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

2019
ANNUAL REPORT

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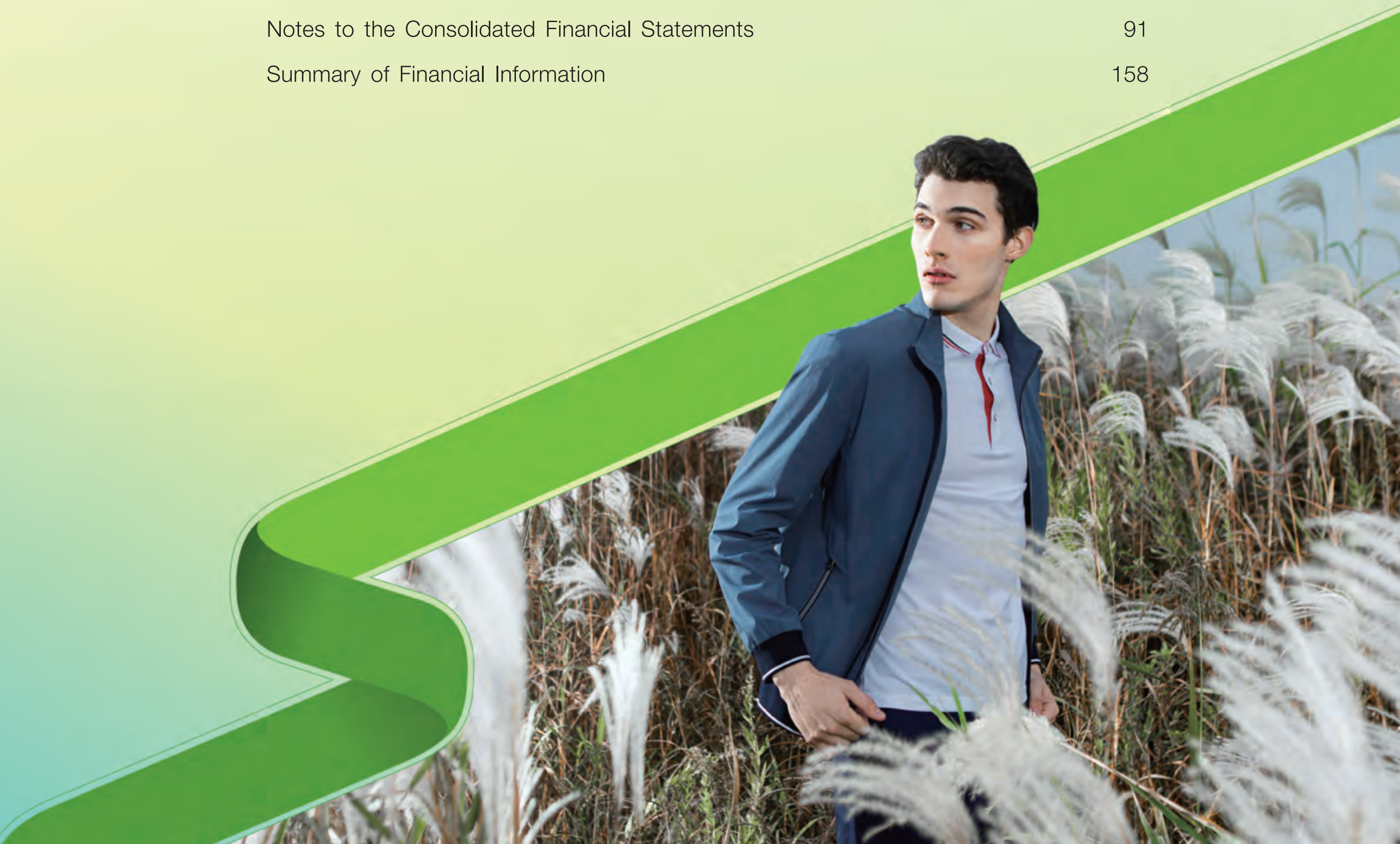


Corporate Profile

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

The business of our Company primarily involves the design, marketing and sale of formal and casual business menswear in the PRC under three brands, namely FIRS, SHANSHAN and LUBIAM, each having distinct product features and brand positioning that are tailored to the preferences of male consumers in particular age and income groups and provide quality menswear products for them.

