, a substantial shareholder of the Company, since November 2022 and the head of the project department of Shanshan since January 2023.
Ms. Zhou Danna	:	serving as a supervisor of Tengzhou Shanshan, a wholly-owned subsidiary of the Company, since 23 March 2023.

SERVICE CONTRACT OF DIRECTORS AND SUPERVISORS

The service period of all the members of the Board and the Supervisory Committee commenced from 6 June 2022 and shall end on 5 June 2025 or the date when the forth 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 any 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 2022, 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 Interests	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 1)	Domestic Shares	Interest of a controlled corporation/ Corporate interest; Interest of spouse/ Family interest; Beneficial owner/ Personal interest	24,674,000	24.674%	18.496%
Ms. Zhou Yumei ("**Ms. Zhou YM**") (Notes 1 & 2)	Domestic Shares	Interest of a controlled corporation/ Corporate interest; Interest of spouse/ Family interest	24,674,000	24.674%	18.496%

Notes:

(1) Mr. Luo, an executive Director and the chairman of the Board (the "**Chairman**"), interested in and was deemed to be interested in 24,674,000 Domestic Shares within the meaning of Part XV of the SFO, which represents 24.674% of the total number of issued Domestic Shares and 18.496% of the total number of issued shares of the Company. It comprises (i) 11,339,000 Domestic Shares directly owned by Mr. Luo; and (ii) 13,335,000 Domestic Shares beneficially owned by Shaanxi Maoye Gongmao Co., Ltd.* (陝西茂葉工貿有限公司) ("**Shaanxi Maoye**"), a company owned as to 80% by Mr. Luo and 20% by Ms. Zhou YM, 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 23 November 2022, Ms. Li Xinghua ("**Ms. Li**") entered into a conditional sale and purchase agreement with Mr. Luo, pursuant to which Ms. Li agreed to sell and Mr. Luo agreed to purchase 2,001,000 Domestic Shares. The transfer of above Domestic Shares was completed on 6 January 2023.

(2) Ms. Zhou YM is an executive Director and the wife of Mr. Luo. By virtue of the SFO, Ms. Zhou YM is deemed to be interested in the same number of Domestic Shares in which Mr. Luo is interested in.

Save as disclosed above and so far as is known to the Directors, as at 31 December 2022, none of the Directors, the Supervisors and 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.

* *for identification purpose only*

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

As at 31 December 2022, 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 Interests	Number of Shares Interested	Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Shareholding in the Total Shares
Shanshan (Notes 2, 10 & 11)	Domestic Shares	Beneficial owner/ Personal interest	25,834,600	63.182%	47.363%
	Domestic Shares	Person having security interest/ other interest	37,347,000		
Shanshan Group (Notes 3, 10 & 11)	Domestic Shares	Interest of a controlled corporation/ Corporate interest	25,834,600	63.182%	47.363%
	Domestic Shares	Interest of a controlled corporation/ Corporate interest	37,347,000		
Ningbo Yonggang Clothing Investment Co., Ltd. ("**Ningbo Yonggang**") (Notes 4, 10 & 11)	Domestic Shares	Interest of a controlled corporation/ Corporate interest	25,834,600	63.182%	47.363%
	Domestic Shares	Interest of a controlled corporation/ Corporate interest	37,347,000		
Shanshan Holding (Notes 5, 10 & 11)	Domestic Shares	Interest of a controlled corporation/ Corporate interest	25,834,600	63.182%	47.363%
	Domestic Shares	Interest of a controlled corporation/ Corporate interest	37,347,000		

Name of Substantial Shareholders	Class of Shares	Capacity/ Nature of Interests	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 6, 10 & 11)	Domestic Shares	Interest of a controlled corporation/ Corporate interest	25,834,600	63.182%	47.363%
	Domestic Shares	Interest of a controlled corporation/ Corporate interest	37,347,000		
Mr. Zheng Yonggang ("**Mr. Zheng**") (Notes 1, 7, 10 & 11)	Domestic Shares	Interest of a controlled corporation/ Corporate interest	25,834,600	63.182%	47.363%
	Domestic Shares	Interest of a controlled corporation/ Corporate interest	37,347,000		
Ms. Zhou Jiqing ("**Ms. Zhou**") (Notes 7, 10 & 11)	Domestic Shares	Interest of a controlled corporation/ Corporate interest	25,834,600	63.182%	47.363%
	Domestic Shares	Interest of a controlled corporation/ Corporate interest	37,347,000		
Ningbo Liankangcai (Note 8)	Domestic Shares	Beneficial owner/ Personal interest; Person providing security interest/ Other interest	24,012,000	24.012%	18.000%
Ms. Li (Notes 11&12)	Domestic Shares	Beneficial owner/ Personal interest	14,807,400	14.807%	11.100%
Shaanxi Maoye (Note 9)	Domestic Shares	Beneficial owner/ Personal interest; Person providing security interest/ Other interest	13,335,000	13.335%	9.996%
Ms. Zhao Yongzhi ("**Ms. Zhao**") (Note 12)	Domestic Shares	Beneficial owner/ Personal interest	12,806,400	12.806%	9.600%
Mr. Zhang Jincan	Domestic Shares	Beneficial owner/ Personal interest	6,670,000	6.670%	5.000%

Notes:

(1) Mr. Zheng passed away on 10 February 2023.

(2) 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 34.55% by Shanshan Group, approximately 9.07% 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 3.19% by Shanshan Holding, approximately 3.44% 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 the late Mr. Zheng and approximately 49.72% by other shareholders.

(3) Shanshan Group is directly interested in approximately 34.55% of the registered share capital of Shanshan and indirectly interested in approximately 9.07% 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.

(4) Ningbo Yonggang is interested in approximately 10.00% 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.

(5) Shanshan Holding is directly interested in approximately 3.19% of the registered share capital of Shanshan. Further, Shanshan Holding is indirectly interested in (a) approximately 34.55% of the registered share capital of Shanshan through (i) Ningbo Yonggang (a corporation of which Shanshan Holding is interested in approximately 97.65% of its registered capital); and (ii) Shanshan Group (a corporation of which Shanshan Holding is directly interested in approximately 51.80% and indirectly interested in approximately 10.00% through Ningbo Yonggang); (b) approximately 9.07% 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 3.44% 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.

(6) Qinggang Investment is interested in approximately 44.55% 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.

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

(8) Ningbo Liankangcai is owned as to 18.6% by Mr. Luo, 19% by Ms. Yan Jingfen, both are the executive Directors. 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.

(9) Shaanxi Maoye is owned as to 80% by Mr. Luo, an executive Director and 20% by Ms. Zhou YM, an executive Director and the wife of Mr. Luo. 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, the late 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, the late 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. On 8 April 2022, Ms. Li ceased to provide the guarantee by the Company's shares she held.

(12) On 23 November 2022, Ms. Li entered into separate conditional sale and purchase agreements with each of Mr. Luo and Ms. Zhao, pursuant to which Ms. Li agreed to sell 2,001,000 and 12,806,400 Domestic Shares to Mr. Luo and Ms. Zhao, respectively. On 6 January 2023, the transfers of above Domestic Shares were completed and Ms. Li ceased as a substantial shareholder of the Company.

Save as disclosed above, as at 31 December 2022, 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 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.

