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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 2021**

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 2021 (the “**Period**”), together with the comparative figures for the corresponding period of 2020 and as at 31 December 2020 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 2021

		Six months ended 30 June	
		2021	2020
	<i>Notes</i>	RMB	RMB
		(unaudited)	(unaudited)
Revenue	4	521,090,457	324,560,034
Cost of sales		(260,622,461)	(155,370,691)
Gross profit		260,467,996	169,189,343
Other revenue		528,328	590,661
Other gains and losses, net		(10,158,406)	15,786,311
Selling and distribution expenses		(225,701,322)	(218,750,241)
Administrative expenses		(22,258,346)	(22,562,269)
Reversal of/(provision for) impairment loss on trade receivables, net		5,137,457	(9,811,318)
Impairment loss on other receivables, net		(152,691)	(1,045,379)
Finance costs	5	(5,769,511)	(7,851,243)
Share of result of a joint venture		(354,113)	–
Share of results of associates		2,638,317	(2,049,338)
Profit/(loss) before income tax	6	4,377,709	(76,503,473)
Income tax (expense)/credit	8	(838,927)	3,712,058
Profit/(loss) and total comprehensive income for the period		3,538,782	(72,791,415)
Profit/(loss) and total comprehensive income for the period attributable to:			
– Owners of the Company		6,282,208	(70,615,112)
– Non-controlling interests		(2,743,426)	(2,176,303)
		3,538,782	(72,791,415)
Earnings/(loss) per share attributable to owners of the Company			
– Basic and diluted (RMB)	9	0.05	(0.53)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

		As at 30 June 2021 RMB (unaudited)	As at 31 December 2020 RMB (audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	10	32,142,614	37,812,175
Right-of-use assets		36,207,585	42,263,598
Intangible assets		6,503,111	5,777,271
Interests in an associate		12,163,493	10,905,176
Interests in a joint venture		1,340,057	1,694,170
Prepayments, deposits and other receivables	12	8,060,735	10,321,602
Deferred tax assets		20,572,990	21,411,916
		116,990,585	130,185,908
Current assets			
Inventories		401,138,801	428,466,391
Trade and bills receivables	11	202,087,068	162,834,347
Prepayments, deposits and other receivables	12	36,311,970	32,713,930
Amount due from a related company	17(a)	71,648	39,161
Income tax recoverable		1,047,487	1,047,487
Pledged deposits		19,798,887	22,000,000
Cash and cash equivalents		48,986,863	111,326,251
		709,442,724	758,427,567

		As at 30 June 2021 RMB (unaudited)	As at 31 December 2020 RMB (audited)
	Notes		
Current liabilities			
Trade and bills payables	13	144,226,373	168,666,155
Contract liabilities		44,968,400	43,166,717
Other payables and accruals	14	205,695,894	224,082,402
Interest-bearing bank borrowings	15	176,890,158	202,244,422
Amount due to an associate	17(a)	20,177	–
Amount due to a joint venture	17(a)	875,000	927,380
Derivative financial liabilities		6,445,322	–
Lease liabilities		17,531,141	19,345,617
		<u>596,652,465</u>	<u>658,432,693</u>
Net current assets		<u>112,790,259</u>	<u>99,994,874</u>
Total assets less current liabilities		<u>229,780,844</u>	<u>230,180,782</u>
Non-current liabilities			
Lease liabilities		19,566,433	23,505,153
Total non-current liabilities		<u>19,566,433</u>	<u>23,505,153</u>
Net assets		<u>210,214,411</u>	<u>206,675,629</u>
Capital and reserves			
Share capital	16	133,400,000	133,400,000
Reserves		72,009,559	65,727,351
		<u>205,409,559</u>	<u>199,127,351</u>
Non-controlling interests		<u>4,804,852</u>	<u>7,548,278</u>
Total equity		<u>210,214,411</u>	<u>206,675,629</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. CORPORATE INFORMATION

Shanshan Brand Management Co., Ltd. is a joint stock company with limited liability. The address of its registered office and principal place of business is No. 238, Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, the People's Republic of China (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

This unaudited condensed consolidated interim financial information for the Period has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The unaudited condensed consolidated interim financial statements for the Period have been prepared under the historical cost basis except for derivative financial instruments and bills receivables, which are measured at fair value.

