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

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

(Stock Code: 1749)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Shanshan Brand Management Co., Ltd. (the "**Company**") hereby announces the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 (the "**Year**" or "**FY2023**"), together with the comparative figures for the year ended 31 December 2022 (the "**FY2022**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 RMB	2022 RMB
Revenue	4	**1,060,045,974**	881,199,661
Cost of sales		**(662,806,836)**	(495,306,671)
Gross profit		**397,239,138**	385,892,990
Other revenue		**1,583,534**	837,915
Other gains and losses, net		**3,806,700**	1,349,484
Selling and distribution expenses		**(308,249,013)**	(327,077,985)
Administrative expenses		**(40,394,094)**	(36,820,353)
Impairment loss on property, plant and equipment		**(287,868)**	(333,435)
Impairment loss on right-of-use assets		**(1,455,137)**	(2,080,460)
Impairment loss on trade receivables, net		**(1,070,535)**	(2,423,478)
(Impairment loss)/reversal of impairment loss on deposits and other receivables, net		**(822,909)**	1,222,082
Write-off of prepayment		**(472,146)**	(1,708,379)
Finance costs		**(6,549,299)**	(7,795,763)
Share of result of an associate		**(2,627,613)**	5,987
Share of result of a joint venture		**(96,986)**	(115,695)
Profit before income tax	5	**40,603,772**	10,952,910
Income tax (expense)/credit	7	**(8,998,394)**	5,053,417
Profit and total comprehensive income for the year attributable to owners of the Company		**31,605,378**	16,006,327
Earnings per share attributable to the owners of the Company	8	**0.24**	0.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB	2022 RMB
Non-current assets			
Property, plant and equipment		**14,601,395**	18,403,292
Right-of-use assets		**50,676,967**	13,557,364
Intangible assets		**6,509,464**	8,312,492
Interest in an associate		**6,723,138**	9,350,751
Interest in a joint venture		**885,920**	982,906
Prepayments, deposits and other receivables	10	**4,639,898**	2,655,187
Deferred tax assets		**19,000,352**	23,570,090
Total non-current assets		**103,037,134**	76,832,082
Current assets			
Inventories		**230,363,770**	311,939,143
Trade and bills receivables	9	**223,122,076**	205,408,626
Prepayments, deposits and other receivables	10	**21,558,178**	39,088,623
Financial asset at fair value through profit or loss		**259,740**	282,867
Amount due from a substantial shareholder		**624,293**	624,293
Income tax recoverable		**–**	1,713,320
Pledged deposits		**4,200,305**	8,000,050
Cash and cash equivalents		**143,224,055**	114,688,165
Total current assets		**623,352,417**	681,745,087

	Notes	**2023**	2022
		RMB	*RMB*
Current liabilities			
Trade and bills payables	*11*	**151,563,421**	155,326,092
Contract liabilities	*12*	**31,904,959**	28,451,996
Other payables and accruals	*13*	**120,078,831**	158,617,606
Interest-bearing bank borrowings	*14*	**135,000,000**	157,500,000
Amount due to a joint venture		**875,000**	856,455
Amount due to a substantial shareholder		**1,335,849**	1,200,000
Income tax payable		**2,714,166**	–
Lease liabilities		**7,439,271**	9,242,434
Total current liabilities		**450,911,497**	511,194,583
Net current assets		**172,440,920**	170,550,504
Total assets less current liabilities		**275,478,054**	247,382,586
Non-current liabilities			
Contract liabilities	*12*	**875,986**	1,891,524
Other payables and accruals	*13*	**15,846,300**	9,369,188
Amount due to a substantial shareholder		**1,500,000**	2,700,000
Lease liabilities		**3,480,847**	5,916,331
Total non-current liabilities		**21,703,133**	19,877,043
Net assets		**253,774,921**	227,505,543
Capital and reserves			
Share capital	*15*	**133,400,000**	133,400,000
Reserves		**120,374,921**	94,105,543
Total equity		**253,774,921**	227,505,543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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 ("**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 Company's overseas-listed foreign shares ("**H Shares**") have been listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") since 27 June 2018.

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 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 2023 and 2022 were as follows:

Name of subsidiaries	**Date of establishment and type of legal entity**	**Place of operation and incorporation**	**Issued and paid-up capital**	**Proportion of effective equity interests held by the Company**				**Principal activities**
				2023		2022		
				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 formal and causal business menswear through e-commerce
Tengzhou Shanshan Commerce and Trading Co., Ltd.	23 March 2023/Limited liability company	The PRC	RMB0.5 million	**100%**	**N/A**	N/A	N/A	Distribution of formal and causal business menswear through retail

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**") 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

Except as described below, the new/revised HKFRSs that are effective from 1 January 2023 did not have significant impact on the Group's accounting policies, financial results and financial position.

