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杉杉品牌運營股份有限公司

**Shanshan Brand Management Co., Ltd.**

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

**(Stock Code: 1749)**

## **INTERIM RESULTS**

### **FOR THE SIX MONTHS ENDED 30 JUNE 2023**

#### **INTERIM FINANCIAL INFORMATION**

The board (the “**Board**”) of directors (the “**Directors**”) of Shanshan Brand Management Co., Ltd. (the “**Company**”) announces the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 (the “**Period**”), together with the comparative figures for the corresponding period of 2022 and as at 31 December 2022 as well as selected explanatory notes as set out below. The unaudited condensed consolidated interim financial information for the Period has been reviewed by the audit committee of the Board (the “**Audit Committee**”).

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30 JUNE 2023*

		<b>Six months ended 30 June</b>	
		<b>2023</b>	<b>2022</b>
	<i>Notes</i>	<b>RMB</b>	<b>RMB</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	4	<b>499,457,556</b>	419,280,331
Cost of sales		<b>(296,614,525)</b>	<b>(215,854,646)</b>
Gross profit		<b>202,843,031</b>	203,425,685
Other revenue		<b>1,226,789</b>	540,870
Other gains and losses, net		<b>1,240,354</b>	(1,264,040)
Selling and distribution expenses		<b>(164,738,101)</b>	(182,839,993)
Administrative expenses		<b>(20,233,224)</b>	(18,202,890)
Impairment loss on trade receivables, net		<b>(796,718)</b>	(52,153)
(Impairment loss)/reversal of impairment loss on other receivables, net		<b>(60,807)</b>	84,677
Finance costs	5	<b>(3,695,429)</b>	(3,693,718)
Share of result of an associate		<b>(3,012,871)</b>	196,248
Share of result of a joint venture		<b>(56,340)</b>	<b>(64,063)</b>
Profit/(loss) before income tax	6	<b>12,716,684</b>	(1,869,377)
Income tax (expense)/credit	8	<b>(1,417,276)</b>	<b>2,093,941</b>
Profit and total comprehensive income for the period		<b>11,299,408</b>	<b>224,564</b>
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		<b>11,299,408</b>	<b>224,564</b>
		<b>RMB cents</b>	<b>RMB cents</b>
Earnings per share attributable to owners of the Company			
Basic and diluted	9	<b>8.47</b>	<b>0.17</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2023**

		<b>As at</b>	As at
		<b>30 June</b>	31 December
		<b>2023</b>	2022
	<i>Notes</i>	<b>RMB</b>	<b>RMB</b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	<b>17,618,532</b>	18,403,292
Right-of-use assets		<b>29,421,586</b>	13,557,364
Intangible assets		<b>7,410,978</b>	8,312,492
Interest in an associate		<b>6,337,880</b>	9,350,751
Interest in a joint venture		<b>926,566</b>	982,906
Prepayments, deposits and other receivables	<i>12</i>	<b>2,628,879</b>	2,655,187
Deferred tax assets		<b>22,152,815</b>	23,570,090
		<b>86,497,236</b>	76,832,082
<b>Current assets</b>			
Inventories		<b>269,555,270</b>	311,939,143
Trade and bills receivables	<i>11</i>	<b>212,902,630</b>	205,408,626
Prepayments, deposits and other receivables	<i>12</i>	<b>32,309,229</b>	39,088,623
Financial asset at fair value through profit or loss		<b>209,926</b>	282,867
Amounts due from related companies	<i>17(a)</i>	<b>2,747,253</b>	624,293
Income tax recoverable		<b>1,713,320</b>	1,713,320
Pledged deposits		<b>1,000,000</b>	8,000,050
Cash and cash equivalents		<b>90,028,853</b>	114,688,165
		<b>610,466,481</b>	681,745,087

		As at 30 June 2023 RMB (unaudited)	As at 31 December 2022 RMB (audited)
<b>Current liabilities</b>			
Trade and bills payables	13	109,094,412	155,326,092
Contract liabilities		37,402,094	28,451,996
Other payables and accruals	14	145,276,496	158,617,606
Interest-bearing bank borrowings	15	120,000,000	157,500,000
Amount due to a joint venture	17(b)	858,194	856,455
Amount due to a substantial shareholder	17(a)	1,200,000	1,200,000
Dividend payable	7	5,336,000	–
Lease liabilities		20,428,918	9,242,434
		<u>439,596,114</u>	<u>511,194,583</u>
<b>Net current assets</b>		<u>170,870,367</u>	<u>170,550,504</u>
<b>Total assets less current liabilities</b>		<u>257,367,603</u>	<u>247,382,586</u>
<b>Non-current liabilities</b>			
Other payables and accruals	14	11,790,000	9,369,188
Lease liabilities		8,636,418	5,916,331
Amount due to a substantial shareholder	17(a)	2,100,000	2,700,000
Contract liabilities		1,372,233	1,891,524
		<u>23,898,651</u>	<u>19,877,043</u>
<b>Net assets</b>		<u>233,468,952</u>	<u>227,505,543</u>
<b>Capital and reserves</b>			
Share capital	16	133,400,000	133,400,000
Reserves		100,068,952	94,105,543
<b>Total equity</b>		<u>233,468,952</u>	<u>227,505,543</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2023*