Corporate Information

CORPORATE NAME

Shanshan Brand Management Co., Ltd.

LISTING INFORMATION

Place of listing: Main Board of the Stock Exchange
Stock code: 1749

BOARD OF DIRECTORS

Executive Directors

Mr. Cao Yang
Mr. Luo Yefei
Ms. Yan Jingfen

Non-executive Directors

Mr. Zhuang Wei (Chairman)
Mr. Yang Feng
Ms. Hui Ying

Independent Non-executive Directors

Mr. Au Yeung Po Fung
Mr. Wang Yashan
Mr. Wu Xuekai

SUPERVISORS

Ms. Zhou Danna
Mr. Wang Yijun (appointed on 5 June 2019)
Ms. Yang Yi

JOINT COMPANY SECRETARIES

Ms. Yan Jingfen
Ms. Cheng Lucy (appointed on 5 June 2019)

AUTHORIZED REPRESENTATIVES

Ms. Yan Jingfen
Ms. Cheng Lucy (appointed on 5 June 2019)

BOARD COMMITTEES

Audit Committee

Mr. Au Yeung Po Fung (Chairman)
Mr. Wang Yashan
Mr. Wu Xuekai

Remuneration Committee

Mr. Wang Yashan (Chairman)
Ms. Yan Jingfen
Mr. Wu Xuekai

Nomination Committee

Mr. Zhuang Wei (Chairman)
Mr. Wang Yashan
Mr. Wu Xuekai

REGISTERED OFFICE AND HEADQUARTERS IN THE PRC

238 Yunlin Middle Road
Wangchun Industrial Park
Ningbo, Zhejiang Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F., 148 Electric Road
North Point
Hong Kong

COMPANY'S WEBSITE

http://www.chinafirs.com

INDEPENDENT AUDITOR

BDO Limited
25 Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Corporate Information

LEGAL ADVISERS

As to Hong Kong law
Sidley Austin
Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to PRC law
Shu Jin Law Firm
12/F, Taiping Finance Tower
6001 Yitian Road
Futian District
Shenzhen
Guangdong Province
The PRC

COMPLIANCE ADVISER

Dongxing Securities (Hong Kong) Company Limited
6805–6806A, 68/F
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

PRINCIPAL BANKERS

Shanghai Pudong Development Bank
Ningbo Yinzhou Sub-branch
China Construction Bank Ningbo Sub-branch
China Everbright Bank Ningbo Sub-branch

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Financial Summary

			Year ended			
		2019	2018	2017	2016	2015
Revenue	*RMB'000*	**1,036,440**	1,025,286	797,888	592,083	526,082
Operating (loss)/profit	*RMB'000*	**(23,178)**	35,668	36,961	33,814	52,903
(Loss)/profit attributable to owners of the Company	*RMB'000*	**(16,312)**	36,210	44,970	35,244	52,829
Gross profit margin	*%*	**56.2%**	58.1%	54.1%	48.7%	48.0%
Operating (loss)/profit margin	*%*	**(2.2%)**	3.5%	4.6%	5.7%	10.1%
(Loss)/profit margin attributable to owners of the Company	*%*	**(1.6%)**	3.5%	5.6%	6.0%	10.0%
Earnings per Share — basic and diluted	*RMB cents*	**(12)**	31	45	35	53
Final dividend per Share	*RMB cents*	**—**	6	—	—	—

