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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 2022**

#### **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 2022 (the “**Period**”), together with the comparative figures for the corresponding period of 2021 and as at 31 December 2021 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 2022*

		<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
	<i>Notes</i>	<b>RMB</b>	<b>RMB</b>
		<b>(unaudited)</b>	(unaudited) (re-presented)
<b>Continuing operations</b>			
Revenue	4	<b>419,280,331</b>	516,478,895
Cost of sales		<b>(215,854,646)</b>	<u>(255,913,381)</u>
Gross profit		<b>203,425,685</b>	260,565,514
Other revenue		<b>540,870</b>	379,194
Other gains and losses		<b>(1,264,040)</b>	(10,269,622)
Selling and distribution expenses		<b>(182,839,993)</b>	(222,326,718)
Administrative expenses		<b>(18,202,890)</b>	(18,668,730)
(Provision for)/reversal of impairment loss on trade receivables, net		<b>(52,153)</b>	5,194,631
Reversal of/(provision for) impairment loss on other receivables, net		<b>84,677</b>	(152,691)
Finance costs	5	<b>(3,693,718)</b>	(5,769,511)
Share of result of an associate		<b>196,248</b>	2,638,317
Share of result of a joint venture		<b>(64,063)</b>	<u>(354,113)</u>
(Loss)/profit before income tax	6	<b>(1,869,377)</b>	11,236,271
Income tax credit/(expense)	8	<b>2,093,941</b>	<u>(838,927)</u>
Profit and total comprehensive income for the period from continuing operations		<b>224,564</b>	10,397,344
<b>Discontinued operation</b>			
Loss for the period from discontinued operation		<u>–</u>	<u>(6,858,562)</u>
Profit for the period		<b>224,564</b>	<u>3,538,782</u>

		<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
<i>Notes</i>		<b><i>RMB</i></b>	<b><i>RMB</i></b>
		<b>(unaudited)</b>	(unaudited) (re-presented)
Profit and total comprehensive income for the period attributable to:			
Owners of the Company			
	– from continuing operations	<b>224,564</b>	10,397,344
	– from discontinued operation	–	(4,115,137)
		<b>224,564</b>	6,282,207
Non-controlling interests			
	– from discontinued operation	–	(2,743,425)
		<b>224,564</b>	<b>3,538,782</b>
Earnings per share attributable to owners of the Company			
Basic and diluted		<b><i>RMB Cents</i></b>	<b><i>RMB Cents</i></b>
	– from continuing operations	<b>0.17</b>	7.79
	– from discontinued operation	–	(3.08)
		<b>0.17</b>	<b>4.71</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2022**

		<b>As at 30 June 2022 RMB (unaudited)</b>	<b>As at 31 December 2021 RMB (audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	<b>30,358,885</b>	35,518,392
Right-of-use assets		<b>20,341,407</b>	27,717,568
Intangible assets		<b>9,183,612</b>	5,987,008
Interest in an associate		<b>9,541,013</b>	12,224,364
Interest in a joint venture		<b>1,034,539</b>	1,098,601
Prepayments, deposits and other receivables	<i>12</i>	<b>6,947,986</b>	8,166,622
Deferred tax assets		<b>21,276,448</b>	19,182,507
		<b>98,683,890</b>	109,895,062
<b>Current assets</b>			
Inventories		<b>365,579,417</b>	389,727,583
Contract assets		<b>667,979</b>	483,229
Trade and bills receivables	<i>11</i>	<b>162,802,491</b>	174,973,472
Prepayments, deposits and other receivables	<i>12</i>	<b>36,559,263</b>	46,143,503
Financial asset at fair value through profit or loss		<b>181,462</b>	–
Amount due from a related company	<i>17(a)</i>	–	37,161
Income tax recoverable		<b>1,713,320</b>	1,047,487
Pledged deposits		<b>20,009,047</b>	18,856,703
Cash and cash equivalents		<b>73,776,474</b>	84,265,326
		<b>661,289,453</b>	715,534,464