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

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* 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 application of the amendments has led to the presentation of material accounting policy in the financial statements, but had no material impact on the Group's financial results and financial position.

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

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraph 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.

The application of the amendments has had no material impact on the Group's financial results and financial position.

(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 HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 21	Lack of Exchangeability[2]

[1] Effective for annual periods beginning on or after 1 January 2024.
[2] Effective for annual periods beginning on or after 1 January 2025.
[3] Effective for annual periods beginning on or after a date to be determined.

The Directors are currently assessing the impact that the application of the aforesaid 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 ("**Listing Rules**").

(b) Basis of measurement

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.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company and its subsidiaries.

4. SEGMENT INFORMATION AND REVENUE

(a) Reportable segment

During the reporting period, the information reported to the executive directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, is the financial information of the Group as a whole as reported under HKFRSs. Such information does not contain profit or loss information of particular product or service line or brand. 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 is disaggregated by primary geographical market, major products and service lines, brands and timing of revenue recognition.

	2023	2022
	RMB	*RMB*
Primary geographical market		
The PRC	**1,060,045,974**	881,199,661
Major product/service		
Trading of garments	**946,051,210**	808,662,717
Trademark sub-licensing income	**113,994,764**	72,536,944
	1,060,045,974	881,199,661
Revenue by brands		
FIRS	**602,902,487**	513,193,767
SHANSHAN	**447,602,449**	358,617,136
Others	**9,541,038**	9,388,758
	1,060,045,974	881,199,661
Timing of revenue recognition		
At a point in time	**859,596,008**	683,357,105
Transferred over time	**200,449,966**	197,842,556
	1,060,045,974	881,199,661

(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 customer

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 by different sale channels:

Revenue from contracts with customer within the scope of HKFRS 15:	**2023** ***RMB***	2022 *RMB*
Standard garment products		
– E-commerce platforms	**322,834,314**	190,371,255
– Franchisee	**232,581,086**	248,057,488
– Self-operated retail stores	**149,928,189**	121,398,791
– Distributors	**121,006,838**	112,410,792
– Business suit	**119,700,783**	136,424,391
Trademark sub-licensing income	**113,994,764**	72,536,944
	1,060,045,974	881,199,661

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

	2023 ***RMB***	2022 *RMB*
Trade and bills receivables (Note 9)	**223,122,076**	205,408,626
Contract liabilities (Note 12)	**32,780,945**	30,343,520

5. PROFIT BEFORE INCOME TAX

	2023	2022
	RMB	*RMB*
Profit before income tax is arrived at after charging/(crediting):		
Amortisation and depreciation		
– Amortisation of intangible assets	**1,803,028**	1,795,398
– Depreciation of right-of-use assets	**16,431,067**	16,641,667
– Depreciation of property, plant and equipment	**19,566,022**	32,953,541
Total amortisation and depreciation	**37,800,117**	51,390,606
Impairment loss/(reversal of impairment loss) on		
– Property, plant and equipment	**287,868**	333,435
– Right-of-use assets	**1,455,137**	2,080,460
– Trade receivables, net	**1,070,535**	2,423,478
– Deposits and other receivables, net	**822,909**	(1,222,082)
Total impairment loss, net	**3,636,449**	3,615,291
Write-off of prepayment	**472,146**	1,708,379
Write down/(reversal of write down) of inventories		
– Finished goods (included in cost of sales)	**6,906,026**	19,692,205
– Raw materials (included in other revenue)	**700,948**	(1,339,472)
Total write down of inventories, net	**7,606,974**	18,352,733
Expenses relating to leases		
– Short-term leases	**15,789,247**	17,698,602
– Variable lease payments	**14,580,367**	10,866,127
Total expenses relating to leases	**30,369,614**	28,564,729
Auditor's remuneration		
– Audit services	**1,068,655**	1,018,104
– Non-audit services	**706,333**	436,720
Total auditor's remuneration	**1,774,988**	1,454,824
Advertising and promotion expenses (included in selling and distribution expenses)	**7,436,242**	7,817,991
Cost of inventories sold	**655,900,810**	475,614,466
Fair value gain on derivative financial liabilities	**–**	(4,594,424)
Fair value loss/(gain) on financial asset at fair value through profit or loss	**23,127**	(44,476)

6. DIVIDEND

At the board meeting held on 28 March 2024, the board of Directors resolved to recommend a final dividend of RMB8.0 cents (2022: RMB4.0 cents) per ordinary share. The proposed final dividend has not been recognised as a dividend payable as at 31 December 2023, but reflected as an appropriation of accumulated profits for the year ended 31 December 2023.