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 "Connected Transactions" and "Continuing 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 "Connected Transactions" and "Continuing 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 Licensing Agreement with Shanshan Group

On 30 September 2021, the Company entered into a trademark licensing agreement (the "**Trademark Licensing 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 Licensing 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 Licensing Agreement was RMB3,900,000. According to the Trademark Licensing Agreement, no licensing fees will be paid by the Company for the Year.

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 I**") 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 ended on 31 December 2022. The total rental payments payable by the Company to Shanshan under the Lease Agreement I was approximately RMB3,000,000. As the Lease Agreement I expired on 31 December 2022, on 30 December 2022, the Company entered into a lease agreement (the "**New Lease Agreement**") with Shanshan to continue to lease the aforesaid properties from Shanshan for a term of two year commencing on 1 January 2023 and ending on 31 December 2024. The total rental payments payable by the Company to Shanshan under the New Lease Agreement was approximately RMB6,000,000. The actual transaction amount is approximately RMB1,430,550 for the Year.

Shanshan is a substantial shareholder and hence, a connected person of the Company under the Listing Rules. For further details, please refer to the announcements of the Company dated 17 December 2021 and 30 December 2022.

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 13 October 2022, the Company entered into a supply framework agreement (the "**Supply Framework Agreement**") with the purchasers (Shanghai Shanshan New Materials Co., Ltd.* (上海杉杉新材料有限公司), Ningbo Shanshan New Material Technology Co., Ltd.* (寧波杉杉新材料科技有限公司), Huzhou Shanshan New Energy Technology Co., Ltd.* (湖州杉杉新能源科技有限公司), Fujian Shanshan Technology Co., Ltd.* (福建杉杉科技有限公司), Chenzhou Shanshan New Material Co., Ltd.* (郴州杉杉新材料有限公司), Inner Mongolia Shanshan Technology Co., Ltd.* (內蒙古杉杉科技有限公司), Inner Mongolia Shanshan New Material Co., Ltd.* (內蒙古杉杉新材料有限公司), Sichuan Shanshan New Material Co., Ltd.* (四川杉杉新材料有限公司) and Yunnan Shanshan New Material Co., Ltd.* (雲南杉杉新材料有限公司)), pursuant to which the Company agreed to sell and the purchasers agreed to procure factory uniforms for a term from 13 October 2022 to 31 December 2024. The annual caps for the transactions contemplated under the Supply Framework Agreement for the three months ending 31 December 2022 and two years ending 31 December 2024 are expected to be RMB2,500,000, RMB3,900,000 and RMB3,900,000, respectively. The actual transaction amount for the period from 13 October 2022 to 31 December 2022 is approximately RMB1,796,002.

The purchasers are subsidiaries of Shanshan, a substantial shareholder of the Company, and therefore both Shanshan and the purchasers are connected persons of the Company pursuant to the Listing Rules.

The transactions contemplated under the Supply Framework 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.

* *for identification purpose only*

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

There were no changes of independent auditor in the past three years.

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, 24 March 2023

Report of the Supervisory Committee

Looking back to the year of 2022, 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 2022, the Supervisory Committee held five (5) 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 2021 and the interim report for 2022;

b. Review of the audited consolidated financial statements and independent auditor's report for 2021 and the resolution on profit distribution plan for 2021;

c. Considering and approving the work report of the Supervisory Committee for 2021.

As at 31 December 2022, 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 2022 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 2022 and the operating results and cash flow in 2022.

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 2022. 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

24 March 2023

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. ("Company") and its subsidiaries (together "Group") set out on pages 108 to 195, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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 ("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" ("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 17 and 18 to the consolidated financial statements)

The Group had property, plant and equipment of RMB18,403,292 and right-of-use assets of RMB13,557,364 as at 31 December 2022. An impairment assessment was conducted for property, plant and equipment and right-of-use assets of retail stores for which RMB333,435 and RMB2,080,460 respectively, were provided 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 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 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 property, plant and equipment and 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 calculation 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)

Provision for Obsolete Inventories

(Refer to Note 23 to the consolidated financial statements)

As at 31 December 2022, the carrying amount of inventories was approximately RMB311,939,143. The provision of write-down of inventories for the year ended 31 December 2022 was approximately RMB18,352,733 which consists reversal of provision of write-down of raw materials at RMB1,339,472 and provision of write-down of finished goods at RMB19,692,205. 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 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 write-down of 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 write-down assessment of inventories is considered to be a key audit matter.

Our Response

Our key procedures in relation to write-down 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;

– 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.

KEY AUDIT MATTERS (CONTINUED)

Impairment Assessment of Trade Receivables

(Refer to Note 24 to the consolidated financial statements)

As at 31 December 2022, the Group had gross trade receivables of RMB256,047,886 and provision of impairment for trade receivables of RMB50,989,260. 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 performed individual assessment and 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 RMB2,423,478 have been recognised in profit or loss for the year.

Our Response

Our key 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 ("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
LAI Cheuk Wai
Practising Certificate Number P07921
Hong Kong, 24 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 RMB	2021 RMB
Continuing operations			
Revenue	6	**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	7	**837,915**	1,473,052
Other gains and losses, net	8	**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	9	**(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	10	**10,952,910**	20,205,851
Income tax credit/(expense)	13	**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	14	**–**	(9,340,962)
Profit for the year		**16,006,327**	8,635,480
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	15		
– 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	17	**18,403,292**	35,518,392
Right-of-use assets	18	**13,557,364**	27,717,568
Intangible assets	19	**8,312,492**	5,987,008
Interest in an associate	20	**9,350,751**	12,224,364
Interest in a joint venture	21	**982,906**	1,098,601
Prepayments, deposits and other receivables	25	**2,655,187**	8,166,622
Deferred tax assets	22	**23,570,090**	19,182,507
Total non-current assets		**76,832,082**	109,895,062
Current assets			
Inventories	23	**311,939,143**	389,727,583
Contract assets		**–**	483,229
Trade and bill receivables	24	**205,408,626**	174,973,472
Prepayments, deposits and other receivables	25	**39,088,623**	46,143,503
Financial asset at fair value through profit or loss		**282,867**	–
Amount due from a related company	35(c)	**624,293**	37,161
Income tax recoverable		**1,713,320**	1,047,487
Pledged deposits	26	**8,000,050**	18,856,703
Cash and cash equivalents	26	**114,688,165**	84,265,326
Total current assets		**681,745,087**	715,534,464
Current liabilities			
Trade and bills payables	27	**155,326,092**	160,396,647
Contract liabilities	28	**28,451,996**	31,563,525
Other payables and accruals	29	**158,617,606**	204,154,282
Interest-bearing bank borrowings	30	**157,500,000**	172,877,546
Amount due to a joint venture	21	**856,455**	858,034
Amount due to a substantial shareholder	35(c)	**1,200,000**	–
Derivative financial liabilities	31	**–**	8,562,934
Lease liabilities	32	**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

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 RMB	2021 RMB
Non-current liabilities			
Other payables and accruals	29	**9,369,188**	7,710,000
Lease liabilities	32	**5,916,331**	13,978,594
Amount due to a substantial shareholder	35(c)	**2,700,000**	–
Contract liabilities	28	**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	33	**133,400,000**	133,400,000
Reserves	34	**94,105,543**	78,099,216
Total equity		**227,505,543**	211,499,216