		As at 30 June 2022 RMB (unaudited)	As at 31 December 2021 RMB (audited)
<b>Current liabilities</b>			
Trade and bills payables	13	168,695,103	160,396,647
Contract liabilities		25,611,584	31,563,525
Other payables and accruals	14	164,444,650	204,154,282
Interest-bearing bank borrowings	15	155,000,000	172,877,546
Amount due to a joint venture	17(a)	858,194	858,034
Amount due to controlling shareholder	17(a)	600,000	–
Amount due to a related company	17(a)	315,115	–
Derivative financial liabilities		–	8,562,934
Income tax payable		665,833	–
Lease liabilities		9,102,321	13,828,748
		<u>525,292,800</u>	<u>592,241,716</u>
<b>Net current assets</b>		<u>135,996,653</u>	<u>123,292,748</u>
<b>Total assets less current liabilities</b>		<u>234,680,543</u>	<u>233,187,810</u>
<b>Non-current liabilities</b>			
Other payables and accruals	14	7,180,000	7,710,000
Amount due to controlling shareholder	17(a)	3,300,000	–
Lease liabilities		12,476,763	13,978,594
<b>Total non-current liabilities</b>		<u>22,956,763</u>	<u>21,688,594</u>
<b>Net assets</b>		<u>211,723,780</u>	<u>211,499,216</u>
<b>Capital and reserves</b>			
Share capital	16	133,400,000	133,400,000
Reserves		78,323,780	78,099,216
		<u>211,723,780</u>	<u>211,499,216</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 June 2022*

## 1. CORPORATE INFORMATION

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

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

## 2. BASIS OF PREPARATION AND PRESENTATION

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 2021, 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 those financial assets that 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 2022.

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 2021, as described in 2021 annual financial statements.

## **Adoption of new or revised HKFRSs – effective 1 January 2022**

In the current period, the Group has applied for the first time the following new or revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s condensed consolidated financial statements for the annual period beginning on 1 January 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

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

In preparing the condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2021 annual financial statements.

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

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

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

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB</b>	<b>RMB</b>
	<b>(unaudited)</b>	(unaudited)
		(re-presented)
<b>Primary geographical market</b>		
PRC	<b>419,280,331</b>	516,478,895
<b>Major product/service</b>		
Standard garment products	<b>387,088,397</b>	488,994,487
Trademark sub-licensing income	<b>32,191,934</b>	27,484,408
	<b><u>419,280,331</u></b>	<b><u>516,478,895</u></b>
<b>Revenue by brands</b>		
FIRS	<b>239,811,898</b>	241,731,005
SHANSHAN	<b>171,543,842</b>	267,556,145
Others	<b>7,924,591</b>	7,191,745
	<b><u>419,280,331</u></b>	<b><u>516,478,895</u></b>
<b>Timing of revenue recognition</b>		
At a point in time	<b>411,355,740</b>	509,287,150
Transferred over time	<b>7,924,591</b>	7,191,745
	<b><u>419,280,331</u></b>	<b><u>516,478,895</u></b>

**(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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB</b>	<b>RMB</b>
	<b>(unaudited)</b>	(unaudited)
		(re-presented)
Interest expenses on bank borrowings	<b>3,108,586</b>	4,705,790
Interest expenses on lease liabilities	<b>585,132</b>	1,063,721
	<b><u>3,693,718</u></b>	<b><u>5,769,511</u></b>

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

(Loss)/profit before income tax is arrived at after charging/(crediting):

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB</b>	<b>RMB</b>
	<b>(unaudited)</b>	(unaudited)
		(re-presented)
Advertising and promotional expenses	<b>4,998,541</b>	4,127,858
Amortisation of intangible assets	<b>517,908</b>	377,046
Depreciation of property, plant and equipment	<b>15,795,594</b>	15,745,707
Depreciation of right-of-use assets	<b>9,360,188</b>	12,802,609
Loss on disposal of property, plant and equipment	<b>511,908</b>	–
Provision for/(reversal of) impairment loss on trade receivables, net	<b>52,153</b>	(5,194,631)
(Reversal of)/ provision for impairment loss on other receivables, net	<b>(84,677)</b>	152,691
Cost of inventories sold	<b>205,163,136</b>	249,432,756
Written down on inventories, net (included in cost of sales)	<b>10,823,105</b>	6,480,625
Fair value loss on financial asset at fair value through profit or loss	<b>393,076</b>	–
Fair value loss on derivative financial liabilities	<b>8,562,934</b>	6,445,322
Expenses relating to leases of low value assets	–	13,835
Expenses relating to short-term leases	<b>9,018,632</b>	9,426,924
Expenses relating to variable lease payments	<b>6,788,195</b>	6,056,791
Staff costs	<b>36,618,308</b>	45,437,223

## 7. DIVIDENDS

No dividend was paid, declared or proposed during the Period (six months ended 30 June 2021: Nil).