7. INCOME TAX EXPENSE/(CREDIT)

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

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

	2023	2022
	RMB	*RMB*
PRC EIT	**4,428,656**	(665,834)
Deferred taxation	**4,569,738**	(4,387,583)
Income tax expense/(credit)	**8,998,394**	(5,053,417)

8. EARNINGS PER SHARE

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

	2023	2022
	RMB	*RMB*
Profit for the purposes of basic and diluted earnings per share attributable to owners of the Company	**31,605,378**	16,006,327

	2023	2022
	Shares	*Shares*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**133,400,000**	133,400,000

	2023	2022
	RMB	*RMB*
Earnings per share	**0.24**	0.12

There were no potential ordinary shares outstanding during the years ended 31 December 2023 and 2022, and hence the diluted earnings per share is the same as basic earnings per share.

9. TRADE AND BILLS RECEIVABLES

	2023	2022
	RMB	*RMB*
Trade receivables	**257,058,115**	256,047,886
Less: Provision for impairment	**(34,925,855)**	(50,989,260)
	222,132,260	205,058,626
Bills receivables	**989,816**	350,000
	223,122,076	205,408,626

Ageing analysis

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

	2023	2022
	RMB	*RMB*
Within 3 months	**185,561,289**	168,686,516
Over 3 months but within 6 months	**19,322,238**	17,396,441
Over 6 months but within 1 year	**12,494,269**	17,004,797
Over 1 year	**4,754,464**	1,970,872
	222,132,260	205,058,626

Expected credit loss measurement

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

	2023	2022
	RMB	*RMB*
At 1 January	**50,989,260**	49,078,566
Impairment loss recognised in profit or loss during the year	**1,070,535**	2,423,478
Amounts written off	**(17,133,940)**	(512,784)
At 31 December	**34,925,855**	50,989,260

The Group offers a general credit period from 30 to 270 days to its customers depends on the financial abilities of these business partners.

10. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

	2023	2022
	RMB	*RMB*
Deposits and other receivables	**12,939,470**	11,230,076
Less: Provision for impairment	**(115,598)**	(178,338)
	12,823,872	11,051,738
Prepayments	**13,374,204**	30,692,072
	26,198,076	41,743,810
Less: Non-current portion included in prepayments, deposits and other receivables	**(4,639,898)**	(2,655,187)
	21,558,178	39,088,623

Deposits and other receivables

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, which is classified as non-current assets, in accordance with the trademark licensing agreement.

Expected credit loss measurement

Movements in the loss allowance account in respect of deposits and other receivables during the year are as follows:

	2023	2022
	RMB	*RMB*
At 1 January	**178,338**	1,400,420
Impairment loss/(reversal of impairment loss) recognised in profit or loss during the year	**822,909**	(1,222,082)
Amounts written off	**(885,649)**	–
At 31 December	**115,598**	178,338

Prepayments

	2023	2022
	RMB	*RMB*
Prepayments to suppliers	**4,752,045**	15,412,218
Prepayments to original equipment manufacturer suppliers	**3,645,568**	3,154,791
Prepayments for short-term leases	**1,292,285**	5,233,341
Prepayments for advertising	**1,090,660**	2,734,444
Prepayments for renovation	**–**	1,733,148
Others	**2,593,646**	2,424,130
	13,374,204	30,692,072

11. TRADE AND BILLS PAYABLES

	2023	2022
	RMB	*RMB*
Trade payables	**147,363,421**	140,326,092
Bills payables	**4,200,000**	15,000,000
	151,563,421	155,326,092

As at 31 December 2023, the Group pledged a deposit of RMB4,200,305 (2022: RMB8,000,050) as a security for bills payables.

Ageing analysis

The trade payables are non-interest bearing and normally due to be settled within twelve months. The carrying amounts of trade payables approximate to their fair values and are denominated in RMB. The ageing analysis, based on invoice date, is as follows:

	2023	2022
	RMB	*RMB*
Within 3 months	**121,853,901**	61,483,954
Over 3 months but within 6 months	**13,854,931**	34,887,327
Over 6 months but within 1 year	**5,567,459**	39,574,216
Over 1 year	**6,087,130**	4,380,595
	147,363,421	140,326,092