The consolidated financial statements on pages 108 to 195 were approved and authorised for issue by the Board of directors on 24 March 2023 and are signed on its behalf by:

On behalf of the directors

Luo Yefei
Director

Yan Jingfen
Director

	Attributable to ordinary equity holders of the Company								
	Share capital RMB (Note 33)	Capital reserve RMB (Note 34(a))	Statutory surplus reserve RMB (Note 34(b))	Merger reserve RMB (Note 34(c))	Proposed final dividend RMB	Accumulated profits RMB	Total RMB	Non-controlling interests RMB (Note 14)	Total equity RMB
At 1 January 2021	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
Deregistration of a subsidiary (Note 14)	–	–	–	–	–	–	–	(3,811,893)	(3,811,893)
At 31 December 2021 and 1 January 2022	133,400,000	73,109,956	10,434,068	(41,226,670)	–	35,781,862	211,499,216	–	211,499,216
Profit and total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**16,006,327**	**16,006,327**	**-**	**16,006,327**
2022 proposed final dividend (Note 16)	**-**	**-**	**-**	**-**	**5,336,000**	**(5,336,000)**	**-**	**-**	**-**
At 31 December 2022	**133,400,000**	**73,109,956**	**10,434,068**	**(41,226,670)**	**5,336,000**	**46,452,189**	**227,505,543**	**-**	**227,505,543**

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 RMB	2021 RMB
Cash flows from operating activities		
Profit before income tax from continuing operations	**10,952,910**	20,205,851
Loss before income tax from discontinued operation	**–**	(9,340,962)
Profit before income tax	**10,952,910**	10,864,889
Adjustments for:		
Interest income	**(671,134)**	(688,562)
Interest expenses on bank borrowings	**6,655,387**	7,116,778
Interest expenses on lease liabilities	**1,140,376**	1,751,383
Impairment loss on trade receivables, net	**2,423,478**	5,974,539
(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**	–
Write down of finished goods, net	**19,692,205**	14,337,705
Reversal of write down of raw materials, net	**(1,339,472)**	(958,868)
Impairment loss on property, plant and equipment	**333,435**	1,234,532
Impairment loss on right-of-use assets	**2,080,460**	792,846
Depreciation of property, plant and equipment	**32,953,541**	30,655,449
Depreciation of right-of-use assets	**16,641,667**	23,061,162
Amortisation of intangible assets	**1,795,398**	741,329
Loss on disposal of property, plant and equipment	**1,707,810**	1,271,073
Loss on disposal of intangible assets	**–**	384,437
Gain on lease modification	**(608,984)**	(1,690,561)
COVID19-related rent concession	**–**	(430,217)
Fair value (gains)/losses on derivative financial liabilities	**(4,594,424)**	10,895,820
Fair value gain on financial asset at fair value through profit or loss	**(44,476)**	–
Share of result of an associate	**(5,987)**	(2,751,038)
Share of result of a joint venture	**115,695**	595,569
Exchange losses/(gains), net	**5,372,904**	(6,092,731)
Operating cash flows before working capital changes	**95,087,086**	98,384,346
Decrease in inventories	**48,787,079**	18,748,875
Increase trade and bill receivables	**(32,613,794)**	(18,113,664)
Decrease/(increase) in prepayments, deposits and other receivables	**12,080,018**	(16,405,299)
Increase in contract assets	**–**	(483,229)
Increase/(decrease) in amount due from a related company	**(587,132)**	2,000
Decrease in trade and bills payables	**(5,070,555)**	(8,269,509)
Decrease in contract liabilities	**(1,220,005)**	(11,603,192)

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 RMB	2021 RMB
Decrease in other payables and accruals	**(33,228,859)**	(5,607,025)
Decrease in amount due to a joint venture	**(1,579)**	(69,346)
Net cash generated from operating activities	**83,232,259**	56,583,957
Cash flows from investing activities		
Interest received	**671,134**	688,562
Decrease in pledged deposits	**10,856,653**	3,143,297
Dividend received from an associate	**2,879,600**	1,380,000
Proceeds from disposal of property, plant and equipment	**657,120**	82,120
Purchase of property, plant and equipment	**(18,536,806)**	(30,949,391)
Purchase of intangible assets	**(220,882)**	(1,335,503)
Net cash used in investing activities	**(3,693,181)**	(26,990,915)
Cash flows from financing activities		
Interest paid	**(6,655,387)**	(7,116,778)
Proceeds from borrowings	**192,500,000**	227,006,582
Repayment of borrowings	**(217,218,960)**	(252,561,760)
Interest elements of lease rentals paid	**(1,140,376)**	(1,751,383)
Principal elements of lease rentals paid	**(16,601,516)**	(22,230,628)
Net cash used in financing activities	**(49,116,239)**	(56,653,967)
Net increase/(decrease) in cash and cash equivalents	**30,422,839**	(27,060,925)
Cash and cash equivalents at beginning of year	**84,265,326**	111,326,251
Cash and cash equivalents at end of year	**114,688,165**	84,265,326

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 of the Company ("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 14.

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.

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

(a) Adoption of new/revised HKFRSs (Continued)

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.

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 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.

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

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

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.

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 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.

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, 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.

– 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. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

In the Company's statement of financial position disclosed in Note 42, investments in subsidiaries are stated at cost less impairment loss, if any. Dividend from a subsidiary is recognised in the financial statements of the Company when the Company's right to receive the dividend is established. The dividend is recognised in the profit or loss for the Company.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Joint arrangement (Continued)

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

The Group accounts for its interests in joint ventures in the same manner as investments in associates (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 interests in joint ventures are stated at cost less impairment losses, if any. Results of joint ventures are accounted for by the Company on the basis of dividends received and receivable.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent 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.

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 the 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 amounts (see Note 4(p)).

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leasing – The Group as a lessee

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(ii) Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses (see Note 4(p)), and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

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

Right-of-use assets are presented as separate line item

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

Refundable rental deposits

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leasing – The Group as a lessee (Continued)

(iii) Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

<u>Discount rate</u>

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use assets in a similar economic environment with similar terms, security and conditions.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leasing – The Group as a lessee (Continued)

(iii) Lease liabilities (Continued)

Discount rate (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group use that rate as a starting point to determine the incremental borrowing rate.

Lease liabilities are presented as separate line item

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

(iv) Practical expedient

Short-term leases

The Group applies the short-term lease recognition exemption to the lease of 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leasing – The Group as a lessee (Continued)

(iv) Practical expedient (Continued)

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.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

(v) Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Intangible assets (other than goodwill)

(i) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment.

Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives as follows. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Trademark	4–10 years
Software	5 years

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

(j) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate ("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.

(k) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Financial Instruments (Continued)

(i) Financial assets (Continued)

Debt instruments (Continued)

Fair value through profit or loss ("FVTPL")

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

(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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Financial Instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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 asset 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 reorganization; 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.

(vii) Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

(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 garment products

Revenue for trading of garment products generally includes only one performance obligation. The Group has concluded that revenue from trading of garment products 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 and recognise if the Group expects to refund to customers. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue recognition (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 JUDGEMENTS 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 may 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 JUDGEMENTS 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. ("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) Impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

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

B. Key sources of estimation uncertainty (Continued)

(b) Estimated useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives and residual values and consequently 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, or 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.