This unaudited condensed consolidated interim financial information is presented in Renminbi (“**RMB**”), unless otherwise stated. This unaudited condensed consolidated interim financial information has been approved for issue by the Directors on 23 August 2021.

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 2020, as described in 2020 annual financial statements.

Adoption of new or revised HKFRSs – effective 1 January 2021

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 consolidated financial statements for the annual period beginning on 1 January 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	COVID-19 – Related Rent Concessions beyond 30 June 2021 (early adopted)

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 this interim condensed consolidated 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 2020 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, was 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.

The following summary describes the operations of the Group's reportable segment:

Revenue from contracts with customers within the scope of HKFRS 15:

	Six months ended 30 June	
	2021	2020
	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(unaudited)
Trading of garments	513,898,712	317,814,751
Trademark sub-licensing income	7,191,745	6,745,283
	<u>521,090,457</u>	<u>324,560,034</u>

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

Disaggregation of revenue from contracts with customers

	Trading of garments	
	Six months ended 30 June	
	2021	2020
	RMB	RMB
	(unaudited)	(unaudited)
Primary geographical market		
PRC	521,090,457	324,560,034
Major product/service		
Standard garment products	513,898,712	317,814,751
Trademark sub-licensing income	7,191,745	6,745,283
	<u>521,090,457</u>	<u>324,560,034</u>
Revenue by brands		
FIRS	241,731,005	108,690,457
SHANSHAN	267,556,145	203,298,729
LUBIAM	4,611,562	5,825,565
Others	7,191,745	6,745,283
	<u>521,090,457</u>	<u>324,560,034</u>
Timing of revenue recognition		
At a point in time	513,898,712	317,814,751
Transferred over time	7,191,745	6,745,283
	<u>521,090,457</u>	<u>324,560,034</u>

(b) Geographic information

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

(c) Information about major customer

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

5. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(unaudited)
Interest expenses on amount due to a related company	–	1,213,271
Interest expenses on bank borrowings wholly repayable within one year	4,705,790	5,208,304
Interest expenses on lease liabilities	1,063,721	1,429,668
	<u>5,769,511</u>	<u>7,851,243</u>

6. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Six months ended 30 June	
	2021	2020
	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(unaudited)
Advertising and promotional expenses	4,127,858	9,047,325
Amortisation of intangible assets	377,046	252,068
Depreciation of property, plant and equipment	15,867,490	23,357,270
Depreciation of right-of-use assets	12,802,609	14,558,481
(Reversal of)/provision for impairment loss on trade receivables, net	(5,137,457)	9,811,318
Impairment loss on other receivables, net	152,691	1,045,379
Cost of inventories sold	251,823,125	155,370,691
Write down on inventories, net	8,799,336	2,568,107
Change in fair value of derivative financial liabilities	6,445,322	–
Expenses relating to leases of low value assets	13,835	92,462
Expenses relating to short-term leases	10,187,660	14,944,413
Expenses relating to variable lease payments	7,180,175	3,920,174
Trademark payments	–	317,965
Staff costs	<u>48,296,748</u>	<u>40,524,008</u>

7. DIVIDENDS

No dividend was paid, declared or proposed during the Period (six months ended 30 June 2020: Nil).

The Board does not recommend the payment of any interim dividend for the Period (six months ended 30 June 2020: Nil).

8. INCOME TAX EXPENSE/(CREDIT)

Enterprise income tax has been provided at the rate of 25% for each of the six months period ended 30 June 2021 and 2020 on the estimated assessable profit for the periods arising from the Group's operations in the PRC.

The amounts of income tax expense/(credit) in the condensed consolidated statement of profit or loss and other comprehensive income represent:

	Six months ended 30 June	
	2021	2020
	RMB	RMB
	(unaudited)	(unaudited)
Provision of income tax for current period	–	–
Deferred tax	<u>838,927</u>	<u>(3,712,058)</u>
Income tax expense/(credit)	<u>838,927</u>	<u>(3,712,058)</u>

9. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2021 and 2020.