12. CONTRACT LIABILITIES

	2023	2022
	RMB	*RMB*
Contract liabilities arising from:		
Trading of garments		
– Prepaid cards	**2,137,731**	1,611,308
– Advance from customers	**27,741,590**	24,366,072
	29,879,321	25,977,380
Trademark sub-licensing income	**2,901,624**	4,366,140
	32,780,945	30,343,520
Less: Non-current portion included in contract liabilities arising from trademark sub-licensing income	**(875,986)**	(1,891,524)
	31,904,959	28,451,996

13. OTHER PAYABLES AND ACCRUALS

	2023	2022
	RMB	*RMB*
Deposits received	**102,548,575**	132,461,074
Other tax payables *(Note)*	**19,397,371**	14,246,384
Refund liabilities	**2,462,103**	4,595,475
Others	**11,517,082**	16,683,861
	135,925,131	167,986,794
Less: Non-current portion included in other payables and accruals	**(15,846,300)**	(9,369,188)
	120,078,831	158,617,606

Note: Other tax payables mainly include value-added tax payables arising from sale.

Deposits received

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:

	2023	2022
	RMB	*RMB*
Deposits received from franchisees	**84,858,086**	116,849,616
Deposits received from distributors	**9,341,300**	5,492,269
Deposits received from sub-licensing users	**8,349,189**	10,119,189
	102,548,575	132,461,074

Refund liabilities

Refund liabilities represents estimated volume rebates granted to the customers the right to redeem the rebates through purchase of the Group's products at a discount in the future. The amount is based on the stand-alone selling price of goods sold, and takes into account the amount of rebates granted to customers that have not been redeemed and the expected forfeiture rate.

The movements of provision are as follows:

	2023	2022
	RMB	*RMB*
At 1 January	**4,595,475**	10,012,015
Addition of provision	**10,114,448**	5,232,088
Utilisation of provision	**(12,247,820)**	(10,648,628)
At 31 December	**2,462,103**	4,595,475

14. INTEREST-BEARING BANK BORROWINGS

	2023	2022
	RMB	*RMB*
Bank borrowings denominated in RMB	**135,000,000**	157,500,000

As at 31 December 2023, bank borrowings denominated in RMB included the following:

– Amounts of RMB75,000,000 being guaranteed by Shanshan Group Co., Ltd ("**Shanshan Group**"), personal guarantee from Directors together with a charge on a property held by a Director, with fixed interest rate from 3.50% to 3.80% and repayable within one year.

– Amounts of RMB60,000,000 being guaranteed by a subsidiary of the Company, with fixed interest rate from 3.80% to 4.25% and repayable within one year.

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

– Amounts of RMB82,500,000 being guaranteed by Ningbo Shanshan Co., Ltd., with fixed interest rates range from 4.79% to 4.95% and repayable within one year.

– Amounts of RMB35,000,000 being guaranteed by Shanshan Group and personal guarantee from Directors, with fixed interest rate at 4.35% and repayable within one year.

– Amounts of RMB40,000,000 being guaranteed by Shanshan Group and personal guarantee from Directors together with a charge on a property held by a Director, with variable interest rate LPR-0.2% 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.

15. SHARE CAPITAL

	Number of shares	*RMB*
Registered domestic share capital and H Shares		
At 1 January 2022, 31 December 2022 and 31 December 2023	133,400,000	133,400,000

16. 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 are 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:

	2023	2022
	RMB	*RMB*
Not later than one year	**7,555,382**	4,398,233

(b) Capital commitments

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

	2023	2022
	RMB	*RMB*
Contracted, but not provided for:		
Acquisition of property, plant and equipment	**4,519,532**	1,925,118
Construction of the Project *(Note)*	**2,526,000**	–
	7,045,532	1,925,118

Note: Pursuant to the circular dated 1 December 2023, the Company entered into a very substantial acquisition in relation to the expected entry into the land use right grant contract and the investment agreement ("**Project**").

The Company planned to construct a comprehensive building on the land, comprising a product research and development center, a high-end digital intelligent manufacturing plant and a digital intelligence warehouse for its formal and causal business menswear business.

Apart from the above capital commitment, during the subsequent period, the Company signed certain agreements for the construction of the Project. As at the date of this announcement, the total capital commitment for the construction has increased to RMB3,406,000.

17. CONTINGENT LIABILITIES

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

18. SUBSEQUENT EVENTS

Save as disclosed in this announcement, the Group had no significant events from the end of the reporting period and up to the date of this announcement.

BUSINESS REVIEW

In the Year, the global economic recovery was filled with complexity and uncertainty. Despite the improvement in consumption confidence and consumption indices, it was not enough to revolutionize the severe challenges faced by the domestic apparel industry. The global economy was under a situation of reducing inflation and preventing recession, and the consumption confidence has not recovered to the pre-pandemic level. The operation of enterprises still faces uncertainties, but improvements are shown as compared with FY2022.