(c) Estimated impairment of joint venture

As at 31 December 2022, in view of impairment indicators, the Group performed impairment assessment on a joint venture. Determining whether impairment loss should be recognised requires an estimation of recoverable amount of the relevant joint venture which is the higher of value in use and fair value less costs of disposal. The value in use calculation requires the management of the Group to estimate the present value of estimated cash flows expected to arise from dividends to be received from the joint venture and the proceeds from the ultimate disposal of the investment taking into accounts factors, including discount rate and dividend payout rate. In case where the actual cash flows are less or more than expected or change in facts and circumstances which result in revision of future cash flows estimation or discount rate, a material reversal or further recognition of impairment may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition take place.

(d) Recognition of deferred tax assets

As at 31 December 2022, deferred tax assets of RMB23,570,090 (2021: RMB19,182,507) 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 models indicate that the deferred tax assets 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.

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

B. Key sources of estimation uncertainty (Continued)

(e) 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.

(f) 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.

(g) 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 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

B. Key sources of estimation uncertainty (Continued)

(h) 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.

The Group measures bill receivable (Note 24), financial asset at fair value through profit or loss and 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 product 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

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:	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 24)	**205,408,626**	174,973,472
Contract liabilities (Note 28)	**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 28.

7. OTHER REVENUE

	2022 RMB	2021 RMB
Continuing operations		
Interest income	**671,134**	688,562
Gain on sale of raw materials (Note)	**14,897**	422,567
Sundry income	**151,884**	361,923
	837,915	1,473,052

Note: Amount included a reversal of write down of raw materials of RMB1,339,472 (2021: RMB958,868).

8. OTHER GAINS AND LOSSES, NET

	2022 RMB	2021 RMB
Continuing operations		
Donation	**(1,785,832)**	(1,035,857)
Exchange (losses)/gains, net	**(5,246,283)**	6,013,143
Fair value gains/(losses) on derivative financial liabilities	**4,594,424**	(10,895,820)
Fair value gain on financial asset at fair value through profit or loss	**44,476**	–
Government grant	**1,352,030**	384,404
Loss on disposal of property, plant and equipment, net	**(1,707,810)**	(960,877)
Loss on disposal of intangible assets	**–**	(384,437)
Gain on lease modification	**608,984**	1,690,561
COVID-19-related rent concessions	**–**	430,217
Liquidated damages income	**3,389,828**	1,023,235
Others	**99,667**	(6,760)
	1,349,484	(3,742,191)

9. FINANCE COSTS

	2022 RMB	2021 RMB
Continuing operations		
Interest expenses on bank borrowings	**6,655,387**	7,116,778
Interest expenses on lease liabilities	**1,140,376**	1,751,383
	7,795,763	8,868,161

10. PROFIT BEFORE INCOME TAX

	2022 RMB	2021 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	**(4,594,424)**	10,895,820
Fair value gain on financial asset at fair value through profit or loss	**(44,476)**	–

11. STAFF COSTS

	2022 RMB	2021 RMB
Continuing operations		
Staff costs (including directors) comprise:		
– Salaries and allowances	**61,896,857**	68,073,337
– Contributions to defined contribution retirement plan (Note)	**7,125,511**	12,523,552
	69,022,368	80,596,889

Note: As stipulated by the rules and regulations in the PRC, the Group is required to participate in a central pension scheme operated by the local municipal governments and contribute a specified percentage of their payroll costs to the central pension scheme to fund the benefits. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. The Group's obligations under these plans are limited to the fixed percentage contribution payable.

The total expenses recognised in profit or loss represent contribution paid/payable to these scheme by the Group in the year. 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 2022 and 2021 is set out below:

Year ended 31 December 2022

	Fees RMB	Salaries and allowance RMB	Discretionary bonus RMB	Contributions to defined contribution retirement plan RMB	Total RMB
Executive Directors					
Luo Ye Fei	51,959	560,400	–	24,464	636,823
Cao Yang	51,959	–	–	–	51,959
Yan Jing Fen	51,959	468,734	–	20,246	540,939
Zhou Yu Mei (Note a)	51,959	250,400	–	–	302,359
Non-Executive Directors					
Zhao Chun Xiang	51,959	–	–	–	51,959
Du Peng (Note b)	30,529	145,200	–	13,610	189,339
Zheng Shi Jie (Note c)	21,572	255,200	–	10,123	286,895
Independent Non-Executive Directors					
Chow Ching Ning	103,535	–	–	–	103,535
Wang Ya Shan	103,535	–	–	–	103,535
Wu Xue Kai	103,535	–	–	–	103,535
	622,501	1,679,934	–	68,443	2,370,878

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

(a) Directors' emoluments (Continued)

Year ended 31 December 2021

	Fees RMB	Salaries and allowance RMB	Discretionary bonus RMB	Contributions 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	50,630	–	–	–	50,630
Au Yeung Po Fung (Note d)	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

Notes:

(a) Ms. Zhou Yu Mei was re-designated from non-executive director to executive director on 6 June 2022.

(b) Mr. Du Peng was appointed as an non-executive director on 6 June 2022.

(c) Mr. Zheng Shi Jie retired as an non-executive director on 6 June 2022.

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

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 (2021: three) were Directors whose emoluments are included in the disclosures in Note (a) above. The emoluments of the remaining two (2021: two) individuals were as follows:

	2022 RMB	2021 RMB
Salaries and other benefits	**1,120,801**	790,800
Performance related bonuses	**–**	51,667
Contributions to defined contribution retirement plan	**40,493**	40,488
	1,161,294	882,955

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

	2022 No. of individuals	2021 No. of individuals
Nil to HK$1,000,000	**2**	2

During the years ended 31 December 2022 and 2021, 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 2022 and 2021.

13. 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%.

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

	2022 RMB	2021 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

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

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

	2022 RMB	2021 RMB
Continuing operations		
Profit before income tax	**10,952,910**	20,205,851
Tax expense calculated at the domestic income tax rate	**2,738,228**	5,051,463
Tax effect of revenue not taxable for tax purposes	**(719,900)**	(592,644)
Tax effect of expenses not deductible for tax purposes	**351,575**	7,828
Tax effect of tax losses and deductible temporary differences not recognised	**1,105,521**	8,710
Over provision in prior years	**(665,834)**	–
Tax effect of share of result of an associate	**(1,497)**	(687,760)
Tax effect of share of result of a joint venture	**28,924**	148,892
Utilisation of tax losses previously not recognised	**(7,890,434)**	(1,707,080)
Income tax (credit)/expense	**(5,053,417)**	2,229,409

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

At 31 December 2022, the Group had estimated unused tax losses of approximately RMB39,723,966 (2021: RMB71,285,702) 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 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 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)

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

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

15. 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.

16. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2022. At the board meeting held on 24 March 2023, the board of Directors 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 ended 31 December 2022.