## 1. CORPORATE INFORMATION

Ningbo Shanshan Garment Brand Management Co., Ltd. (“**Shanshan Garment Brand**”), the predecessor of the Company, was established as a limited liability company in the People’s Republic of China (the “**PRC**”) on 23 August 2011. On 18 May 2016, Shanshan Garment Brand was converted into a joint stock company with limited liability and renamed as Shanshan Brand Management Co., Ltd.. The address of its registered office and principal place of business is No. 238, Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, the PRC. The Company’s overseas-listed foreign shares (the “**H Shares**”) have been listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 27 June 2018.

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

## 2. BASIS OF PREPARATION AND PRESENTATION

These unaudited condensed consolidated interim financial statements for the Period have been prepared in accordance with the applicable disclosure requirement of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and with Hong Kong Accounting Standard (“**HKAS**”) 34, Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

These unaudited condensed consolidated interim financial statements for the Period should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2022 (the “**2022 Annual Report**”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

These unaudited condensed consolidated interim financial statements for the Period have been prepared under the historical cost basis except for those financial assets that are measured at fair value.

These unaudited condensed consolidated interim financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated. These unaudited condensed consolidated interim financial statements have been approved for issue by the Directors on 22 August 2023.

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements of the Group for the year ended 31 December 2022 as described in 2022 Annual Report.

### **Adoption of new or revised HKFRSs – effective 1 January 2023**

In the current period, the Group has applied for the first time the following new or revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s condensed consolidated financial statements for the annual period beginning on 1 January 2023:

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimate
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The adoption of the above new or revised HKFRSs does not have any significant impact to the results and financial position of the Group.

### **3. USE OF JUDGEMENTS AND ESTIMATES**

In preparing the unaudited condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2022 annual financial statements.

### **4. SEGMENT INFORMATION AND REVENUE**

#### **(a) Reportable segment**

During the Period, the information reported to the executive Directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, is the financial information of the Group as a whole as reported under HKFRSs. Such information did not contain profit or loss information of a particular product or service line or geographical area. Therefore, the executive Directors have determined that the Group has only one single reportable segment which is the trading of garments in the PRC. The executive Directors allocate resources and assess performance on an aggregated basis.

In the following table, revenue is disaggregated by primary geographical market, major product and service lines, brand names and timing of revenue recognition.

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB</b>	<b>RMB</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Primary geographical market</b>		
The PRC	<b>499,457,556</b>	419,280,331
<b>Major product/service</b>		
Standard garment products	<b>456,067,663</b>	387,088,397
Trademark sub-licensing income	<b>43,389,893</b>	32,191,934
	<b><u>499,457,556</u></b>	<b><u>419,280,331</u></b>
<b>Revenue by brands</b>		
FIRS	<b>281,139,918</b>	239,811,898
SHANSHAN	<b>214,554,273</b>	171,543,842
Others	<b>3,763,365</b>	7,924,591
	<b><u>499,457,556</u></b>	<b><u>419,280,331</u></b>
<b>Timing of revenue recognition</b>		
At a point in time	<b>495,694,191</b>	411,355,740
Transferred over time	<b>3,763,365</b>	7,924,591
	<b><u>499,457,556</u></b>	<b><u>419,280,331</u></b>

**(b) Geographic information**

During the Period, the Group's operations and non-current assets are situated in the PRC in which all of its revenue is derived.

**(c) Information about major customers**

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

## 5. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB</b>	<b>RMB</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest expenses on bank borrowings	<b>3,190,730</b>	3,108,586
Interest expenses on lease liabilities	<b>504,699</b>	585,132
	<b><u>3,695,429</u></b>	<u>3,693,718</u>