The Board does not recommend the payment of any interim dividend for the Period (six months ended 30 June 2021: Nil).

## 8. INCOME TAX (CREDIT)/EXPENSE

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

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB</b>	<b>RMB</b>
	<b>(unaudited)</b>	(unaudited)
		(re-presented)
Deferred tax (credit)/expense	<b><u>(2,093,941)</u></b>	<u>838,927</u>

## 9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2022 and 2021.

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>RMB</b>	<b>RMB</b>
	<b>(unaudited)</b>	(unaudited)
		(re-presented)
<b>Earnings</b>		
Profit for the purpose of basic and diluted earnings per share attributable to owners of the Company		
– Continuing operations	<b>224,564</b>	10,397,344
– Discontinued operation	<u>–</u>	<u>(4,115,137)</u>
	<b><u>224,564</u></b>	<u>6,282,207</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted profit per share		
	<b><u>133,400,000</u></b>	<u>133,400,000</u>
<b>Earnings per share</b>		
	<b>RMB Cents</b>	<b>RMB Cents</b>
– Continuing operations	<b>0.17</b>	7.79
– Discontinued operation	<u>–</u>	<u>(3.08)</u>
	<b><u>0.17</u></b>	<u>4.71</u>

## 10. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment of approximately RMB11,147,995 (six months ended 30 June 2021: RMB10,205,324).

In addition, during the Period, the Group disposed of certain property, plant and equipment with a carrying amount of RMB511,908 (six months ended 30 June 2021: Nil).

## 11. TRADE AND BILLS RECEIVABLES

	<b>As at 30 June 2022 RMB (unaudited)</b>	<b>As at 31 December 2021 RMB (audited)</b>
Trade receivables	<b>211,833,210</b>	224,052,038
Bills receivables	<b>100,000</b>	–
	<b>211,933,210</b>	224,052,038
Less: Provision for impairment	<b>(49,130,719)</b>	(49,078,566)
	<b><u>162,802,491</u></b>	<b><u>174,973,472</u></b>

An ageing analysis of the trade and bills receivables at the end of each reporting period, based on the invoice date, is as follow:

	<b>As at 30 June 2022 RMB (unaudited)</b>	<b>As at 31 December 2021 RMB (audited)</b>
Within 3 months	<b>114,287,792</b>	128,950,354
Over 3 months but within 6 months	<b>21,704,481</b>	8,965,444
Over 6 months but within 1 year	<b>24,171,896</b>	33,636,931
Over 1 year	<b>2,638,322</b>	3,420,743
	<b><u>162,802,491</u></b>	<b><u>174,973,472</u></b>

The Group offers a general credit period from 30 to 240 days on sale of goods to customers which depends on the financial ability of these business partners.

**12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	<b>As at 30 June 2022 RMB (unaudited)</b>	<b>As at 31 December 2021 RMB (audited)</b>
Prepayments	<b>31,660,803</b>	27,295,773
Deposits and other receivables	<b>13,162,189</b>	28,414,772
	<b>44,822,992</b>	55,710,545
Less: Provision for impairment	<b>(1,315,743)</b>	(1,400,420)
	<b>43,507,249</b>	54,310,125
Less: Non-current portion included in prepayments, deposits and other receivables	<b>(6,947,986)</b>	(8,166,622)
	<b>36,559,263</b>	46,143,503

**13. TRADE AND BILLS PAYABLES**

	<b>As at 30 June 2022 RMB (unaudited)</b>	<b>As at 31 December 2021 RMB (audited)</b>
Trade payables	<b>129,695,103</b>	160,396,647
Bills payables	<b>39,000,000</b>	–
	<b>168,695,103</b>	160,396,647