According to the data from the National Bureau of Statistics, the industrial added-value of enterprises above designated size in the apparel industry recorded a year-on-year increase of 4.6% in 2023 and the apparel industry showed stable growth momentum in overall. Since the impacts on the global economy caused by COVID-19 have been gradually weakening, international and domestic economic condition is stabilizing progressively, and the consumption confidence of domestic residents is gradually improving. The Group adheres to the strategic and core idea 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. Combining external business environment and internal operating condition, the Group adopts various active and efficient strategic measures to overcome adverse market factors and seize the opportunity of economic recovery, which includes: increasing investments in brand image, optimizing channel networks, expanding the coverage in key regional markets, continuing to provide supports to online high-quality distributors, creating a new business category of e-commerce market for private members, improving research and development capability of core categories, supervising product quality strictly, improving inventory digestion capacity continuously and enhancing turnover rate of inventories. Thus, the inventory balance of the Group in the Year recorded a year-on-year decrease of approximately 26.2%. Furthermore, in FY2023, the Group managed the input-output ratio of each business strictly, controlled the fees and expenditures precisely, improved the efficiency of internal management and promoted the implementation of various cost reduction and efficiency enhancement measures, leading to a year-on-year decrease of approximately 5.8% in the selling and distribution expenses for the Year, the selling and distribution expenses for the Year accounted for 29.1% of the revenue, representing a decrease of approximately 8 percentage points as compared to 37.1% in FY2022.

In FY2023, the Group endeavoured to achieve high-quality management, focused on the core of its strategic development, optimized the layout of terminal markets, paid close attention to inventory market, store efficiency and personnel efficiency, focused on the output of core categories and improved the overall capability and market shares of the Group continuously. At the same time, through the structural adjustment of end channels, the Group focused on key markets and core areas, resulting in the number of retail stores of the Group adjusted from 766 as at 31 December 2022 to 709 as at 31 December 2023, including 458 retail stores under FIRS and 251 retail stores under SHANSHAN, representing a year-on-year decrease of approximately 7.4% in the total number of retail stores.

In addition, the Group continued to strengthen its collaboration with clients authorised to operate e-commerce business, enhanced the building of popular products on e-commerce platforms and continued to strengthen the expansion of and cooperation with various internet platforms, which played a crucial role in the Group's growth in its business scale in FY2023.

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. Benefiting from the growth in sales revenue of the advantaged channels, the operating revenue of the Group amounting to approximately RMB1,060.0 million in the Year, representing an increase of approximately 20.3% as compared with RMB881.2 million in FY2022. Profit of the Group increased by approximately 97.5% from RMB16.0 million in FY2022 to RMB31.6 million in the Year.

FINANCIAL REVIEW

Revenue

The Group generated revenue primarily from sales of apparel to distributors, direct sales, franchisee sales, sales of business suit and trademark sub-licensing income, etc. For the Year, total revenue of the Group increased by approximately 20.3% to RMB1,060.0 million from RMB881.2 million for FY2022, primarily attributable to (i) the increase in revenue from two brands (FIRS and SHANSHAN) on e-commerce platforms by 69.5% from RMB190.4 million for FY2022 to RMB322.8 million for the Year and the sales from e-commerce platform channel accounted for 30.5% of the Group's revenue components which ranked among the first, due to the development of popular products on the Group's e-commerce platforms, the continuous strengthening of the expansion of and cooperation with various internet platforms and timely adjustment of suitable marketing strategies; and (ii) the increase in trademark sub-licensing income by RMB41.5 million due to the continuous support to online high-quality distributors. 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			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Sales to distributors	**121,007**	**11.4**	112,411	12.8
Direct sales				
E-commerce platforms	**322,834**	**30.5**	190,372	21.6
Self-operated retail stores	**149,928**	**14.1**	121,399	13.8
Franchisee sales				
Cooperative arrangements	**232,581**	**21.9**	248,057	28.1
Business suit	**119,701**	**11.3**	136,424	15.5
Trademark sub-licensing income	**113,995**	**10.8**	72,537	8.2
Total	**1,060,046**	**100**	881,200	100

Revenue by brands

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

	Year ended 31 December			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
FIRS	**602,903**	**56.9**	513,194	58.2
SHANSHAN	**447,602**	**42.2**	358,617	40.7
Others	**9,541**	**0.9**	9,389	1.1
Total	**1,060,046**	**100**	881,200	100

Gross profit

For the Year, gross profit of the Group increased by approximately 2.9% to RMB397.2 million from RMB385.9 million for FY2022, primarily attributable to the increase in revenue by 20.3% for the Year, resulting in the increase in gross profit by RMB11.3 million.