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 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 and 1 January 2022	2,144,833	7,542,899	110,542,659	950,268	121,180,659
Additions	–	5,550	18,531,256	–	18,536,806
Disposals	–	(25,580)	(12,852,689)	(59,623)	(12,937,892)
At 31 December 2022	**2,144,833**	**7,522,869**	**116,221,226**	**890,645**	**126,779,573**
Accumulated depreciation and impairment:					
At 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 and 1 January 2022	1,339,530	5,803,639	78,110,558	408,540	85,662,267
Charge for the year	284,190	47,766	32,471,595	149,990	32,953,541
Impairment	–	–	333,435	–	333,435
Eliminated on disposals	–	(24,815)	(10,490,313)	(57,834)	(10,572,962)
At 31 December 2022	**1,623,720**	**5,826,590**	**100,425,275**	**500,696**	**108,376,281**
Carrying amounts:					
At 31 December 2022	**521,113**	**1,696,279**	**15,795,951**	**389,949**	**18,403,292**
At 31 December 2021	805,303	1,739,260	32,432,101	541,728	35,518,392

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation

Depreciation is included in the following categories in the consolidated statement of profit or loss and other comprehensive income:

	2022 RMB	2021 RMB
Selling and distribution expenses	**31,127,985**	29,335,445
Administrative expenses	**1,822,473**	1,308,458
Cost of sales	**3,083**	11,546
	32,953,541	30,655,449

Impairment assessment

The Group operates retail stores with furniture and fixtures on leased properties with lease terms ranging from 1 to 3 years. Management regards each individual retail stores as a separately identifiable cash-generating unit ("CGUs") and performs impairment assessments on each of the CGUs by considering the recoverable amount of such assets at retail stores level.

During the year ended 31 December 2022, management performed impairment assessments to estimate the corresponding recoverable amounts of their property, plant and equipment and right-of-use assets.

With the assistance from Flagship Appraisals and Consulting Limited, an independent valuer, the Directors determine the recoverable amount of each of the CGUs based on value-in-use calculation, which comprised cash flow projections prepared based on the financial budget approved by the management cover the remaining lease terms.

Based on the result of the impairment assessment, the recoverable amount of certain CGUs was lower than their carrying amount. Accordingly, impairment loss of RMB2,413,895 was recognised for the year ended 31 December 2022 (2021: RMB2,027,378) which was allocated as to RMB333,435 (2021: RMB1,234,532) to property, plant and equipment and RMB2,080,460 (2021: RMB792,846) to right-of-use assets.

Further impairment loss was recognised for property, plant and equipment and right-of-use assets during the year ended 31 December 2022 which was mainly due to the stringent city closures imposed in the PRC in response to the COVID-19 epidemic in early 2022. The PRC local governments of many places implemented strict lockdown and restriction measures. Most of the shopping malls stores and cooperative arrangement stores operated by the Group were closed, and customer traffic was significantly decreased given that the government's epidemic prevention and control required to stay at home and travel was restricted. The Group's financial budget was revised to reflect to current assessment of the economic and market conditions and additional impairment loss of RMB2,413,895 was resulted from the assessment.

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The key assumptions used by the management in the value-in-use calculation of the CGUs include:

(i) sales growth rates ranged from 5.23% to 5.60%;

(ii) gross profit margin is maintained at similar level as had achieved during the current year;

(iii) expense inflation of 2.50%; and

(iv) pre-tax discount rate of 15.00%.

These assumptions were determined based on past performance and management's expectations in respect of the market conditions as well as the economy and political changes which had impact on the Group. The pre-tax discount rate used reflects the specific risks related to the business and industry in which the CGUs was engaged.

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 3 years.

Variable lease payments

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

Up to 24% of the lease payments for retail stores are on the basis of variable payment terms with percentages ranging from 10% to 32% 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 2022, a 1% increase in sales across these retail stores in the Group with such variable lease contracts would increase total lease payments by RMB557,135 (2021: RMB607,230).

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.

18. RIGHT-OF-USE ASSETS (CONTINUED)

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

	Retail stores RMB	Warehouse RMB	Office properties and others RMB	Total RMB
At 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)
Depreciation	(15,440,527)	(5,769,687)	(1,850,948)	(23,061,162)
At 31 December 2021 and 1 January 2022	15,606,688	11,462,570	648,310	27,717,568
Additions	4,625,047	311,984	2,819,520	7,756,551
Impairment	(2,080,460)	–	–	(2,080,460)
Effect of lease modification	(3,194,628)	–	–	(3,194,628)
Depreciation	(8,575,931)	(4,845,912)	(3,219,824)	(16,641,667)
At 31 December 2022	**6,380,716**	**6,928,642**	**248,006**	**13,557,364**

Depreciation

Depreciation is included in the following categories in the consolidated statement of profit or loss and other comprehensive income:

	2022 RMB	2021 RMB
Selling and distribution expenses	**14,792,874**	21,716,465
Administrative expenses	**1,848,793**	1,344,697
	16,641,667	23,061,162

18. RIGHT-OF-USE ASSETS (CONTINUED)

Impairment assessment

As at 31 December 2022, 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 RMB2,080,460 (2021: RMB792,846) was recognised to write down the carrying amounts of these right-of-use assets to their recoverable amounts. Details are disclosed in Note 17 to the consolidated financial statement.

Total cash outflow for leases

For the year ended 31 December 2022, the total cash outflow for leases is RMB46,227,655 (2021: RMB51,445,068). Amount includes payments of principal and interest portion of lease liabilities, variable lease payments and short-term leases. These amounts would be presented in operating activities and financing activities.

19. INTANGIBLE ASSETS

	Trademark RMB	Software RMB	Total RMB
Cost:			
At 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 and 1 January 2022	13,016,800	8,302,995	21,319,795
Additions	3,900,000	220,882	4,120,882
At 31 December 2022	**16,916,800**	**8,523,877**	**25,440,677**
Accumulated amortisation:			
At 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 and 1 January 2022	13,016,800	2,315,987	15,332,787
Charge for the year	975,000	820,398	1,795,398
At 31 December 2022	**13,991,800**	**3,136,385**	**17,128,185**
Carrying amounts:			
At 31 December 2022	**2,925,000**	**5,387,492**	**8,312,492**
At 31 December 2021	–	5,987,008	5,987,008

20. INTEREST IN AN ASSOCIATE

	2022 RMB	2021 RMB
Share of net assets	**9,350,751**	12,224,364

Details of the Group's associate as at 31 December 2022 and 2021 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 2022	2021	Principal activity
Ningbo Shanjing Apparel Co., Ltd. ("Ningbo Shanjing")	Incorporated	The PRC	**46%**	46%	Manufacture of apparel products under sub-contracting

(a) Summarised financial information of an associate

	2022 RMB	2021 RMB
Ningbo Shanjing		
Current assets	**19,622,747**	23,442,394
Non-current assets	**10,039,412**	10,925,571
Current liabilities	**(9,334,439)**	(7,793,260)
Revenue	**45,292,283**	56,732,514
Profit for the year and total comprehensive income	**13,015**	5,980,517
Dividend received by the Group	**2,879,600**	1,380,000

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:

	2022 RMB	2021 RMB
Ningbo Shanjing		
Net assets	**20,327,720**	26,574,705
Proportion of the Group's ownership interest	**46%**	46%
Carrying amount of the Group's interest in an associate	**9,350,751**	12,224,364

21. INTEREST IN A JOINT VENTURE

	2022 RMB	2021 RMB
Share of net assets	**982,906**	1,098,601
Amount due to a joint venture (Note)	**(856,455)**	(858,034)

Details of the Group's joint venture as at 31 December 2022 and 2021 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 2022	2021	Principal activity
Hangzhou Shanxi	Incorporated	The PRC	**35%**	35%	Trading and distribution of apparel products through E-commerce

Note: Included in amount due to a joint venture is an amount of RMB850,000 (2021: RMB850,000), representing payable for investment cost in a joint venture. Amount due to a joint venture was unsecured, non-interest bearing and were repayable on demand.