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

	<b>As at 30 June 2022 RMB (unaudited)</b>	<b>As at 31 December 2021 RMB (audited)</b>
Within 3 months	<b>52,480,078</b>	117,389,488
Over 3 months but within 6 months	<b>83,214,583</b>	23,487,015
Over 6 months but within 1 year	<b>21,770,094</b>	14,035,037
Over 1 year	<b>11,230,348</b>	5,485,107
	<b><u>168,695,103</u></b>	<b><u>160,396,647</u></b>

#### 14. OTHER PAYABLES AND ACCRUALS

	<b>As at 30 June 2022 RMB (unaudited)</b>	<b>As at 31 December 2021 RMB (audited)</b>
Deposits received	<b>148,494,418</b>	177,842,029
Other tax payables	<b>10,050,857</b>	12,717,616
Refund liabilities	<b>6,449,292</b>	10,012,015
Others	<b>6,630,083</b>	11,292,622
	<b><u>171,624,650</u></b>	<b><u>211,864,282</u></b>
Less: Non-current portion included in other payables and accruals	<b><u>(7,180,000)</u></b>	<b><u>(7,710,000)</u></b>
	<b><u>164,444,650</u></b>	<b><u>204,154,282</u></b>

## 15. INTEREST-BEARING BANK BORROWINGS

	As at <b>30 June 2022</b> <i>RMB</i> <b>(unaudited)</b>	As at 31 December 2021 <i>RMB</i> (audited)
Bank borrowings denominated in:		
– United States dollars (“ <b>USD</b> ”) ( <i>Note a</i> )	–	20,066,886
– Euro (“ <b>EUR</b> ”) ( <i>Note b</i> )	–	67,810,660
– RMB ( <i>Note c</i> )	<b>155,000,000</b>	85,000,000
	<b><u>155,000,000</u></b>	<b><u>172,877,546</u></b>

### Notes:

- (a) As at 31 December 2021, the bank borrowing of USD3,150,000, which was unsecured, interest-bearing at fixed interest rate of USD LIBOR +3.49% per annum and repayable within one year.
- (b) As at 31 December 2021, the bank borrowing of EUR9,400,000 which was unsecured, interest-bearing at 3-month EURIBOR +0.28% per annum and repayable within one year.
- (c) As at 30 June 2022, bank borrowings denominated in RMB were unsecured, interest-bearing at a range from loan prime rate (“**LPR**”) -0.2% to LPR +1.25% (31 December 2021: 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. and Ms. Li Xinghua provided a further guarantee, by the Company’s shares they held, in favour of Ningbo Shanshan Co., Ltd. for its obligations to the guarantee given to the bank borrowings as disclosed in Notes a, b and c above. Shaanxi Maoye is controlled by certain Directors. On 8 April 2022, Ms. Li Xinghua ceased to provide the guarantee by the Company’s shares she held.

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

## 16. SHARE CAPITAL

	<i>Number of shares</i>	<i>RMB</i>
Registered domestic shares capital and H Shares At 31 December 2021 and 30 June 2022	<b><u>133,400,000</u></b>	<b><u>133,400,000</u></b>

## 17. RELATED PARTY DISCLOSURES

### (a) Amounts due from/(to) a related company/a joint venture/controlling shareholder

	As at <b>30 June</b> <b>2022</b> <i>RMB</i> <b>(unaudited)</b>	As at 31 December 2021 <i>RMB</i> (audited)
Amount due (to)/from a related company	<u><b>(315,115)</b></u>	<u>37,161</u>
Amount due to a joint venture	<u><b>(858,194)</b></u>	<u>(858,034)</u>
Amount due to controlling shareholder	<b>(3,900,000)</b>	–
Less: Non-current portion included in amount due to controlling shareholder	<u><b>3,300,000</b></u>	–
	<u><b>(600,000)</b></u>	–

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

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

*Amount due to controlling shareholder*

On 30 September 2021, the Company entered into a trademark licensing agreement (the “**Agreement**”) with Shanshan Group Co., Ltd.. Based on the Agreement, the Company had to pay licensing fees of RMB3,900,000 for 2022-2025 and accordingly, recognised as an intangible asset. Details for the Agreement are set out in the announcement of the Company dated 30 September 2021.