## 6. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging/(crediting):

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB</b>	<b>RMB</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Amortisation of intangible assets	<b>901,514</b>	517,908
Depreciation of property, plant and equipment	<b>8,335,271</b>	15,795,594
Depreciation of right-of-use assets	<b>7,637,782</b>	9,360,188
	<b><u>16,874,567</u></b>	<u>25,673,690</u>
Total amortisation and depreciation		
Impairment loss on trade receivables, net	<b>796,718</b>	52,153
Impairment loss/(reversal of impairment loss) on other receivables, net	<b>60,807</b>	(84,677)
	<b><u>857,525</u></b>	<u>(32,524)</u>
Total impairment loss/(reversal of impairment loss), net		
(Reversal of written down)/written down of inventories, net		
– Finished goods (included in cost of sales)	<b>(3,497,014)</b>	10,823,105
– Raw materials (included in other gains and losses, net) ( <i>Note a</i> )	<b>177,860</b>	–
	<b><u>(3,319,154)</u></b>	<u>10,823,105</u>
Total (reversal of written down)/written down of inventories, net		
Expenses relating to short-term leases	<b>8,079,654</b>	9,018,632
Expenses relating to variable lease payments	<b>7,602,856</b>	6,788,195
	<b><u>15,682,510</u></b>	<u>15,806,827</u>
Total expenses relating to lease		
Advertising and promotional expenses	<b>3,418,755</b>	4,998,541
Cost of inventories sold	<b>300,111,539</b>	205,031,541
Fair value losses on financial asset at fair value through profit or loss	<b>72,941</b>	393,076
Fair value losses on derivative financial liabilities	–	4,594,424
Loss on disposal of property, plant and equipment	<b>815,094</b>	511,908
Staff costs	<b>15,253,810</b>	23,274,140
	<b><u>15,253,810</u></b>	<u>23,274,140</u>

*Note a:* The reversal of written down of inventories made in prior years arose upon an increase in the estimated net realisable value of these inventories.



## 7. DIVIDENDS

- (a) Dividends and distribution attributable to the previous financial year, approved and payable during the interim period:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB</b>	<b>RMB</b>
	<b>(unaudited)</b>	(unaudited)
Final dividend in respect of the year ended 31 December 2022, approved and payable during the interim period of RMB4 cents (2021: Nil) per share	<b><u>5,336,000</u></b>	<u>–</u>

At the annual general meeting held on 5 June 2023, the shareholders of the Company (the “**Shareholders**”) approved the payment of a final dividend of RMB0.04 per ordinary share for the year ended 31 December 2022 totaling approximately RMB5,336,000 (31 December 2021: Nil) and was subsequently paid on 4 August 2023.

- (b) Dividends attributable to the interim period

No dividend was paid, declared or proposed for the Period (six months ended 30 June 2022: Nil).

## 8. INCOME TAX EXPENSE/(CREDIT)

The PRC Enterprise Income Tax (“**EIT**”) represents tax charged on the estimated assessable profits arising in Mainland China. The Group operating in Mainland China is subject to the PRC EIT rate of 25%.

The income tax has been recognised in profit or loss as follows:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB</b>	<b>RMB</b>
	<b>(unaudited)</b>	(unaudited)
Deferred tax expenses/(credit)	<b><u>1,417,276</u></b>	<u>(2,093,941)</u>

## 9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2023 and 2022.

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB</b>	RMB
	<b>(unaudited)</b>	(unaudited)
<b>Profit</b>		
Profit for the purpose of basic and diluted earnings per share attributable to owners of the Company	<b><u>11,299,408</u></b>	<u>224,564</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<b><u>133,400,000</u></b>	<u>133,400,000</u>
	<b>RMB Cents</b>	RMB Cents
<b>Earnings per share</b>	<b><u>8.47</u></b>	<u>0.17</u>

## 10. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment at a cost of RMB8,400,505 (six months ended 30 June 2022: RMB11,147,995).

In addition, during the Period, the Group disposed of certain property, plant and equipment with a carrying amount of RMB849,994 (six months ended 30 June 2022: RMB511,908).

## 11. TRADE AND BILLS RECEIVABLES

	As at 30 June 2023 RMB (unaudited)	As at 31 December 2022 RMB (audited)
Trade receivables	264,488,608	256,047,886
Less: Provision for impairment	<u>(51,785,978)</u>	<u>(50,989,260)</u>
	212,702,630	205,058,626
Bills receivables	<u>200,000</u>	<u>350,000</u>
	<u>212,902,630</u>	<u>205,408,626</u>

### Aging analysis

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

	As at 30 June 2023 RMB (unaudited)	As at 31 December 2022 RMB (audited)
Within 3 months	103,630,035	169,036,516
Over 3 months but within 6 months	33,870,468	17,396,441
Over 6 months but within 1 year	69,959,881	17,004,797
Over 1 year	<u>5,442,246</u>	<u>1,970,872</u>
	<u>212,902,630</u>	<u>205,408,626</u>

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

### Bills receivables

The balance represents bills receivables issued by a bank in the PRC held by the Group and is measured at fair value through other comprehensive income, since the bills receivables are 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.

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2023 RMB (unaudited)	As at 31 December 2022 RMB (audited)
Deposits and other receivables ( <i>Note a</i> )	14,817,095	11,230,076
Less: Provision for impairment	<u>(239,145)</u>	<u>(178,338)</u>
	14,577,950	11,051,738
Prepayments	<u>20,360,158</u>	<u>30,692,072</u>
	34,938,108	41,743,810
Less: Non-current portion included in prepayments, deposits and other receivables	<u>(2,628,879)</u>	<u>(2,655,187)</u>
	<u><b>32,309,229</b></u>	<u><b>39,088,623</b></u>

*Note 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.