	Six months ended 30 June	
	2021	2020
	RMB	RMB
	(Unaudited)	(Unaudited)
Earnings/(loss)		
Profit/(loss) for the period attributable to owners of the Company		
for the purposes of calculations of basic earnings/(loss) per share	<u>6,282,208</u>	<u>(70,615,112)</u>

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of		
calculations of basic earnings/(loss) per share	<u>133,400,000</u>	<u>133,400,000</u>

No diluted earnings/(loss) per share for the six months ended 30 June 2021 and 2020 was presented as the Company did not have any dilutive potential ordinary shares in issue for the six months ended 30 June 2021 and 2020.

10. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment of approximately RMB10,205,324 (six months ended 30 June 2020: RMB23,232,020).

11. TRADE AND BILLS RECEIVABLES

	As at 30 June 2021 <i>RMB</i> (unaudited)	As at 31 December 2020 <i>RMB</i> (audited)
Trade receivables	258,574,548	233,524,516
Bills receivables	870,227	570,000
	259,444,775	234,094,516
Less: Provision for impairment	(57,357,707)	(71,260,169)
	202,087,068	162,834,347

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

	As at 30 June 2021 <i>RMB</i> (unaudited)	As at 31 December 2020 <i>RMB</i> (audited)
Within 3 months	130,240,687	140,148,601
Over 3 months but within 6 months	33,562,000	15,962,437
Over 6 months but within 1 year	38,055,915	6,109,186
Over 1 year	228,466	614,123
	202,087,068	162,834,347

The Group offers a general credit period from 30 to 240 days on sale of goods to customers while, business partners with strong financial background may be offered longer credit terms.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2021 RMB (unaudited)	As at 31 December 2020 RMB (audited)
Prepayments	24,588,752	26,271,478
Deposits and other receivables	22,265,459	19,168,016
	46,854,211	45,439,494
Less: Provision for impairment	(2,481,506)	(2,403,962)
	44,372,705	43,035,532
Less: Non-current portion included in prepayments, deposits and other receivables	(8,060,735)	(10,321,602)
	36,311,970	32,713,930

13. TRADE AND BILLS PAYABLES

	As at 30 June 2021 RMB (unaudited)	As at 31 December 2020 RMB (audited)
Trade payables	124,426,373	148,926,155
Bills payables	19,800,000	19,740,000
	144,226,373	168,666,155

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

	As at 30 June 2021 <i>RMB</i> (unaudited)	As at 31 December 2020 <i>RMB</i> (audited)
Within 3 months	88,573,684	126,377,607
Over 3 months but within 6 months	21,578,113	17,170,466
Over 6 months but within 1 year	11,742,268	3,227,602
Over 1 year	2,532,308	2,150,480
	<u>124,426,373</u>	<u>148,926,155</u>

14. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2021 <i>RMB</i> (unaudited)	As at 31 December 2020 <i>RMB</i> (audited)
Other payables and accruals	182,757,121	196,215,128
Other tax payables	12,201,623	20,685,586
Refund liabilities	10,737,150	7,181,688
	<u>205,695,894</u>	<u>224,082,402</u>

15. INTEREST-BEARING BANK BORROWINGS

	As at 30 June 2021 RMB (unaudited)	As at 31 December 2020 RMB (audited)
Bank borrowings comprises:		
– United States dollars (“USD”) bank borrowing (<i>Note (a)</i>)	69,639,878	70,338,422
– EURO (“EUR”) bank borrowing (<i>Note (b)</i>)	72,250,280	96,906,000
– RMB bank borrowing (<i>Note (c)</i>)	35,000,000	35,000,000
	<u>176,890,158</u>	<u>202,244,422</u>

Notes:

- (a) The bank borrowing of USD10,780,000 (31 December 2020: USD10,780,000) was unsecured, interest-bearing at fixed interest rate of 3.80% (31 December 2020: USD LIBOR +1.00%) per annum and repayable within one year.
- (b) The bank borrowing of EUR9,400,000 (31 December 2020: EUR12,400,000) was unsecured, interest-bearing at 3-month LIBOR +0.28% (31 December 2020: 3-month LIBOR +0.28%) per annum and repayable within one year. Since the latest EUR 3-month LIBOR has remained negative, hence the interest rate would only be 0.28%.
- (c) As at 30 June 2021, bank borrowings denominated in RMB were unsecured, arranged at fixed interest rate of 5.00% (31 December 2020: 5.00%) per annum and repayable within one year.
- (d) Non-controlling shareholders of the Company, Shaanxi Maoye Gongmao Co., Ltd. (“**Shaanxi Maoye**”), Ningbo Liankangcai Brand Management Co., Ltd. (“**Ningbo Liankangcai**”) and Ms. Li Xinghua provided guarantee, by the Company’s shares they held, in favour of Ningbo Shanshan Co., Ltd. (“**Shanshan**”) for its obligations to the guarantee given to the bank borrowings as disclosed in Notes a, b and c above. Shaanxi Maoye and Ningbo Liankangcai are controlled by Directors.

The Directors estimated the fair value of the interest-bearing bank borrowings by discounting their future cash flows at the market rate, and the Directors considered that the carrying amounts of the Group’s interest-bearing bank borrowings approximate to their fair values at each reporting date.

16. SHARE CAPITAL

	Number of shares	RMB
Registered domestic shares and H Shares		
As at 31 December 2020 and 30 June 2021	<u>133,400,000</u>	<u>133,400,000</u>

17. RELATED PARTY DISCLOSURES

(a) Amounts due from/(to) a related company/an associate/a joint venture

	As at 30 June 2021 RMB (unaudited)	As at 31 December 2020 RMB (audited)
Amount due from a related company	<u>71,648</u>	<u>39,161</u>
Amount due to an associate	<u>(20,177)</u>	<u>–</u>
Amount due to a joint venture	<u>(875,000)</u>	<u>(927,380)</u>

Amounts due from/(to) a related company/an associate/a joint venture are unsecured, interest-free and repayable on demand.

(b) Transactions with related parties

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

	Six months ended 30 June 2021 RMB (unaudited)	2020 RMB (unaudited)
Sale of finished goods to:		
– a joint venture	8,890	–
Sale of raw materials to:		
– a joint venture	377	–
Purchase from:		
– an associate	(2,181,938)	–
Rental expenses charged by:		
– related companies	(1,086,547)	(1,676,120)
Water and electricity expenses charged by:		
– a related company	(361,773)	(400,904)
Product inspection fee recharged on markup to:		
– an associate	–	62,688
Interest expense charged by:		
– a related company	–	(1,213,271)
Shopping mall expense charged by:		
– a related company	<u>–</u>	<u>(46,013)</u>

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

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

	Six months ended 30 June	
	2021	2020
	RMB	RMB
	(unaudited)	(unaudited)
– Short-term benefits	1,178,496	1,229,170
– Contributions to defined contribution retirement plan	85,177	98,999
	<u>1,263,673</u>	<u>1,328,169</u>

18. COMMITMENTS

(a) **Operating lease commitments**

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

	As at	As at
	30 June	31 December
	2021	2020
	RMB	RMB
	(unaudited)	(audited)
Not later than one year	<u>7,193,822</u>	<u>8,543,473</u>

(b) **Capital commitments**

As at 30 June 2021 and 31 December 2020, the Group had no significant capital commitments.

19. CONTINGENT LIABILITIES

As at 30 June 2021 and 31 December 2020, the Group had no significant contingent liabilities.