**(b) Transactions with related parties**

In addition to the transactions disclosed elsewhere in these condensed consolidated financial statements, the Group entered into the following transactions with related parties:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB</b>	<b>RMB</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Sale of finished goods to:</b>		
– a joint venture	–	8,890
<b>Sale of raw materials to:</b>		
– a joint venture	–	377
<b>Purchase from:</b>		
– an associate	–	(2,181,938)
<b>Rental expenses charged by:</b>		
– related companies	(1,731,355)	(1,086,547)
<b>Water and electricity expenses charged by:</b>		
– a related company	<u>(559,872)</u>	<u>(361,773)</u>

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

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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB</b>	<b>RMB</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Short-term benefits	2,015,679	1,178,496
Contributions to defined contribution retirement plan	<u>84,782</u>	<u>85,177</u>
	<u><b>2,100,461</b></u>	<u><b>1,263,673</b></u>

## 18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets measured at fair values in the condensed consolidated statement of financial position in accordance with the fair value hierarchy at 30 June 2022.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
Assets				
Financial asset at fair value through profit or loss				
– Listed equity investments	<u>181,462</u>	<u>–</u>	<u>–</u>	<u>181,462</u>

There were no transfers between levels 1 and 2 or into or out of level 3 during the Period.

## 19. COMMITMENTS

### (a) Operating lease commitments

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

	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2022</b>	<b>2021</b>
	<b>RMB</b>	<b>RMB</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Not later than one year	<u>5,634,884</u>	<u>6,917,408</u>

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

(b) **Capital commitments**

	<b>As at 30 June 2022 RMB (unaudited)</b>	As at 31 December 2021 RMB (audited)
Commitments for the acquisition of: Property, plant and equipment	<b><u>253,600</u></b>	<u>1,392,137</u>

**20. CONTINGENT LIABILITIES**

As at 30 June 2022 and 31 December 2021, the Group had no significant contingent liabilities.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Since 2022, under the complex international and domestic situations such as intensified geopolitical conflicts, rising risks of global stagflation, and repeated COVID-19 outbreaks, in the first half of the year, the domestic economy has apparently slowed. As economic activity contracted sharply due to the stringent city closures imposed in the PRC in response to the COVID-19 epidemic, the gross domestic product decreased to just 2.5% growth from 12.7% growth in the first half of 2021. The national retail sales decreased 0.7% in the first half of 2022, which is in stark contrast to 23% growth in the first half of 2021.

Looking back on the first half of the year, the domestic COVID-19 epidemic still showed a trend of spreading. In order to combat the epidemic, the PRC local governments of many places implemented strict lockdown and restriction measures. Most of offline shopping malls and stores and cooperative arrangement stores operated by the Group were closed or customer traffic was significantly decreased given that the government's epidemic prevention and control required to stay at home and travel was restricted, resulting in a decrease of 23.3% and 32.8% in self-operated retail outlets under direct sales and cooperation arrangement channels under franchisee sales of the Group, respectively. Besides, as to the online e-commerce platform business, a logistics center has to be temporarily closed for over ten days to cooperate with the government's epidemic prevention, and thus the product logistics delivery of the Group was confronted with the difficulties, resulting in a greater impact on the sales of e-commerce. Due to the adverse impact of the market environment, under the guidance of the annual business strategy of "steady development and high-quality development", the Group actively adopted measures to deal with the impact and challenges encountered during the course of its operation. It adjusted the strategic layout of its business, improved its management measures, reduced expenses, and closed certain retail outlets with poor performance, but the impact of the decrease in revenue caused by the sluggish recovery of market consumption under the epidemic prevention and control has not been compensated. During the first half of 2022, the Group recorded operating revenue of RMB419.3 million, representing a year-on-year decrease of 18.8%. The Company recorded a profit of RMB0.2 million, representing a year-on-year decrease of RMB3.3 million.

Under the premise of a complex operating environment, the Group is committed to establish high-quality terminal stores and continues to eliminate low-quality stores with poor performance so as to optimise distribution network. Upon restructuring in terminal channels, the number of retail outlets of the Group decreased from 910 as at 31 December 2021 to 813 as at 30 June 2022, including 481 retail outlets under FIRS and 332 retail outlets under SHANSHAN, representing a decrease of approximately 10.7% in the total number of retail outlets.