## 13. TRADE AND BILLS PAYABLES

	As at 30 June 2023 RMB (unaudited)	As at 31 December 2022 RMB (audited)
Trade payables	109,094,412	140,326,092
Bills payables	<u>–</u>	<u>15,000,000</u>
	<u><b>109,094,412</b></u>	<u><b>155,326,092</b></u>

## Aging analysis

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

	<b>As at 30 June 2023 RMB (unaudited)</b>	<b>As at 31 December 2022 RMB (audited)</b>
Within 3 months	<b>84,717,424</b>	61,483,954
Over 3 months but within 6 months	<b>12,879,878</b>	34,887,327
Over 6 months but within 1 year	<b>7,242,506</b>	39,574,216
Over 1 year	<b>4,254,604</b>	4,380,595
	<b><u>109,094,412</u></b>	<b><u>140,326,092</u></b>

## 14. OTHER PAYABLES AND ACCRUALS

	<b>As at 30 June 2023 RMB (unaudited)</b>	<b>As at 31 December 2022 RMB (audited)</b>
Deposits received	<b>135,629,575</b>	132,461,074
Other tax payables	<b>6,899,068</b>	14,246,384
Refund liabilities	<b>3,345,657</b>	4,595,475
Others	<b>11,192,196</b>	16,683,861
	<b>157,066,496</b>	167,986,794
Less: Non-current portion included in other payables and accruals	<b><u>(11,790,000)</u></b>	<b><u>(9,369,188)</u></b>
	<b><u>145,276,496</u></b>	<b><u>158,617,606</u></b>

## 15. INTEREST-BEARING BANK BORROWINGS

	As at 30 June 2023 RMB (unaudited)	As at 31 December 2022 RMB (audited)
Bank borrowings denominated in RMB	<u>120,000,000</u>	<u>157,500,000</u>

As at 30 June 2023, bank borrowings denominated in RMB included the following:

- An amount of RMB45,000,000 (2022: RMB82,500,000) being guaranteed by Shanshan Holding Co., Ltd.\* (杉杉控股有限公司), a substantial shareholder, with a fixed interest rate at 4.35% (2022: from 4.79% to 4.95%) per annum and repayable within one year.
- An amount of RMB35,000,000 being guaranteed by Shanshan Group Co., Ltd.\* (杉杉集團有限公司) (“**Shanshan Group**”) and Directors, and pledged by the Group’s bank deposit of RMB500,000, with fixed interest rate at 3.40% (2022: 4.35%) per annum and repayable within one year.
- An amount of RMB40,000,000 being guaranteed by Shanshan Group and Directors together with a charge on a property held by a Director and a pledged deposit of RMB500,000, with variable interest rate at Loan Prime Rate + 0.15% (2022: Loan Prime Rate - 0.2%) per annum and repayable within one year.

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.

## 16. SHARE CAPITAL

	<i>Number of shares</i>	<i>RMB</i>
Registered domestic shares capital and H Shares At 31 December 2022 and 30 June 2023	<u>133,400,000</u>	<u>133,400,000</u>

\* For identification purpose only

## 17. RELATED PARTY DISCLOSURES

### (a) Amounts due from/(to) related companies/a substantial shareholder

	As at <b>30 June</b> <b>2023</b> <i>RMB</i> <b>(unaudited)</b>	As at 31 December 2022 <i>RMB</i> (audited)
Amounts due from related companies		
– Trade in nature	2,722,960	600,000
– Non-trade in nature	<u>24,293</u>	<u>24,293</u>
	<b><u>2,747,253</u></b>	<b><u>624,293</u></b>
Amount due to a substantial shareholder	<b>(3,300,000)</b>	(3,900,000)
Less: Non-current portion included in amount due to a substantial shareholder	<u>2,100,000</u>	<u>2,700,000</u>
	<b><u>1,200,000</u></b>	<b><u>1,200,000</u></b>

#### (i) Amounts due from related companies

##### Trade in nature

The amounts are trade in nature and unsecured, interest-free and settle according to agreed credit terms.

##### Non-trade in nature

The amounts are non-trade in nature unsecured, interest-free and repayable on demand.

#### (ii) Amount due to a substantial shareholder

On 30 September 2021, the Company entered into a trademark licensing agreement (the “**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.

### (b) Amount due to a joint venture

Amount represented payable for investment cost in a joint venture, which was unsecured, non-interest bearing and repayable on demand.

(c) **Transactions with related parties**

During the Period, the Group entered into the following transactions with related parties:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB</b>	<b>RMB</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Sale of finished goods to:</b>		
– Subsidiaries of a substantial shareholder	<b>607,370</b>	–
<b>Rental expenses charged by:</b>		
– Related companies	<b>(1,479,520)</b>	(1,731,355)
<b>Water and electricity expenses charged by:</b>		
– A related company	<b>(574,485)</b>	(559,872)

(d) **Compensation of key management personnel**

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB</b>	<b>RMB</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Short-term benefits	<b>2,099,682</b>	2,015,679
Contributions to defined contribution retirement plan	<b>93,218</b>	84,782
	<b>2,192,900</b>	2,100,461

**18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS**

HKFRS 13 requires disclosures for financial instruments that are measured at fair value by levels of the fair value measurement hierarchy. The different levels have been defined as follows:

- 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).