			As at 31 December		
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**212,689**	145,902	120,924	102,015	85,893
Current assets	**926,218**	909,625	746,915	590,148	483,232
Inventories	**503,448**	461,779	336,424	234,173	164,523
Trade and bills receivables	**188,093**	183,247	163,329	198,859	207,422
Cash and cash equivalents	**137,476**	145,399	102,073	97,110	76,945
Total assets	**1,138,907**	1,055,527	867,839	692,163	569,125
Current liabilities	**813,818**	745,254	684,439	541,837	593,660
Trade and bills payables	**229,872**	218,121	184,154	174,425	127,129
Interest-bearing bank borrowings	**180,000**	260,000	285,000	245,000	—
Non-current liabilities	**42,470**	—	—	6,354	8,936
Total liabilities	**856,288**	745,254	684,439	548,191	602,596

CHAIRMAN'S STATEMENT

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I present the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 (the "**Year**" or "**FY2019**").

Looking back at 2019, with the slowdown of global economic growth and increasing uncertainties, China's growth in domestic economy and consumption were slowing down as well. The apparel industry where the Group operates was significantly affected by the macroeconomy. The development and profitability of the Group's principal business were subject to huge challenges. The rapid change of the retail industry, especially the popularity of internet and e-commerce brands, has changed people's consumption habit. In addition, the price competition among retailers and the rising operational costs worsened the market operations. Therefore, the results of the Group were adversely affected inevitably.

Exposed to various headwinds and market challenges in the course of operation, the Group forged ahead and responded actively while implementing various measures to enhance performance during the Year, including, but not limited to the followings:

I. IMPLEMENTING DIVERSIFIED DISTRIBUTION THROUGH SALES CHANNELS OPTIMISATION

(1) actively adjusting channels of sales and distribution; and

(2) reorganising or closing certain outlets with unsatisfactory performances.

II. PROACTIVELY PROMOTING THE INNOVATION AND APPLICATION OF SUPPLY CHAINS

(1) continually upgrading and rebuilding the Company's warehousing and logistics center and its information management system, so as to promptly respond to the changes in market; and

(2) building a large commodity management mechanism with flexible supply chain as the core, and timely responding to various demands of retail terminals through the improvement of the quick response mechanism.

III. CONTINUOUSLY PROMOTING PRODUCT INNOVATION THROUGH THE IN-DEPTH STUDY OF CHINA'S CONSUMER MARKET AND CONSUMER GROUPS

Adhering to the concept of "focusing on consumers", the Group continues to study the changes in the clothing of China's consumer market and consumer groups, and the results of which will be quickly implemented and presented at the product level. During the Year, the Group launched the young fashion series products, and they have won the favor of many young consumers once launched.

With a series of measures implemented, the Group had maintained steady and healthy development for its business operation in 2019. For the year ended 31 December 2019 (the "**Year**"), there was no significant change in the Group's principal business and its structure. During the Year, the Group achieved operating revenue of RMB1,036.4 million, which was generally stable compared with last year.

Next year, we are still confident with the future. We will continue to maintain and consolidate our position within the industry, actively seek for new business breakthrough, maintain healthy and steady business development, and create more value for the shareholders of the Company (the "**Shareholders**").

Zhuang Wei
Chairman of the Board

Ningbo, the PRC, 30 March 2020

BUSINESS REVIEW

In 2019, with the slowdown of global economic growth and increasing uncertainties, China's growth in domestic economy and consumption were slowing down as well. During the Year, the Group continued to follow its strategic plan of recent years, where it continued to improve its product design and cost performance, further optimised and expanded its sales and distribution network, further elevated its brand recognition and awareness by increasing its brand promotion and marketing efforts; strengthened the exploration of the business attire market through ways such as enhancing the customer satisfaction; enhanced the efficiency of every link of its business operations by taking advantage of the innovation and application of the supply chain.

As a fashion brand group deeply engaged in the apparel industry for thirty years, the Group has an extensive distribution network and a strong sales team across most areas in China. The number of retail outlets of the Group increased to 1,280 as at 31 December 2019 from 1,226 (excluding MARCO AZZALI) as at 31 December 2018, including 709 retail outlets under FIRS, 556 retail outlets under SHANSHAN and 15 retail outlets under LUBIAM, representing an increase of approximately 4.4% in the total number of retail outlets under these three brands.