20. EVENTS AFTER THE REPORTING PERIOD

On 23 December 2020, the Company announced the procedures for the voluntary liquidation of Lubiam (Ningbo) Apparel Co., Ltd.* (寧波魯彼昂姆服飾有限公司) (“**Lubiam Apparel**”). As at the date of this announcement, the liquidation committee of Lubiam Apparel is carrying out the liquidation work related to store closure, inventory disposal, debt restructuring and staff arrangement, and will prepare a liquidation report and deregister the company after all liquidation work is completed. The liquidation process is expected to be completed before 31 December 2021. Depending on the actual results of the liquidation process, the voluntary liquidation may have a negative impact on the Group’s operating performance in 2021. Details of the voluntary liquidation of Lubiam Apparel are set out in the announcement of the Company dated 23 December 2020.

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2021, the novel coronavirus pneumonia pandemic (the “**Pandemic**”) continued to spread worldwide, causing significant losses to the global economy. China has adhered to the general keynote of pursuing progress while ensuring stability in respect of the prevention and control of the Pandemic, and coordinated the advancement of such prevention and control work and the economic and social development, which have had a positive effect on the sustained and stable recovery of the domestic economy. For the Period, the Group focused on the business strategy of “innovation-driven quality development”, driving the Group’s business to gradually improve, with total revenue increasing significantly by approximately 60.5% from RMB324.6 million for the six months ended 30 June 2020 to RMB521.1 million for the Period.

During the Period, the Group continued to insist on channel optimisation, focused on the performance targets of stores, continuously optimised the distributor system and adjusted the direct sales terminal, and intensified the expansion of franchise channels. During the Period, the Group’s retail network was adjusted from 1,003 stores as of 31 December 2020 to 914 stores as of 30 June 2021, with 498 retail outlets under FIRS, 414 retail outlets under SHANSHAN and 2 retail outlets under LUBIAM, respectively, representing a reduction of approximately 8.9% in the total number of retail outlets under these three brands.

The Group has adhered to the concept of “intensive development of traditional businesses while developing new businesses”. On the one hand, the Group has insisted on the intensive development of traditional terminal retail business, mainly by focusing on the refined management of the three aspects of “people”, “goods” and “shops” to promote quality development. On the other hand, the Group has been vigorously promoting the development of new retail business by developing products and services for new online consumption scenarios which could greatly empower the business development of traditional offline channels. These measures have yielded positive results in terms of customer development, de-inventory and operational efficiency. At the same time, the Group has actively explored high-quality customers with an open and cooperative attitude to ensure steady development of the uniform business through enhancing customer satisfaction. In addition, a variety of cooperation models were developed as the Group has joined hands with highly specialised customers for cooperation in the traditional e-commerce business and also enjoyed the complementary advantages of the new retail business, which significantly improved the performance of the Group’s e-commerce business.

In terms of corporate management, the Group has taken a number of measures to improve its operational and management efficiency with an aim to empower its business, including (1) strengthening target management and improving the performance assessment system and incentive system to enhance employees' sense of purpose and work motivation; (2) improving the response efficiency to the market and effectively supporting the front-line business with the synergy of the commodity-product-supply chain, thereby significantly increasing the sold out rate of products and exerting a positive effect on the inventory turnover rate; (3) enhancing the efficiency of regional management and end-user management by means of information management, such as standard business operation management, expense management system, travel management system, electronic human resources and other forms; (4) promoting the building of a talent pipeline, continuously optimising the organisational structure and personnel composition, and improving the professional skills and management skills of employees through the establishment of the training system, new employees tutoring and other forms; and (5) fostering a corporate culture which would enhance the employees' strategic identity and value identity with the Company, in order to unite people and stimulate vitality.

FINANCIAL REVIEW

Revenue

The Group generated revenue primarily from sales to distributors, direct sales and franchisee sales. The Group's total revenue increased by approximately 60.5% to RMB521.1 million for the Period from RMB324.6 million for the six months ended 30 June 2020, primarily because (1) the impact of the Pandemic on the Group's business in 2021 has been significantly reduced and the Group recorded a significant increase in revenue from offline channels and other various business channels during the Period as compared to the corresponding period in 2020, whereas in early 2020, the outbreak of the Pandemic and the implementation of epidemic prevention and control measures had a material negative impact on the Group's offline retail store business and other business channels; and (2) the Group has cooperated with highly professional partner customers to vigorously promote its business development on the online traditional e-commerce platforms, while increasing the layout of its new retail business (including cooperation with various internet platforms, online brand licensing and building a live e-commerce team, etc.), and the aforesaid measures have produced initial results during the Period.