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 financial assets and liabilities measured at fair value as at 30 June 2023 and 31 December 2022 in the condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	<b>Level 1</b> <b>RMB</b> <b>(unaudited)</b>	<b>Level 2</b> <b>RMB</b> <b>(unaudited)</b>	<b>Level 3</b> <b>RMB</b> <b>(unaudited)</b>	<b>Total</b> <b>RMB</b> <b>(unaudited)</b>
30 June 2023				
Assets				
Financial asset at fair value through other comprehensive income				
– Bills receivables ( <i>Note a</i> )	–	200,000	–	200,000
Financial asset at fair value through profit or loss				
– Listed equity investment ( <i>Note b</i> )	209,926	–	–	209,926
	Level 1 <i>RMB</i> (audited)	Level 2 <i>RMB</i> (audited)	Level 3 <i>RMB</i> (audited)	Total <i>RMB</i> (audited)
31 December 2022				
Assets				
Financial asset at fair value through other comprehensive income				
– Bill receivable ( <i>Note a</i> )	–	350,000	–	350,000
Financial asset at fair value through profit or loss				
– Listed equity investment ( <i>Note b</i> )	282,867	–	–	282,867

*Notes:*

- (a) The fair value of the bills receivables has been calculated by discounting the expected future cash flows using rate currently available for instruments with similar terms, credit risk and remaining maturities.
- (b) The listed equity investment at fair values is denominated in RMB. Fair values have been determined by reference to its quoted market prices at the reporting date.

During the six months ended 30 June 2023 and 2022, there have been no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

## 19. COMMITMENTS

### (a) Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases were due as follows:

	As at <b>30 June</b> <b>2023</b> <i>RMB</i> <b>(unaudited)</b>	As at 31 December 2022 <i>RMB</i> (audited)
Not later than one year	<u><b>6,039,732</b></u>	<u>4,398,233</u>

The operating leases of certain retail stores also call for additional rentals, which will be based on a certain percentage of revenue of the operation being undertaken therein pursuant to the terms and condition as stipulated in the respective agreements. As the future revenue of these retail stores could not be accurately determined as at the end of each reporting period, the relevant contingent rentals have not been included in the determination of the lease liabilities.

### (b) Capital commitments

	As at <b>30 June</b> <b>2023</b> <i>RMB</i> <b>(unaudited)</b>	As at 31 December 2022 <i>RMB</i> (audited)
Capital commitments contracted for but not provided in the interim condensed consolidated financial statements: – Acquisition of property, plant and equipment	<u><b>944,863</b></u>	<u>1,925,118</u>

## 20. CONTINGENT LIABILITIES

As at 30 June 2023 and 31 December 2022, the Group had no significant contingent liabilities.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

Since the beginning of 2023, owing to the prolonged impact from factors including the post-pandemic “scarring effect”, the geopolitical conflict between Russia and Ukraine, a persistently high core inflation and tightening monetary policies, the global economy has been experiencing a sluggish recovery in face of a significantly weakened international demand, and there is an urgent need to strengthen consumer confidence. The apparel industry is recovering from a low level and is yet to witness an improvement in efficiency. Figures from the National Bureau of Statistics show that, from January to June 2023, the industrial added-value, operating revenue and total profits of the enterprises above designated size in the apparel industry of China recorded a year-on-year decrease of 8.2%, 8.1% and 3.11%, respectively.

During the Period, the Group has always adhered to its strategic positioning of “platform-based development”. The Group upholds its main development theme of “high-quality development, concentration and cooperation”, and actively implemented a number of robust strategies and measures to stabilise and strengthen its foundation, placing great emphasis on its products and channel optimisation to enhance brand image. These efforts effectively alleviated the external pressure from both ends of supply and demand of facing a situation of “high cost and low demand”, created a “refined and beautiful” development model for all business of the Group, and enabled the Group to realise a counter-trend significant growth in profits.

In the first half of 2023, seizing upon the well-established brand value and strong market influence of FIRS and SHANSHAN, the Group actively laid out new retail scenarios, advanced internal digitalisation and continued to strengthen its channel expansion on and cooperation with internet platforms. The Group input high-quality resources into building live-streaming and socialising e-commerce platforms, continued to strengthen its cooperation with clients of authorised e-commerce operators and accelerated the brand’s penetration and extensive coverage across all platforms. Against the backdrop of the rise of domestic goods consumption, the Group continued to work on the amelioration of its “brand image rebuilding campaign” and heightened offline consumer experience by bringing about an all-round innovation in design, research and development of its products, enhancing terminal store image and optimising supply chain layout. Meanwhile, by launching an assistance programme titled “Hundred Cities and Thousand Stores”, the Group was able to offer targeted assistance to high-quality distributors to facilitate them to realise omni-channel marketing through the provision of offline retail skill training and empowerment of online marketing digital tools, thus further expanding the scale of these high-quality distributors and their overall profitability.