Against the background of increasingly diversified consumption scenarios, the Group has made a comprehensive layout focusing on two major business segments, online and offline. In the first half of 2022, the Group reached strategic cooperation with a number of high-quality platforms and channels, and continued to promote the layout of offline high-quality channels and key markets. The Company continued to optimise the distribution network, resulting in a steady increase in sales to distributors in the first half of the year. At the same time, through the exploration in the business suit market, the order amount of new contracted customers has grown rapidly in the first half of the year, and the cyclicity of orders and shipments will be reflected in the second half of the year. At the same time, the Company continued to explore new retail consumption scenarios, promote the development of live e-commerce business, increase cooperation with high-quality online channels of trademark sub-licensing business, and continuously strengthen the brand recognition of FIRS and SHANSHAN among consumers.

## **FINANCIAL REVIEW**

### **Revenue**

The Group generated revenue primarily from sales to distributors, direct sales and franchisee sales. For the Period, the Group's total revenue decreased by approximately 18.8% to RMB419.3 million from RMB516.5 million for the six months ended 30 June 2021, primarily attributable to the facts that (1) given the PRC local governments of many places implemented strict lockdown and restriction in order to combat the epidemic as the domestic COVID-19 epidemic showed a trend of spreading in the first half of 2022, the Group's offline shopping malls and stores in many places were closed or customer traffic was significantly decreased given that the government's epidemic prevention and control required to stay at home and travel was restricted, resulting in a decrease in revenue of 23.3% and 32.8% from self-operated retail store business and cooperation arrangement outlets, respectively; and (2) the Group is committed to establish high-quality terminal stores and continues to eliminate low-quality stores with poor performance, resulting in a significant decrease of 35.9% in the sales revenue of the SHANSHAN brand due to a decrease of 19.8% in the number of SHANSHAN stores as compared to the first half of 2021.

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			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
<b>Sales to distributors</b>	<b>48,224</b>	<b>11.5</b>	39,705	7.7
<b>Direct sales</b>				
E-commerce platforms	<b>67,658</b>	<b>16.1</b>	77,317	15.0
Self-operated retail outlets	<b>73,833</b>	<b>17.6</b>	96,235	18.6
<b>Franchisee sales</b>				
Cooperation arrangement	<b>148,944</b>	<b>35.5</b>	221,756	42.9
<b>Work uniforms</b>	<b>48,429</b>	<b>11.6</b>	53,982	10.5
<b>Trademark sub-licensing income</b>	<b>32,192</b>	<b>7.7</b>	27,484	5.3
<b>Total</b>	<b>419,280</b>	<b>100</b>	516,479	100

## Revenue by brands

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

	Six months ended 30 June			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
<b>FIRS</b>	<b>239,812</b>	<b>57.2</b>	241,731	46.8
<b>SHANSHAN</b>	<b>171,544</b>	<b>40.9</b>	267,556	51.8
<b>Others</b>	<b>7,924</b>	<b>1.9</b>	7,192	1.4
<b>Total</b>	<b>419,280</b>	<b>100</b>	516,479	100

## Gross profit

The Group's gross profit decreased by approximately 21.9% to RMB203.4 million for the Period from RMB260.6 million for the six months ended 30 June 2021, primarily attributable to the decrease in revenue of the Group. Gross profit decreased at a rate basically comparable to the decrease in revenue.

## Other revenue

Other revenue mainly comprises sales of raw materials and interest income from banks. The Group's other revenue increased by approximately 25.0% to RMB0.5 million for the Period from RMB0.4 million for the six months ended 30 June 2021.

## Other gains and losses

During the Period, other losses of the Group amounted to RMB1.3 million. For the six months ended 30 June 2021, the Group recorded other losses of RMB10.3 million, which mainly represented the rental supporting fee of RMB3.7 million paid to franchisees and fair value loss of RMB6.4 million from derivative financial instruments.

### **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 decreased by approximately 17.8% to RMB182.8 million from RMB222.3 million for the six months ended 30 June 2021, which was mainly attributable to the decrease in the revenue sharing fee paid to the franchisees as a result of the decline in sales revenue under cooperative arrangements.