21. INTEREST IN A JOINT VENTURE (CONTINUED)

(a) Summarised financial information of a joint venture

	2022 **RMB**	2021 RMB
Hangzhou Shanxi		
Current assets	**2,954,389**	3,148,591
Non-current assets	**410,723**	578,358
Current liabilities	**(556,809)**	(588,088)
Revenue	**–**	156,004
Loss for the year and total comprehensive income	**(330,558)**	(1,701,625)

(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:

	2022 **RMB**	2021 RMB
Hangzhou Shanxi		
Net assets	**2,808,303**	3,138,861
Proportion of the Group's ownership interest	**35%**	35%
Carrying amount of the Group's interest in a joint venture	**982,906**	1,098,601

22. DEFERRED TAX

	Impairment loss on property, plant and equipment and right-of-use assets RMB	ECL allowance on trade and other receivables RMB	Provision for written down on inventories RMB	Refund liabilities RMB	Lease liabilities RMB	Total RMB
At 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)
As 31 December 2021 and 1 January 2022	1,450,529	3,991,308	11,215,223	2,503,004	22,443	19,182,507
Credit/(charge) to profit or loss (Note 13)	603,474	172,153	4,588,183	(1,354,135)	377,908	4,387,583
At 31 December 2022	**2,054,003**	**4,163,461**	**15,803,406**	**1,148,869**	**400,351**	**23,570,090**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2022 RMB	2021 RMB
Deferred tax assets	**23,570,090**	19,182,507

Management expects it is probable that taxable profits will be available against which the above deductible temporary differences can be utilised in the coming years.

23. INVENTORIES

	2022 RMB	2021 RMB
Raw materials	**9,143,286**	8,115,693
Work-in-progress	**10,429,317**	10,628,350
Finished goods	**355,580,163**	415,844,430
	375,152,766	434,588,473
Less: Provision for obsolete inventories	**(63,213,623)**	(44,860,890)
	311,939,143	389,727,583

24. 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

Aging analysis

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

24. TRADE AND BILL RECEIVABLES (CONTINUED)

Expected credit loss measurement

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

	2022 RMB	2021 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.

25. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

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

25. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

(c) The breakdown of prepayments is as follows:

	2022 **RMB**	2021 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

26. PLEDGED DEPOSITS/CASH AND CASH EQUIVALENTS

	2022 **RMB**	2021 RMB
Cash and bank balances	**114,688,165**	84,265,326
Pledged deposits for:		
– Bills payables (Note 27)	**8,000,050**	–
– Derivative financial liabilities (Note 31)	**–**	18,856,703
	122,688,215	103,122,029

(a) As at 31 December 2022, over 90% (2021: over 90%) of the cash and cash equivalents denominated in RMB, which are deposited in the PRC banks.

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

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

Aging analysis

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

	2022 RMB	2021 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

28. CONTRACT LIABILITIES

	2022 RMB	2021 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

28. CONTRACT LIABILITIES (CONTINUED)

Movements in contract liabilities:

	2022 RMB	2021 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

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.

29. OTHER PAYABLES AND ACCRUALS

	2022 RMB	2021 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	**16,683,861**	11,292,622
	167,986,794	211,864,282
Less: Non-current portion included in other payables and accruals	**(9,369,188)**	(7,710,000)
	158,617,606	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 RMB	2021 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 RMB	2021 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

30. INTEREST-BEARING BANK BORROWINGS

	2022 RMB	2021 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 of the Company 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, 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 together with a charge on a property held by a director of the Company, 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.

31. DERIVATIVE FINANCIAL LIABILITIES

	2022 RMB	2021 RMB
Forward contracts denominated in:		
– USD	–	926,872
– EUR	–	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 EUR. The fair values were estimated based on the quoted prices of the relevant foreign currency. The major terms of the foreign currency contracts were as follows:

Notional amount	Forward contract rate
One contract to buy USD3,150,000	USD1=RMB6.6990
One contract to buy EUR9,400,000	EUR1=RMB8.0979

The Group used forward currency contracts to reduce its risks associated with foreign currency fluctuations. The foreign currency forward contracts were not designated as hedging instrument. Such derivative financial instruments were initially recognised at fair value on the date on which derivative contracts were entered into and were subsequently remeasured at fair value. The fair values of forward contracts were determined based on quoted prices of the relevant foreign currency.

During the year, the forward contracts were matured with fair value gains on derivative financial instruments of RMB4,594,424 (2021: losses of RMB10,895,820) was recognised in "Other gains and losses, net" (Note 8).

The forward contracts were secured by pledged deposits (Note 26), and such pledged deposits were released upon the maturity of forward contracts.

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
At 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
Interest element of lease payments	(1,025,043)	(661,872)	(64,468)	(1,751,383)
Principal element of lease payments	(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)
At 31 December 2021 and 1 January 2022	15,912,602	11,014,726	880,014	27,807,342
Addition of new leases	4,625,047	311,984	2,819,520	7,756,551
Effect of lease modification	(3,803,612)	–	–	(3,803,612)
Interest expenses (Note 9)	640,068	445,591	54,717	1,140,376
Interest element of lease payments	(640,068)	(445,591)	(54,717)	(1,140,376)
Principal element of lease payments	(8,151,211)	(5,129,912)	(3,320,393)	(16,601,516)
At 31 December 2022	**8,582,826**	**6,196,798**	**379,141**	**15,158,765**

Future lease payments are due as follows:

	Minimum lease payments RMB	Interest RMB	Present value RMB
Not later than one year	**9,697,605**	**455,171**	**9,242,434**
Later than one year but not later than two years	**5,325,269**	**121,417**	**5,203,852**
Later than two years but not later than five years	**722,370**	**9,891**	**712,479**
At 31 December 2022	**15,745,244**	**586,479**	**15,158,765**

32. LEASE LIABILITIES (CONTINUED)

	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

The present value of future lease payments are analysed as:

	2022 RMB	2021 RMB
Current liabilities	**9,242,434**	13,828,748
Non-current liabilities	**5,916,331**	13,978,594
	15,158,765	27,807,342

33. 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

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.

34. PURPOSE OF RESERVES (CONTINUED)

(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 party 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 parties which also constitute connected parties as defined under Chapter 14A of the Listing Rules.