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			
	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
Sales to distributors	39,703	7.6	17,849	5.5
Direct sales				
E-commerce platforms	97,610	18.7	49,148	15.1
Self-operated retail outlets	99,676	19.1	59,349	18.3
Franchisee sales				
Cooperative arrangements	221,756	42.6	181,107	55.8
Franchising arrangements in relation to LUBIAM	1,171	0.2	1,705	0.5
Work uniforms	53,982	10.4	8,657	2.7
Trademark franchise income	7,192	1.4	6,745	2.1
Total	521,090	100	324,560	100

Revenue by brands

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

	Six months ended 30 June			
	2021		2020	
	<i>RMB'000</i> (unaudited)	%	<i>RMB'000</i> (unaudited)	%
FIRS	241,731	46.4	108,690	33.5
SHANSHAN	267,556	51.3	203,299	62.6
LUBIAM	4,611	0.9	5,826	1.8
Others	7,192	1.4	6,745	2.1
Total	521,090	100	324,560	100

Gross profit

For the Period, the Group's gross profit increased by approximately 54.0% to RMB260.5 million from RMB169.2 million for the six months ended 30 June 2020, which was primarily attributable to the significant increase in the Group's revenue.

Other revenue

Other revenue mainly includes sundry income derived from the inspection fee re-charged by the Group and interest income from banks. For the Period, the Group's other revenue decreased by approximately 16.7% to RMB0.5 million from RMB0.6 million for the six months ended 30 June 2020.

Other gains and losses, net

For the Period, the Group's other losses amounted to RMB10.2 million, which mainly represented the rental supporting fee of RMB3.7 million to franchisees and fair value loss of RMB6.4 million from derivative financial instruments. The Group recorded other gains of RMB15.8 million for the six months ended 30 June 2020, which mainly represented the net gain of RMB17.4 million on the disposal of 20% equity interest of Le Coq Sportif (Ningbo) Co., Ltd., an associate of the Company, partly offset by the Group's write-down of inventories of approximately RMB2.6 million.

Selling and distribution expenses

Selling and distribution expenses mainly include store and e-commerce expenses, staff costs, advertising and promotional expenses, renovation costs and depreciation of the Group.

For the Period, the Group's selling and distribution expenses increased by approximately 3.2% to RMB225.7 million from RMB218.8 million for the six months ended 30 June 2020, which was mainly attributable to the increase in the revenue sharing fee paid to the franchisees as a result of the increase in sales revenue under cooperative arrangements.

Administrative expenses

Administrative expenses mainly comprise staff costs, traveling expenses and trademark payments of the Group, which are included in the administrative expenses.

For the Period, the Group's administrative expenses remained relatively stable, decreasing by approximately 1.3% to RMB22.3 million from RMB22.6 million for the six months ended 30 June 2020.

Impairment loss on trade receivables, net

For the Period, the Group's impairment loss on trade receivables reversed to RMB5.1 million from provision of RMB9.8 million for the six months ended 30 June 2020, which was mainly attributable to the effort of accelerated collection from trade debtors, resulting in the decrease in overdue receivables.

Impairment loss on other receivables, net

For the Period, the Group's impairment loss on other receivables decreased to RMB0.2 million from RMB1 million for the six months ended 30 June 2020, which was mainly attributable to no further impairment loss on the long outstanding receivable from JIC Garments (Ningbo) Co., Ltd., a former subsidiary of the Company during the Period.

Finance costs

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

For the Period, the Group's finance costs decreased by approximately 26.6% to RMB5.8 million from RMB7.9 million for the six months ended 30 June 2020, which was primarily attributable to the decrease in bank borrowings and the decrease in interests on amounts due to related companies.

Income tax (expense)/credit

Income tax expense mainly represents the income tax payable by the Group according to the relevant PRC income tax rules. Due to the profit generated by the Group, there was an income tax expense of RMB0.8 million for the Period (six months ended 30 June 2020: income tax credit of RMB3.7 million).