### **Administrative expenses**

Administrative expenses mainly comprise staff costs, referral service fees and traveling expenses of the Group.

For the Period, the Group's administrative expenses remained relatively stable, decreased by approximately 2.7% to RMB18.2 million from RMB18.7 million for the six months ended 30 June 2021.

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

For the Period, the Group's impairment loss on trade receivables reversed to provision of RMB0.1 million from reversal of RMB5.2 million for the six months ended 30 June 2021.

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

For the Period, the Group's impairment loss on other receivables reversed to reversal of RMB0.1 million from provision of RMB0.2 million for the six months ended 30 June 2021.

## Finance costs

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

For the Period, the Group's finance costs decreased by approximately 36.2% to RMB3.7 million from RMB5.8 million for the six months ended 30 June 2021, which was primarily attributable to the lower interest rates on bank borrowings.

## Income tax credit/(expense)

Income tax expense mainly represents the income tax payable by the Group according to the relevant PRC income tax rules. There was an income tax credit of RMB2.1 million for the Period (six months ended 30 June 2021: income tax expense of RMB0.8 million).

## Discontinued operation

The Group has completed the procedures for the voluntary liquidation of Lubiam (Ningbo) Apparel Co., Ltd.\* (寧波魯彼昂姆服飾有限公司) on 13 December 2021. The comparative figures for the six months ended 30 June 2021 have been accordingly presented as discontinued operation.

## Profit for the Period

For the Period, the Group's profit decreased to RMB0.2 million from RMB3.5 million for the six months ended 30 June 2021, which was primarily attributable to the decrease in sales revenue and gross profit.

## WORKING CAPITAL MANAGEMENT

	<b>Six months ended 30 June 2022</b>	Year ended 31 December 2021
Average inventory turnover days	<b>320</b>	294
Average trade receivables turnover days	<b>71</b>	62
Average trade payables turnover days	<b>139</b>	118

The Group's average inventory turnover days increased from 294 days for the year ended 31 December 2021 to 320 days for the Period, mainly due to the production and sales rate of its products for spring and summer did not reach the expected target due to the epidemic.

The Group's average trade receivables turnover days slightly increased from 62 days for the year ended 31 December 2021 to 71 days for the Period.

The Group's average trade payables turnover days increased from 118 days for the year ended 31 December 2021 to 139 days for the Period. The slight increase in the turnover days was mainly attributable to the extension of trade payables turnover days as a result of the Group's good and long-term cooperative relationship with suppliers.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group maintained a solid financial position for the Period. As at 30 June 2022, the Group's cash and cash equivalents slightly decreased to approximately RMB73.8 million from approximately RMB84.3 million as at 31 December 2021. The cash and cash equivalents were mainly denominated in RMB as at 30 June 2022.

As at 30 June 2022 and 31 December 2021, the Group's total bank borrowings amounted to approximately RMB155.0 million and RMB172.9 million, respectively. All bank borrowings for the Period and as at 30 June 2022 were denominated in RMB. Details of the bank borrowings of the Group are set out in note 15 to the condensed consolidated interim financial statements of this announcement. The Group's gearing ratio (total borrowings over total assets of the Group) was approximately 20.4% and 20.9% as at 30 June 2022 and 31 December 2021, respectively.

## **TREASURY POLICIES**

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Period. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. Surplus cash will be invested appropriately to ensure that the Group would meet its cash requirements from time to time.

## FOREIGN EXCHANGE RISK AND HEDGING

Most of the transactions of the Group are denominated in RMB. The net proceeds from the issuance of 33,400,000 H Shares of the par value of RMB1 each at a price of HK\$3.78 per share on 27 June 2018 (the “Share Offer”) were received in Hong Kong dollars 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 30 June 2022, a total of RMB53.2 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”):

	Planned amount RMB (million)	Unutilised balance as at 1 January 2022 RMB (million)	Actual utilised amount during the Period RMB (million)	Unutilised amount as at 30 June 2022 RMB (million)
Retail network	20.9	–	–	–
Brand promotion and marketing	13.6	–	–	–
Information technology system	10.7	2.3	0.3	2.0 <sup>(Note)</sup>
Warehouses and logistics center	4.5	–	–	–
General working capital	5.5	–	–	–
	<u>55.2</u>	<u>2.3</u>	<u>0.3</u>	<u>2.0</u>
Total	55.2	2.3	0.3	2.0

*Note:* Due to delay in project progress as a result of the COVID-19 epidemic, the Group expects to utilise the proceeds in the fourth quarter of 2022 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 2021: Nil).