Connected party	Nature of transaction	2022 RMB	2021 RMB
Shanshan Fashion Industrial Park Suqian Co., Ltd. ("ShanShan Suqian")*	Rental expenses	–	107,382
Sichuan Shanshan New Material Co., Ltd.#	Sale of goods	943,009	–
Inner Mongolia Shanshan Technology Co., Ltd.#	Sale of goods	263,894	–
Ningbo Shanshan New Material Technology Co., Ltd.#	Sale of goods	216,549	–
Fujian Shanshan Technology Co., Ltd.#	Sale of goods	148,363	–
Inner Mongolia Shanshan New Material Co., Ltd.#	Sale of goods	82,743	–
Shanghai Shanshan New Materials Co., Ltd.#	Sale of goods	80,150	–
Huzhou Shanshan New Energy Technology Co., Ltd.#	Sale of goods	42,832	–
Chenzhou Shanshan New Material Co., Ltd.#	Sale of goods	18,462	–

* Shanshan Suqian is a wholly-owned subsidiary of Ningbo Shanshan Co., Ltd.

On 13 October 2022, the Company entered into the Supply Framework Agreement with Ningbo Shanshan Co., Ltd and its subsidiaries to sell factory uniforms. Details of the transaction were set out in the announcement of the Company dated 13 October 2022.

35. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Transactions with related parties

In addition to the transactions disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with its related parties:

	2022 RMB	2021 RMB
Sale of goods to:		
– a joint venture	–	211,574
– a subsidiary of a substantial shareholder	2,370,528	–
Purchase of goods from:		
– an associate	–	(2,465,590)
Rental expenses charged by:		
– related companies	(1,430,550)	(1,508,859)
Royalty fees charged by:		
– a non-controlling interest of a subsidiary	–	(982,975)
Water and electricity expenses charged by:		
– a related company	(1,191,854)	(911,830)
Processing fees recharged to:		
– an associate	–	(58,462)

(c) Amounts due from/(to) a related company/a substantial shareholder

	2022 RMB	2021 RMB
Current asset		
Amount due from a related company (Note a)	624,293	37,161
Non-current liability		
Amount due to a substantial shareholder (Notes a & b)	(3,900,000)	–
Less: Current portion included in current liabilities	1,200,000	–
	(2,700,000)	–

(a) Amounts are unsecured, interest-free and repayable on demand.

(b) On 30 September 2021, the Company entered into the Trademark Licensing Agreement ("Agreement") with a substantial shareholder, pursuant to which a substantial shareholder agreed to grant to the Group the exclusive license to use 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 Agreement has a term of four years commencing from 1 January 2022.

As at 31 December 2022, the amount of RMB2,700,000 was payable beyond one year and has been classified as non-current liabilities. Further details regarding the Agreement are set out in the Company's announcement dated 30 September 2021.

35. RELATED PARTY DISCLOSURES (CONTINUED)

(d) Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

	2022 **RMB**	2021 RMB
Short-term benefits	**4,256,520**	4,780,823
Contributions to defined contribution retirement plan	**179,800**	168,252
	4,436,320	4,949,075

The emoluments paid or payable to Directors and other members of key management were within the following band:

	2022 **No. of individuals**	2021 No. of individuals
Nil to HK$1,000,000		
– Directors	**10**	10
– Other member of key management	**5**	5

36. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Non-cash transactions

During 2022, 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 RMB7,756,551 (2021: RMB14,462,719), in respect of the new lease agreements.

– Utilisation of inventories of RMB10,648,628 (2021: RMB6,611,095) for the settlement of refund liabilities as detailed in Note 29(b).

– Trade receivables of RMB574,538 have been settled by the equity security of a PRC listed company, which recognised as financial asset at fair value through profit or loss.

36. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

	Interest-bearing bank borrowings RMB (Note 30)	Lease liabilities RMB (Note 32)
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 and 1 January 2022	172,877,546	27,807,342

36. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Interest-bearing bank borrowings RMB (Note 30)	Lease liabilities RMB (Note 32)
At 31 December 2021 and 1 January 2022	**172,877,546**	**27,807,342**
Changes from financing cash flows:		
Proceeds from bank borrowings	192,500,000	–
Repayment of bank borrowings	(217,218,960)	–
Interest paid	(6,655,387)	–
Repayment of principal portion of the lease liabilities	–	(16,601,516)
Repayment of interest portion of the lease liabilities	–	(1,140,376)
Other changes:		
Interest expense (Note 9)	6,655,387	1,140,376
Effect of lease modification	–	(3,803,612)
New leases	–	7,756,551
Exchange difference	9,341,414	–
At 31 December 2022	**157,500,000**	**15,158,765**

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 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

38. CONTINGENT LIABILITIES

As at 31 December 2022 and 2021, 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 bank borrowings (Note 30), cash and cash equivalents (Note 26) 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 net debts to equity ratio at end of year was as follows:

	2022 **RMB**	2021 RMB
Debts	**157,500,000**	172,877,546
Cash and cash equivalents	**(114,688,165)**	(84,265,326)
Net debts	**42,811,835**	88,612,220
Equity	**227,505,543**	211,499,216
Net debts to equity ratio	**19%**	42%

40. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and liabilities:

	2022 RMB	2021 RMB
Financial asset at FVOCI:		
Bill receivable	350,000	–
Financial asset at FVTPL	282,867	–
Financial assets at amortised cost:		
Trade receivables	205,058,626	174,973,472
Deposits and other receivables	11,051,738	27,014,352
Amount due from a related company	624,293	37,161
Pledged deposits	8,000,050	18,856,703
Cash and cash equivalents	114,688,165	84,265,326
	339,422,872	305,147,014
Financial liabilities at FVTPL:		
Derivative financial liabilities	–	8,562,934
Financial liabilities at amortised cost:		
Trade and bills payables	155,326,092	160,396,647
Other payables and accruals	149,144,936	189,134,651
Interest-bearing bank borrowings	157,500,000	172,877,546
Amount due to a joint venture	856,455	858,034
Amount due to a substantial shareholder	3,900,000	–
	466,727,483	523,266,878
Lease liabilities	15,158,765	27,807,342

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, price 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 individual assessment and 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 2022 and 2021:

31 December 2022	Expected loss rate %	Gross carrying amount RMB	Loss allowance RMB
Not past due	0.4%	194,113,995	726,708
Less than 1 month past due	72.9%	13,796,930	10,059,311
1 to 3 months past due	39.5%	5,994,451	2,365,021
Over 3 months past due	89.8%	42,142,510	37,838,220
		256,047,886	50,989,260

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Trade receivables (Continued)

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

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.

Deposits and other receivables

As at 31 December 2022 and 2021, 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 immaterial. Thus, reversal of impairment loss on deposits and other receivables at RMB1,222,082 was recognised during the year ended 31 December 2022 (2021: impairment of RMB1,318,812). As at 31 December 2022 and 2021, no collateral was held by the Group, the maximum exposure to loss of deposits and other receivables was RMB11,051,738 (2021: RMB27,014,352).

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.

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Concentration risk

The Group's concentration of credit risk on the trade receivables as at 31 December 2022 and 2021 included five major counterparties accounting for 40% and 29% of the net amounts of 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 but 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.

(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 2022					
Trade and bills payables	155,326,092	155,326,092	155,326,092	–	–
Other payables and accruals	149,144,936	149,144,936	149,144,936	–	–
Interest-bearing bank borrowings	157,500,000	160,501,622	160,501,622	–	–
Amount due to a joint venture	856,455	856,455	856,455	–	–
Amount due to a substantial shareholder	3,900,000	3,900,000	1,200,000	2,700,000	–
Lease liabilities	15,158,765	15,745,244	9,697,605	5,325,269	722,370
	481,886,248	485,474,349	476,726,710	8,025,269	722,370

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

	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	544,266,400	539,798,013	10,607,560	3,860,827

(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 cash flow interest rate risk, 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, pledged deposits 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.