Profit/(loss) attributable to the owners of the Company

For the Period, the Group's profit attributable to the owners of the Company increased to profit of RMB6.3 million from loss of RMB70.6 million for the six months ended 30 June 2020, which was primarily attributable to (1) the significant increase in income from sales and gross profit; and (2) the reversal due to the decrease in overdue receivables.

WORKING CAPITAL MANAGEMENT

	Six months ended 30 June 2021	Year ended 31 December 2020
Average inventory turnover days	286	357
Average trade receivables turnover days	63	71
Average trade payables turnover days	108	153

The Group's average inventory turnover days decreased from 357 days for the year ended 31 December 2020 to 286 days for the Period, mainly due to the Group's continuous strengthening of the linkage between headquarters and terminals and its cooperation with specialised customers in the e-commerce business to improve the market suitability of products, resulting in the significant increase in the sold out rate of products and the decrease in the average inventory turnover days.

The Group's average trade receivables turnover days remained relatively stable, decreasing from 71 days for the year ended 31 December 2020 to 63 days for the Period.

The Group's average trade payables turnover days decreased from 153 days for the year ended 31 December 2020 to 108 days for the Period, mainly due to the synergy between the e-commerce business platforms and the supply chain which improved the inventory turnover rate, accelerating the payment of accounts payable to suppliers during the Period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a solid financial position for the Period. As at 30 June 2021, the Group's cash and cash equivalents decreased to approximately RMB49.0 million from approximately RMB111.3 million as at 31 December 2020. The decrease in the cash and cash equivalents was primarily attributable to (1) the partial repayment of the bank borrowings; and (2) the decrease in trade payables. Cash and cash equivalents were denominated in RMB as at 30 June 2021.

As at 30 June 2021 and 31 December 2020, the Group's total bank borrowings amounted to approximately RMB176.9 million and RMB202.2 million, respectively. All bank borrowings were denominated in RMB, EUR and USD. Details of the bank borrowings of the Group are set out in note 15 to the condensed consolidated interim financial statements on page 13 of this announcement. The Group's gearing ratio (total borrowings over total assets of the Group) was approximately 21.4% and 22.8% as at 30 June 2021 and 31 December 2020, respectively.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a 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 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. In addition, the Group is also exposed to the foreign exchange risks arising from the bank borrowings denominated in EUR and USD. Having considered the Group’s exposure to foreign exchange risk, the Group had used derivative financial instruments to hedge the exchange rate risk.

USE OF PROCEEDS FROM THE SHARE OFFER

The H Shares were listed on the Main Board of the Stock Exchange on 27 June 2018. The total net proceeds from the Share Offer amounted to approximately HK\$66.4 million (equivalent to approximately RMB55.2 million).

As at 30 June 2021, a total of RMB51.8 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 (the “**Prospectus**”):

		Unutilised	Actual	Actual
	Planned	balance as at	utilised	unutilised
Planned use of proceeds	amount	1 January	amount	amount as at
	RMB	2021	during	30 June
	(million)	(million)	the Period	2021
			RMB	RMB
			(million)	(million)
Retail network	20.9	–	–	–
Brand promotion and marketing	13.6	–	–	–
Information technology system	10.7	4.4	1.0	3.4 ^(Note)
Warehouses and logistics center	4.5	–	–	–
General working capital	5.5	–	–	–
	<u>55.2</u>	<u>4.4</u>	<u>1.0</u>	<u>3.4</u>
Total	55.2	4.4	1.0	3.4

Note: Due to delay in project progress, the Group expects to utilise the proceeds in the fourth quarter of 2021 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 2020: Nil).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2021, the Group had 448 employees (31 December 2020: 523 employees). Employee costs, including Directors' emoluments, amounted to approximately RMB48.3 million for the Period (six months ended 30 June 2020: RMB40.5 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

Save as disclosed in the Prospectus regarding the upgrading of the information technology system of the Group, there was no plan for material investments or capital assets as at 30 June 2021. The Company's expected source of funding for the coming year will tentatively come from the Group's existing internal resources and from bank borrowings.