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 30 June 2022, the Group had 349 employees (31 December 2021: 384 employees). Employee costs, including Directors' emoluments, amounted to approximately RMB36.6 million for the Period (six months ended 30 June 2021: RMB45.4 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 2022. The Company's expected source of funding for the coming year will tentatively come from the Group's existing internal resources and from bank borrowings.

## **CAPITAL STRUCTURE**

There was no change in the capital structure of the Company as at 30 June 2022 as compared with that as at 31 December 2021.

## **PLEDGE OF ASSET**

As at 30 June 2022, the Group pledged deposits of RMB20.0 million to secure outstanding bills payables (31 December 2021: RMB18.9 million to secure derivative financial liabilities). Save for the aforementioned pledged deposits, the Group did not pledge other assets as securities.

## **CONTINGENT LIABILITIES**

As at 30 June 2022, the Group had no material contingent liabilities (31 December 2021: Nil).

## **EVENTS AFTER THE PERIOD**

As at the date of this announcement, the number of COVID-19 confirmed cases in the PRC is on the rise. In view of the duration of the epidemic and the extent of the impact on the economy, the Group anticipates that the epidemic 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 epidemic, 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 epidemic 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 2022, in the face of the persistence of the epidemic, frequent geopolitical conflicts, sluggish economic recovery and complex market environment, a certain negative impact may be brought to the business of the Group. However, through the experience summed up by the Group in dealing with the uncertainties in the past, the Group, in combination with a series of effective operating measures, still has sufficient confidence in the development of the industry and the Company. Facing many difficulties and challenges, according to the development theme of “steady development and high-quality development”, the Group will adhere to the operation and management policy of “seeking benefits from management”, so as to promote the steady growth of the Company’s business and profits.

The Group will actively make deployment for new business forms and new concepts by paying close attention to consumers’ preferences and capturing consumer trends to create new product and service experiences that meet the needs of target consumer groups based on the application of customer data. By capitalising the golden period of new retail and live-streaming e-commerce to continuously enhance the online promotion of brands, the Group will promote a consumer-focused “research, production and sales” retail system, which helps the Group’s business to achieve innovative and high-quality development.

Relying on the two core brands, FIRS and SHANSHAN, the Group will strengthen the asset value of core brands and actively construct a multi-category platform matrix, in a bid to create more high-quality products and services for consumers. The Company will adhere to platform development, actively explore the business suit market, and enhance service awareness for business suit customers.

## **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 Part 2 of Appendix 14 to the Listing Rules (the "**CG Code**") during the Period except for the following deviation:

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

Presently, the Company does not have a position of the title "chief executive officer". However, Mr. Luo Yefei, an executive Director and the chairman of the Board, has been carrying out the duties of the chief executive officer. The Board considers that the current structure facilitates the execution of the Group's business strategies and maximises the effectiveness of its operation.

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

## **AUDIT COMMITTEE**

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

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

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

## COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct for dealing in securities of the Company by the Directors and the supervisors of the Company (the “**Supervisors**”). In response to specific enquiries made by the Company to each of the Directors and the Supervisors, all the Directors and the Supervisors confirmed that they had complied with the Model Code during the Period.

## PUBLICATION OF INTERIM REPORT

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

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

Ningbo, the PRC, 23 August 2022

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

*Executive Directors:*

Mr. Luo Yefei (Chairman)

Mr. Cao Yang (Vice-Chairman)

Ms. Yan Jingfen

Ms. Zhou Yumei

*Non-executive Directors:*

Ms. Zhao Chunxiang

Mr. Du Peng

*Independent Non-executive Directors:*

Mr. Chow Ching Ning

Mr. Wang Yashan

Mr. Wu Xuekai