Other revenue

Other revenue mainly comprises bank interest income and gain on the sales of raw materials of the Group. For the Year, other revenue of the Group increased by approximately 100% to RMB1.6 million from RMB0.8 million for FY2022.

Other gains and losses, net

Other gains, net for the Year amounted to RMB3.8 million, which mainly represented (i) liquidated damages income from customers of RMB3.1 million; and (ii) government grants of RMB2.1 million.

Other gains, net for FY2022 amounted to RMB1.3 million, which mainly represented liquidated damages from customers of approximately RMB3.4 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 and renovation costs.

For the Year, selling and distribution expenses of the Group decreased by approximately 5.8% to RMB308.2 million from RMB327.1 million for FY2022, mainly attributable to (i) the decrease in the share of franchisees resulted from the decrease in sales of cooperation arrangement channels; and (ii) the continuous improvement of internal management and adoption of various cost reduction and efficiency enhancement measures by the Group led to the decrease in intermediary service fees as well as renovation and depreciation charges.

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, administrative expenses of the Group increased by approximately 9.8% to RMB40.4 million from RMB36.8 million for FY2022, mainly attributable to the increase in depreciation charges of fixed assets and legal consulting fees.

Impairment loss on property, plant and equipment

The impairment loss on property, plant and equipment of the Group remained at RMB0.3 million for the Year.

Impairment loss on right-of-use assets

The impairment loss on right-of-use assets of the Group decreased from RMB2.1 million for FY2022 to RMB1.5 million for the Year.

Impairment loss on trade receivables, net

For the Year, impairment loss on trade receivables of the Group decreased to RMB1.1 million from RMB2.4 million for FY2022.

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

The impairment loss on deposits and other receivables, net of the Group changed to impairment loss of RMB0.8 million for the Year from reversal of impairment loss of RMB1.2 million for FY2022.

Write-off of prepayment

The write-off of prepayment of the Group decreased from RMB1.7 million for FY2022 to RMB0.5 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, finance costs of the Group decreased by approximately 16.7% to RMB6.5 million from RMB7.8 million for FY2022. The decrease was mainly due to the decrease in the interest expenses on bank borrowings by RMB1.0 million.

Income tax (expense)/credit

Income tax (expense)/credit mainly represents the income tax payable by the Group according to the relevant PRC income tax laws and regulations. The income tax expense for the Year amounted to RMB9.0 million, while the income tax credit amounted to RMB5.1 million for FY2022, primarily attributable to the Group's fully utilization of compensable losses of previous years arising from income tax during the Year.

Profit for the year

For the Year, the profit recorded by the Group increased by approximately 97.5% to RMB31.6 million from RMB16.0 million for FY2022, which was mainly due to (i) the increase in revenue and gross profit for the Year; and (ii) the decrease in selling and distribution expenses.

WORKING CAPITAL MANAGEMENT

	Year ended 31 December	
	2023	2022
Average inventory turnover days	**149**	259
Average trade receivables turnover days	**74**	79
Average trade payables turnover days	**85**	116

Average inventory turnover days of the Group decreased from 259 days as at 31 December 2022 to 149 days as at 31 December 2023, which was primarily attributable to the achievement of efficient turnover of commodities thanks to the Group's resort to omni-channel deployment of cloud warehouses, resulting in a faster inventory turnover days for the Year.

Average trade receivables turnover days of the Group decreased from 79 days as at 31 December 2022 to 74 days as at 31 December 2023, which maintained relatively stable.

Average trade payables turnover days of the Group decreased from 116 days as at 31 December 2022 to 85 days as at 31 December 2023, mainly due to the Group's efforts in improving its research and development capacity of core products, achieving breakthroughs of popular products, responding to market demands swiftly and shortening the settlement cycle of suppliers' accounts due to its flexible supply chains, which resulted in faster average trade payables turnover days for the Year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a solid financial position for the Year. Cash and cash equivalents of the Group increased from RMB114.7 million as at 31 December 2022 to RMB143.2 million as at 31 December 2023, and its pledged deposits decreased to RMB4.2 million as at 31 December 2023 from RMB8.0 million as at 31 December 2022. The cash and cash equivalents were mainly denominated in RMB.