CAPITAL STRUCTURE

There was no change in the capital structure of the Company as at 30 June 2021 as compared with that as at 31 December 2020.

PLEDGE OF ASSET

As at 30 June 2021, the Group pledged deposits of (i) RMB10,130,000 (31 December 2020: RMB10,000,000) to secure outstanding bills payables; (ii) RMB9,529,100 (31 December 2020: Nil) as security for the derivative forward contracts; and (iii) RMB139,787 (31 December 2020: Nil) as security deposits for uniform sales. Save for the aforementioned pledged deposits, the Group did not pledge other assets as securities.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no material contingent liabilities (31 December 2020: Nil).

EVENTS AFTER THE PERIOD

As at the date of this announcement, the Pandemic continues to spread globally while the PRC witnesses a trend of sporadic outbreaks in many places. In view of the duration of the Pandemic and the extent of the impact on the economy, the Group anticipates that the Pandemic may have further negative impact on the Group, the extent of which is subject to further assessment based on the actual situation. In addition, in order to cope with the continuing impact of the Pandemic, the Group has actively organised COVID-19 vaccination for its employees under the principle of equality and voluntariness. The management of the Group will also continue to monitor the development of the Pandemic and proactively take effective operational management measures to address the negative impact.

Save as disclosed in this announcement, there were no other significant events that might affect the Group after the Period and up to the date of this announcement.

OUTLOOK AND PLANS

In the second half of 2021, in the face of the complex and changeable macroeconomic situation, as well as the intensely competitive industry environment, the Group will continue to follow the theme of “innovation-driven quality development”, and strive to enhance the competitiveness of its two core self-owned brands, namely FIRS and SHANSHAN, to move ahead in the market.

In terms of operation and management, the Group will continue to deepen reforms and steadily promote the implementation of various operational and management measures. In terms of channel management, the Group will continue to strengthen the establishment of the distributor system and direct sales system, and strive to improve store efficiency. In terms of products and supply chain, the Group will continue to strengthen the coordination among product planning, product development and supply chain to improve the response efficiency of the supply chain; to improve the matching ability of products and market demand and terminal coverage; and to continue to introduce new suppliers, optimise the supplier structure and strengthen the control of procurement costs, supply efficiency and product quality. At the same time, the Group will continue to make efforts on the improvement of the gross profit margin of its products, expense control and destocking, so as to continuously improve the profitability of the Company. In addition to developing its traditional businesses, the Group will always pay attention to the most cutting-edge information in the industry, actively embrace changes, and constantly look for new business growth points to empower the Company.

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 of the shareholders of the Company (the “**Shareholders**”). The Board considers that the Company has complied with all the code provisions of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the “**CG Code**”) during the Period except for the following deviations:

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

On 26 June 2020, Mr. Zhuang Wei (“**Mr. Zhuang**”) resigned as a non-executive Director due to change of working arrangement of Shanshan, the Company’s former controlling shareholder, and ceased to be the chairman of the Board (the “**Chairman**”). Following the resignation of Mr. Zhuang, Mr. Luo Yefei (“**Mr. Luo**”), an executive Director and the general manager of the Company, has been appointed as the Chairman with effect from the same day. Presently, the Company does not have a position of the title “chief executive officer”. However, Mr. Luo 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.

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

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 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.

COMPETING INTERESTS

As at 30 June 2021, none of the Directors, the Supervisors, the controlling shareholders of the Company or their respective close associates had any interests in any business which competed or might compete, either directly or indirectly, with the business of the Group or had any other conflicts of interest with the Group.

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, 23 August 2021

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

Executive Directors:

Mr. Luo Yefei (Chairman)

Mr. Cao Yang (Vice-Chairman)

Ms. Yan Jingfen

Non-executive Directors:

Ms. Zhao Chunxiang

Ms. Zhou Yumei

Mr. Zheng Shijie

Independent Non-executive Directors:

Mr. Chow Ching Ning

Mr. Wang Yashan

Mr. Wu Xuekai