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk (Continued)

Sensitivity analysis

At 31 December 2022, 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, pledged deposits and interest-bearing bank borrowings which is subject to floating interest rate) by approximately RMB1,181,250 (2021: increase the profit after tax for the year by RMB132,418). 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 in 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.

(d) Currency risk

At 31 December 2022, the Group mainly operates and invests in the PRC with most of the transactions denominated and settled in RMB. 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.

At 31 December 2021, the Group has interest-bearing bank borrowings of USD3,150,000 (equivalent to RMB20,066,886), and EUR9,400,000 (equivalent to RMB67,810,660).

The Directors manage the currency risk by closely monitoring the fluctuations of the currency exchange rates and entering into forward exchange contracts to reduce its exposure to currency fluctuation risk.

At 31 December 2021, the Group had forward exchange contract with a fair value of RMB8,562,934 recognised as derivative financial liabilities.

	Assets		**Liabilities**	
	2022	2021	**2022**	2021
	RMB	RMB	**RMB**	RMB
EUR	**–**	–	**–**	67,810,660
USD	**–**	–	**–**	20,066,886

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Currency risk (Continued)

Sensitivity analysis

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.

	2022 **RMB**	2021 RMB
RMB strengthens against the relevant currency	–	1%
Effect on profit after tax for the year and accumulated profits	–	659,082

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.

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Price risk

The Group is exposed to price risk through its investments in equity instruments which are classified as financial assets at fair value through profit or loss. The Directors monitor the price risk and will consider hedging the risk exposure should the need arise. The Group would closely monitor the investment for any change in value.

Sensitivity analysis

The following table demonstrates the sensitivity as if the quoted prices of the investments in listed equity investments classified as financial assets at fair value through profit or loss had increased/(decreased) by 10% with all other variables held constant, after any impact of tax for each reporting date.

	Effect on percentage change: Increase/(decrease) by 10% in price	
	Carrying amount RMB	Increase/ (decrease) in profit for the year RMB
At 31 December 2022		
Financial assets at fair value through profit or loss	**282,867**	**21,215**

(f) 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 fair value hierarchy ("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;
- Level 3: Unobservable inputs (i.e. not derived from market data).

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair value risk (Continued)

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 2022				
Financial asset at FVTOCI				
– Bill receivable	**–**	**350,000**	**–**	**350,000**
Financial asset at FVTPL				
– Financial asset at fair value through profit or loss	**282,867**	**–**	**–**	**282,867**
31 December 2021				
Financial liability at FVTPL				
– Derivative financial liabilities	8,562,934	–	–	8,562,934

The fair value of the bill 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 2022 and 2021, 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

	2022 RMB	2021 RMB
Non-current assets		
Investments in subsidiaries	**15,000,010**	15,000,010
Property, plant and equipment	**17,876,627**	34,713,087
Right-of-use assets	**13,557,364**	27,717,568
Intangible assets	**8,312,492**	5,987,006
Prepayments, deposits and other receivables	**2,475,189**	7,986,624
Deferred tax assets	**24,835,034**	20,524,100
Total non-current assets	**82,056,716**	111,928,395
Current assets		
Inventories	**311,734,446**	387,962,774
Trade and bill receivables	**197,417,013**	167,602,534
Prepayments, deposits and other receivables	**28,782,696**	34,668,571
Financial asset at fair value through profit or loss	**282,867**	–
Amount due from a related company	**624,293**	37,161
Amounts due from subsidiaries	**800,000**	1,941,826
Amount due from a joint venture	**1,739**	–
Income tax recoverable	**1,713,320**	1,713,320
Pledged deposits	**8,000,050**	18,856,703
Cash and cash equivalents	**97,381,773**	73,088,625
Total current assets	**646,738,197**	685,871,514
Current liabilities		
Trade and bills payables	**145,478,415**	155,260,551
Contract liabilities	**25,479,492**	25,630,712
Other payables and accruals	**155,434,976**	201,425,065
Interest-bearing bank borrowings	**157,500,000**	172,877,546
Amount due to a subsidiary	**21,184,190**	17,009,911
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	**515,519,507**	594,595,467
Net current assets	**131,218,690**	91,276,047
Total assets less current liabilities	**213,275,406**	203,204,442
Non-current liabilities		
Other payables and accruals	**7,720,000**	5,910,000
Amount due to a substantial shareholder	**2,700,000**	–
Lease liabilities	**5,916,331**	13,978,594
Total non-current liabilities	**16,336,331**	19,888,594
Net assets	**196,939,075**	183,315,848
Capital and reserves		
Share capital	**133,400,000**	133,400,000
Reserves	**63,539,075**	49,915,848
Total equity	**196,939,075**	183,315,848

On behalf of the directors

Luo Yefei
Director

Yan Jingfen
Director

43. RESERVES OF THE COMPANY

	Capital reserve RMB	Statutory surplus reserve RMB	Accumulated (losses)/ profits RMB	Total RMB
At 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
As 31 December 2021 and 1 January 2022	73,109,956	8,480,611	(31,674,719)	49,915,848
Profit and total comprehensive income for the year	–	–	13,623,227	13,623,227
At 31 December 2022	**73,109,956**	**8,480,611**	**(18,051,492)**	**63,539,075**

44. 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, 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.

45. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 March 2023.

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				
	2022	2021	2020	2019	2018
	RMB	RMB	RMB	RMB	RMB
			(Re-presented)		
RESULTS					
Revenue (Note)	**881,199,661**	993,032,379	887,472,993	1,036,439,097	1,025,285,807
Gross profit (Note)	**385,892,990**	485,221,376	428,130,661	582,425,190	595,759,686
Profit/(loss) before income tax (Note)	**10,952,910**	20,205,851	(59,295,542)	(19,210,385)	47,661,948
Income tax credit/(expense)	**5,053,417**	(2,229,409)	2,436,421	(3,967,997)	(11,994,103)
Profit/(loss) for the year:					
From continuing operations	**16,006,327**	17,976,442	(56,859,121)	(23,178,382)	35,667,845
From discontinued operation	**–**	(9,340,962)	(19,084,450)	–	–
	16,006,327	8,635,480	(75,943,571)	(23,178,382)	35,667,845

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB	RMB	RMB	RMB	RMB
ASSETS AND LIABILITIES					
Non-current assets	**76,832,082**	109,895,062	130,185,908	212,688,447	145,901,776
Current assets	**681,745,087**	715,534,464	758,427,567	926,217,847	909,624,369
TOTAL ASSETS	**758,577,169**	825,429,526	888,613,475	1,138,906,294	1,055,526,145
Current liabilities	**511,194,583**	592,241,716	658,432,693	813,817,587	745,253,740
Non-current liabilities	**19,877,043**	21,688,594	23,505,153	42,469,507	—
TOTAL LIABILITIES	**531,071,626**	613,930,310	681,937,846	856,287,094	745,253,740
NET ASSETS	**227,505,543**	211,499,216	206,675,629	282,619,200	310,272,405

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.