Upholding the principle of “high-quality development” and focusing on key regions and cities, the Group is committed to opening high-quality terminal stores and continues to eliminate low-quality stores with poor performance to optimise its distributing network. Upon restructuring of its terminal channels, the number of retail outlets of the Group decreased from 766 as at 31 December 2022 to 745 as at 30 June 2023, including 456 outlets under FIRS and 289 outlets under SHANSHAN, representing a decrease of approximately 2.7% in the total number of retail outlets.

In addition, in terms of product supply, the Group adopted predictive models based on sales data and customer profile, and was therefore able to accurately position product styles, continuously improve the synergy between research, production and sales, optimise its product profile in a timely manner, and exercise inventory production control at source with the adoption of reasonable, effective and multi-channel inventory destocking measures. The inventory balance in the first half of 2023 recorded a decrease of approximately 13.6% as compared with that as at 31 December 2022, effectively increasing the turnover rate of goods. In terms of expense control, the Group’s continuous promotion of cost-reduction and efficiency-enhancement measures brought about significant results, in which the Group’s selling and distribution expenses for the Period recorded a year-on-year decrease of 9.9%.

These strong measures mentioned above have driven a continuous improvement in the Group’s results. The Group’s operating revenue for the Period amounted to RMB499.5 million, representing an increase of 19.1% compared with the corresponding period last year; and the Group’s profits amounted to RMB11.3 million, representing an increase of RMB11.1 million compared with the corresponding period last year.

## FINANCIAL REVIEW

### Revenue

The Group generated revenue primarily from sales to distributors, direct sales and franchisee sales. For the Period, the Group's total revenue increased by approximately 19.1% to RMB499.5 million from RMB419.3 million for the six months ended 30 June 2022, primarily attributable to (1) the Group's continuous efforts in strengthening its channel expansion on and cooperation with various internet platforms, enabling the revenue generated from FIRS and SHANSHAN on e-commerce platforms to significantly increase by approximately 113.1% from RMB67.7 million for the six months ended 30 June 2022 to RMB144.3 million for the Period; and (2) the Group's continuous efforts in strengthening its cooperation with clients of authorised e-commerce operators, realising a growth in trademark sub-licensing income by approximately 34.8%.

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:

	Six months ended 30 June			
	2023		2022	
	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%
<b>Sales to distributors</b>	<b>52,606</b>	<b>10.5</b>	48,224	11.5
<b>Direct sales</b>				
E-commerce platforms	144,324	28.9	67,658	16.1
Self-operated retail outlets	73,690	14.7	73,833	17.6
<b>Franchisee sales</b>				
Cooperation arrangement	145,154	29.1	148,944	35.5
<b>Business suit</b>	<b>40,293</b>	<b>8.1</b>	48,429	11.6
<b>Trademark sub-licensing income</b>	<b>43,390</b>	<b>8.7</b>	32,192	7.7
<b>Total</b>	<b>499,457</b>	<b>100</b>	419,280	100

## Revenue by brands

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

	Six months ended 30 June			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
<b>FIRS</b>	<b>281,140</b>	<b>56.3</b>	239,812	57.2
<b>SHANSHAN</b>	<b>214,554</b>	<b>43.0</b>	171,544	40.9
<b>Others</b>	<b>3,763</b>	<b>0.7</b>	7,924	1.9
<b>Total</b>	<b>499,457</b>	<b>100</b>	419,280	100

## Gross profit

Despite a year-on-year increase in the Group's revenue, the Group's gross profit slightly decreased to RMB202.8 million for the Period from RMB203.4 million for the six months ended 30 June 2022, primarily attributable to the Group's efforts to pursue multi-channel destocking measures for out-of-fashion inventories accumulated over the years, resulting in a decrease in gross profit margin.

## Other revenue

Other revenue mainly comprises sales of raw materials and interest income from banks. The Group's other revenue significantly increased by approximately 140% to RMB1.2 million for the Period from RMB0.5 million for the six months ended 30 June 2022, which was mainly attributable to the increase in the sales of raw materials of the Group.

## Other gains and losses, net

During the Period, other losses of the Group changed from RMB1.3 million for the six months ended 30 June 2022 to other gains of RMB1.2 million for the Period, which was mainly attributable to the rewards received by the Group due to the policies of the local government to assist enterprises to alleviate their difficulties.

## **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 and depreciation on property, plant and equipment and right-of-use assets.