As at 31 December 2023 and 31 December 2022, total bank borrowings of the Group amounted to approximately RMB135.0 million and RMB157.5 million, respectively. As at 31 December 2023, 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 set out in note 14 to the consolidated financial statements in this announcement. Gearing ratios (total borrowings over total assets of the Group) of the Group were approximately 18.6% and 20.8% as at 31 December 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 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 2023, a total of RMB54.9 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 2023 *RMB (million)*	Actual utilised amount during the Year *RMB (million)*	Unutilised amount as at 31 December 2023 *RMB (million)*
Retail network	20.9	–	–	–
Brand promotion and marketing	13.6	–	–	–
Information technology system	10.7	1.5	1.2	0.3 *(note)*
Warehouses and logistics center	4.5	–	–	–
General working capital	5.5	–	–	–
Total	55.2	1.5	1.2	0.3

Note: Due to delay in project progress, the Group expects to utilize the proceeds for the information technology system in the second quarter of 2024.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2023, the Group had 311 employees (31 December 2022: 352 employees). Employee costs, including Directors' emoluments, amounted to approximately RMB36.2 million for the Year (2022: RMB33.3 million). The remuneration policy for the Directors and the senior management focuses on their experience, level of responsibility and general market conditions. Any discretionary bonus and other performance bonus are linked to the profit performance of the Group and the performance of the Directors and individual senior management. The Group provides and arranges on-the-job training for the employees.

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

ENVIRONMENTAL MANAGEMENT

Being a socially and environmentally responsible enterprise, the Group is dedicated to achieving environmental friendly and sustainable development by abiding by relevant laws and regulations, including the "Environmental Protection Law of the People's Republic of China" and the regulations implemented by the environmental protection bureaus of the relevant PRC local governments during its daily operation. The Group has also attained the ISO14001 "Environment Management Systems" Certification. An environmental, social and governance report of the Group will be issued as part of the annual report of the Company for the Year, in accordance with the Environmental, Social and Governance Reporting Guide as contained in Appendix 27 (renamed as Appendix C2 with effect from 31 December 2023) to the Listing Rules, which will be published on the respective websites of the Stock Exchange and the Company.

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

In order to further establish its garment brand and develop its businesses, the Company has acquired the land use rights of a land located in Wangchun Industrial Park, Haishu District, Ningbo City, Zhejiang Province, the PRC (the "**Land Use Rights**") at a consideration of RMB40,118,400 for the purpose to construct a comprehensive building including a product research and development center therein, a manufacturing plant and a digital intelligent warehouse, for the formal and business casual menswear of the Company (the "**Project**"). For relevant details, please refer to the announcement of the Company dated 16 November 2023 and the circular of the Company dated 2 December 2023.

Save as disclosed above, 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 circular of the Company dated 2 December 2023, the estimated total costs of the Project was RMB280 million (including Land Use Rights). As at 31 December 2023, save as the consideration of the Land Use Right as set out in the relevant agreements which has been fully settled.

As at 31 December 2023, the relevant contract amounts of construction projects signed by the Group was RMB2,526,000 in total.

Save as disclosed above, there was no plan for material investments or capital assets as at 31 December 2023. 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 in relation to the development of the Project.

CAPITAL STRUCTURE

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

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2023 (31 December 2022: Nil).

PLEDGE OF ASSETS

As at 31 December 2023, the Group pledged deposits of RMB4.2 million to secure bills payables (31 December 2022: RMB8.0 million was placed as security for bills payables). Except for the above-mentioned pledged deposits, there were no other assets pledged as security by the Group.

OUTLOOK AND STRATEGIES

Looking forward to 2024, along with the continuous recovery of domestic economy and coupled with the national economic stimulus policies, the consumer sentiment index has been climbing higher and various domestic industries are about to usher in steady and healthy growth, leading to the gradual decrease in the operating pressure on the apparel industry in which the Group operates.

The Group will keep a foothold in its cradle, focus on core provinces and cities and seize development opportunities. The Group will focus on its core strategies in 2024 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 development model with high returns and high growth for all business lines of the Group and promote a rapid growth of the overall business and profits of the Company.

The Group will strive to set up 100 "China's Shanshan" brand experience centers to improve the immersive experience of the customers of Shanshan brand in an all-round way. The Group will also promote the implementation of a high-quality "thousands of stores in hundreds of cities" plan and build up an online brand marketing network consisting of "traditional platforms – social media platforms – live-streaming platforms – private domains", so as to develop the layout of a marketing network with omni-channel scenarios and build up a sustainable development model which is platform-based, ecological and digitalized.

The Group will keep a foothold in the era of digital economy and embrace dynamic changes in the consumption culture, with an aim to turn offline scenarios into "precise and high-quality" scenarios and turn online scenarios into "fast and accurate" scenarios. The Group will build up a diverse, complementary and well-balanced channel ecosystem with fusional and symbiotic values, so as to improve the top-tier influence of business menswear of Shanshan brand comprehensively.

The Group will strengthen its foothold in the Chinese market, promote the brand culture of Shanshan suits and provide guidance to a sophisticated lifestyle, so as to deepen the unique experience of consumers towards Shanshan suits and improve consumers' level of satisfaction with our brand and our brand reputation, thereby letting Shanshan suits be the choice of consumers when they exhibit the demand for purchasing suit products.

The Group will leverage on new technologies to upgrade the member operation system, operate users' assets in-depth and explore users' values, so as to ensure the core members of the Company are able to bring stable profit contribution for the continuous development of the Company. At the same time, the Group will accelerate the upgrade and iteration of the brand image rebuilding campaign and focus on the "suit large single product breakthrough plan", in order to strengthen and deepen the proportion of sales and profit contributions of core categories. In addition, the Group will improve the shopping experience of offline end consumers and enhance membership services via a multi-dimensional and continuous upgrade on brand positioning, customer experience, channel layout, product research and development as well as service awareness, so as to strengthen the loyalty of consumer towards Shanshan brand.

The Group is very positive and optimistic about the future development prospects. The Group will continue to deepen and cultivate on the two core brands, namely 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 of the Company.

SUBSEQUENT EVENTS

Save as disclosed in this announcement, the Group had no significant events from the end of the reporting period and up to the date of this announcement.

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

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

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the Corporate Governance Code (the "**CG Code**") as contained in Part 2 of Appendix 14 (renamed as Appendix C1 with effect from 31 December 2023) 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 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 titled "chief executive officer". However, Mr. Luo Yefei, an executive Director and the chairman of the Board, has been carrying out the duties of the chief executive officer. The Board considers that the current structure facilitates the execution of the Group's business strategies and maximises the effectiveness of its operation.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 (renamed as Appendix C3 with effect from 31 December 2023) to the Listing Rules (the "**Model Code**") as its own code of conduct governing the securities transactions by the Directors and the supervisors of the Company (the "**Supervisors**") on terms no less exacting than the required standard as set out in the Model Code. Following a specific enquiry made by the Company with each of the Directors and the Supervisors, all the Directors and the Supervisors have confirmed that they had complied with the Model Code during the Year.

REVIEW BY THE AUDIT COMMITTEE

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

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

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's results for the Year contained in the financial information set out on pages 2 to 19 of this announcement have been agreed by the Group's independent auditor, BDO Limited ("**BDO**"), to the amounts set out in the Group's draft consolidated financial statements for the Year as approved by the Board. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by HKICPA and consequently no assurance has been expressed by BDO in this preliminary announcement.

FINAL DIVIDEND

The Board has resolved to recommend the distribution of a final dividend of RMB0.08 per share (pre-tax) for 133,400,000 shares for the Year, representing a total amount of RMB10,672,000 (pre-tax) (2022: RMB5,336,000).

The proposed final dividend is subject to the approval of Shareholders at the annual general meeting of the Company to be held on Monday, 3 June 2024 (the "**2024 AGM**"), and the proposed final dividend is expected to be paid on or before Friday, 2 August 2024 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 Monday, 17 June 2024. 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.

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.

On 28 June 2011, the State Administration of Taxation issued the 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**"). Pursuant to the No. 348 Circular,, 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 circular of SAT on Issuing Administrative Measures on Preferential Treatment Entitled by Non-residents Taxpayers under Tax Treaties (SAT Circular [2019] No.35) 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

(1) 2024 AGM

For the purpose of determining the Shareholders' entitlement to attend and vote at the 2024 AGM, the Register of Members will be closed from Wednesday, 29 May 2024 to Monday, 3 June 2024, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify as the Shareholders to attend and vote at the 2024 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, 28 May 2024.

(2) Proposed final dividend

For the purpose of determining the Shareholders' entitlement to the proposed final dividend, the Register of Members will be closed from Tuesday, 11 June 2024 to Monday, 17 June 2024, both days inclusive, during which no transfer of shares will be effected. 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, 7 June 2024. Shareholders whose names appear on the Register of Members on Monday, 17 June 2024 are entitled to receive the above final dividend.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND 2023 ANNUAL REPORT

This annual results announcement is published on the Stock Exchange's website at http://www.hkexnews.hk and on the Company's website at http://www.chinafirs.com. The 2023 annual report of the Company will be available on both websites and despatched to the Shareholders in due course.

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

Ningbo, the PRC, 28 March 2024

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