For the Period, the Group's selling and distribution expenses decreased by approximately 9.9% to RMB164.7 million from RMB182.8 million for the six months ended 30 June 2022, which was mainly attributable to (1) the Group is committed to opening high-quality terminal stores and eliminating low-quality stores with poor performance, which reduces store expenses and renovation costs; and (2) a reduction in expenses such as staff costs and depreciation of right-of-use assets and equipment due to effective cost-reduction measures.

## **Administrative expenses**

Administrative expenses comprise mainly of staff costs, intermediary service fees and legal and professional fee of the Group.

For the Period, the Group's administrative expenses increased by approximately 11.0% to RMB20.2 million from RMB18.2 million for the six months ended 30 June 2022, which was mainly attributable to an increase in intermediary service fees.

## **Impairment loss on trade receivables, net**

For the Period, the Group's impairment loss on trade receivables increased to RMB0.8 million from RMB0.1 million for the six months ended 30 June 2022.

## **(Impairment loss)/reversal of impairment loss on other receivables, net**

For the Period, the Group's impairment loss on other receivables changed to impairment loss of RMB0.1 million from reversal of RMB0.1 million for the six months ended 30 June 2022.

## **Finance costs**

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

For the Period and for the six months ended 30 June 2022, the Group's finance costs remained generally stable at RMB3.7 million.

## Income tax (expense)/credit

Income tax expense mainly represents the income tax payable by the Group in accordance with the relevant income tax rules in the PRC. There was an income tax expense of RMB1.4 million for the Period (six months ended 30 June 2022: income tax credit of RMB2.1 million).

## Profit for the Period

For the Period, the Group's profit significantly increased to RMB11.3 million from RMB0.2 million for the six months ended 30 June 2022, which was primarily attributable to a decrease in selling and distribution expenses due to the Group's continuous promotion of the principle of cost-reduction and efficiency-enhancement which reduced expenses such as store expenses, staff costs and depreciation on right-of-use assets and equipment.

## WORKING CAPITAL MANAGEMENT

	<b>Six months ended 30 June 2023</b>	Year ended 31 December 2022
Average inventory turnover days	<b>176</b>	259
Average trade receivables turnover days	<b>75</b>	79
Average trade payables turnover days	<b>80</b>	116

The Group's average inventory turnover days significantly decreased from 259 days for the year ended 31 December 2022 to 176 days for the Period, mainly due to the Group's increased efforts in reasonable and effective destocking measures.

The Group's average trade receivables turnover days slightly decreased from 79 days for the year ended 31 December 2022 to 75 days for the Period.

The Group's average trade payables turnover days decreased from 116 days for the year ended 31 December 2022 to 80 days for the Period. The decrease in the turnover days was mainly attributable to the Group's continuous efforts in creating a flexible supply chain, its estimation of procurement amount based on sales data models and its acceleration of supplier payment cycle.



## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group maintained a solid financial position for the Period. As at 30 June 2023, the Group's cash and cash equivalents decreased to approximately RMB90.0 million from approximately RMB114.7 million as at 31 December 2022. The Group's cash and cash equivalents were mainly denominated in RMB as at 30 June 2023.

As at 30 June 2023 and 31 December 2022, the Group's total bank borrowings amounted to approximately RMB120.0 million and RMB157.5 million, respectively. All bank borrowings for the Period and as at 30 June 2023 were denominated in RMB. Details of the bank borrowings of the Group are set out in note 15 to the condensed consolidated interim financial statements of this announcement. The Group's gearing ratio (total borrowings over total assets of the Group) was approximately 17.2% and 20.8% as at 30 June 2023 and 31 December 2022, respectively.

## **TREASURY POLICIES**

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Period. 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 to ensure that the Group would meet its cash requirements from time to time.

## **FOREIGN EXCHANGE RISK AND HEDGING**

Most of the transactions of the Group 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 ("**HK\$**") and any payment of dividends to the holders of H Shares were or will be made in HK\$, 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 30 June 2023, a total of RMB54.4 million of the proceeds from the Share Offer had been utilised for the following purposes which are consistent with that disclosed in the prospectus of the Company dated 12 June 2018:

<b>Planned use of proceeds</b>	<b>Planned amount</b>	<b>Unutilised balance as at 1 January 2023</b>	<b>Actual utilised amount during the Period</b>	<b>Unutilised amount as at 30 June 2023</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>
Retail network	20.9	–	–	–
Brand promotion and marketing	13.6	–	–	–
Information technology system	10.7	1.5	0.7	0.8 <sup>(Note)</sup>
Warehouses and logistics center	4.5	–	–	–
General working capital	5.5	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Total	55.2	1.5	0.7	0.8

*Note:* Due to delay in project progress, the Group expects to utilise the proceeds in the fourth quarter of 2023 in upgrading its information technology system.

## INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2022: Nil).

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 30 June 2023, the Group had 327 employees (30 June 2022: 349 employees). Employee costs, including Directors' emoluments, amounted to approximately RMB15.3 million for the Period (six months ended 30 June 2022: RMB23.3 million). The remuneration policy for the Directors and senior management is based 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 individual performances of the Directors and senior management. The Group provides and arranges on-the-job training for the employees.

The remuneration committee of the Board reviews and recommends to the Board for consideration and approval of the remuneration and compensation packages of the Directors and senior management with reference to the salaries paid by comparable companies in the market, time commitment and responsibilities of the Directors and the senior management as well as the financial performance of the Group.

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

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

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

In order to further build up its apparel brand and develop its business, the Company may consider to construct a comprehensive building including a product research center, a manufacturing plant and digital intelligent warehouse for its formal and business casual menswear. Should the plan become materialised, the Company will consider to fund such plan through its internal resources and external financing. Save as disclosed in this announcement, there was no other plan for material investments or capital assets as at 30 June 2023.

## **CAPITAL STRUCTURE**

There was no change in the capital structure of the Company as at 30 June 2023 as compared with that as at 31 December 2022.

## **PLEDGE OF ASSET**

As at 30 June 2023, the Group pledged deposits of RMB1.0 million as guarantee deposits for bank borrowings (31 December 2022: RMB8.0 million to secure bills payables). Save for the aforementioned pledged deposits, the Group did not pledge other assets as securities.

## **CONTINGENT LIABILITIES**

As at 30 June 2023, the Group had no material contingent liabilities (31 December 2022: Nil).

## **EVENT AFTER THE PERIOD**

There was no significant event that might affect the Group after the Period and up to the date of this announcement.

## **OUTLOOK AND PLANS**

For the second half of 2023, faced with a sluggish and complicated operating environment in the market, and a recovery and expansion of the need for business menswear in different occasions, the Group will brisk up the pace of “high-quality development”, seize on new opportunities and mitigate risks. Leveraging the intangible values of the brand accumulated over 30 years and the new values emerging from new business segments like live-streaming economy, the Group is able to direct its business to new consumption opportunities and propel a new round of boom and upswing.

The Group will be even more active in focusing on product technological innovation and cultural improvement, at the same time embracing the era of digital economy and new retail models. The Group will continue to deeply cultivate live-streaming channels, promote “explosive products”-driven strategies and vigorously expand private domain traffic operation. This will allow for an extensive, accurate and far-reaching engagement with users, making online sales channels “fast-and-accurate” and offline sales channels “precise-and-high-quality”. This will build a diversified and complementary channel ecosystem that integrates different values, thus enhancing the frequency of repurchases and multi-channel explosion to elevate marketing values.

Meanwhile, the Group will continue its research and development on innovative products to provide consumers with more high-quality products and services. The Group will cultivate its key markets by opening high-quality and highly-efficient terminal stores and expediting the promotion of brand image rebranding and implementation of strategies; it will continue to push forward the promotion and internalisation of corporate culture and strengthen fundamental management; it will also establish a diverse talent pool to safeguard its access to new types of talents. Meanwhile, it will actively expand its business suit markets and raise awareness of service for business suit customers; and will adhere to platform-based development to improve channel empowerment and safeguards, realising a business development model that features openness of resources, systematisation of strategies and a win-win cooperation.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Board and the Company's management are committed to maintaining high standards of corporate governance. The Board firmly believes that conducting the Group's business in a transparent and responsible manner and following good corporate governance practices serve its long-term interests and the Shareholders' interests. The Board considers that the Company has complied with all the code provisions of the Corporate Governance Code as contained in Part 2 of Appendix 14 to the Listing Rules (the "CG Code") during the Period except for the following deviation:

Pursuant to 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.

## **AUDIT COMMITTEE**

The Audit Committee comprises all three independent non-executive Directors, namely Mr. Chow Ching Ning (committee chairman), Mr. Wang Yashan and Mr. Wu Xuekai. The Audit Committee has reviewed and agreed with the Group's unaudited condensed consolidated interim results for the Period and this announcement.

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

The Company did not redeem any of its H Shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such H Shares during the Period.

## **COMPLIANCE WITH MODEL CODE**

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 for dealing in securities of the Company by the Directors and the supervisors of the Company (the "**Supervisors**"). In response to specific enquiries made by the Company to each of the Directors and the Supervisors, all the Directors and the Supervisors confirmed that they had complied with the Model Code during the Period.

## **PUBLICATION OF INTERIM REPORT**

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

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

Ningbo, the PRC, 22 August 2023

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

*Executive Directors:*

Mr. Luo Yefei (Chairman)

Mr. Cao Yang (Vice-Chairman)

Ms. Yan Jingfen

Ms. Zhou Yumei

*Non-executive Directors:*

Mr. Du Peng

Mr. Shen Jinxin

*Independent Non-executive Directors:*

Mr. Chow Ching Ning

Mr. Wang Yashan

Mr. Wu Xuekai