During the Year, faced with various challenges such as the adverse impacts from the economic downturn and the structural adjustments of the apparel industry in the PRC, the Group continued to close certain outlets with unsatisfactory performances and overhaul its distribution network in response to the intense competition of the retail market and the weak consumption sentiment. Furthermore, the Group enhanced its brand image and brand awareness by engaging celebrity endorsements and improved the visual effect by upgrading the existing store image. The Board believes that such initiatives taken by the Group have helped improve and exerted positive influence on the Group's financial results and performance for the Year.

FINANCIAL REVIEW

Revenue

The Group generated revenue primarily from sales to distributors, direct sales and franchisee sales. For the Year, the Group's total revenue increased by approximately 1.1% to RMB1,036.4 million from RMB1,025.3 million for the year ended 31 December 2018 (the "**FY2018**"), primarily attributable to an increase of revenue generated from the brand franchisee cooperation arrangement of the SHANSHAN brand and the sale of business attires. Please refer to the sections headed "Revenue by sales channels" and "Revenue by brands" below for details.

Revenue by sales channels

The breakdown of the total revenue by sales channels is as follows:

	Year ended 31 December			
	2019		2018	
	RMB'000	%	RMB'000	%
Sales to distributors	**136,573**	**13.2**	173,282	16.9
Direct sales				
E-commerce platforms	**97,178**	**9.4**	127,157	12.4
Self-operated retail outlets	**156,714**	**15.1**	155,024	15.1
Franchisee sales				
Cooperative arrangements and franchising arrangements in relation to LUBIAM and MARCO AZZALI	**529,110**	**51.0**	495,019	48.3
Work uniforms	**102,714**	**9.9**	61,659	6.0
Trademark sub-licensing income	**14,151**	**1.4**	13,145	1.3
Total	**1,036,440**	**100.0**	1,025,286	100.0

Revenue by brands

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

	Year ended 31 December			
	2019		2018	
	RMB'000	**%**	RMB'000	%
FIRS	**442,343**	**42.7**	453,387	44.2
SHANSHAN	**560,761**	**54.1**	521,916	50.9
MARCO AZZALI	**–**	**–**	8,564	0.8
LUBIAM	**19,185**	**1.8**	28,274	2.8
Others	**14,151**	**1.4**	13,145	1.3
Total	**1,036,440**	**100.0**	1,025,286	100.0

Gross profit

For the Year, the Group's gross profit decreased by approximately 2.2% to RMB582.4 million from RMB595.8 million for the FY2018, primarily attributable to the decrease in gross margin of the Group.

Other revenue

Other revenue mainly comprises income derived from the sale of raw materials and interest income from banks. For the Year, the Group's other revenue increased by approximately 19.5% to RMB4.9 million from RMB4.1 million for the FY2018, primarily attributable to the increase in sale of raw materials and leftover consumables material to distributors and suppliers amounting to RMB0.9 million and decrease in interest income from banks of RMB0.1 million in the Year.

Other gains and losses

Other gains and losses for the Year mainly represented the Group's write-down of inventories of RMB8.3 million and provision of RMB6.6 million made by the Group relating to a contract dispute with a minority shareholder of the Company's subsidiary, which was partly offset by the receipt of government grants of RMB8.0 million.

Other gains and losses for FY2018 mainly represented the Group's write-down of inventories of approximately RMB7.5 million which was partly offset by the exchange gain of RMB4.8 million, and gain of disposal of subsidiary of RMB0.6 million.

Selling and distribution expenses

Selling and distribution expenses mainly include the Group's store and e-commerce expenses, staff costs, advertising and promotional expenses, renovation costs, depreciation on property, plant and equipment and right-of-use assets.

For the Year, the Group's selling and distribution expenses increased by approximately 8.6% to RMB520.7 million from RMB479.6 million for the FY2018, mainly attributable to the increases in (i) revenue sharing fees paid to the franchisees as a result of the increased sales of the SHANSHAN branded products; and (ii) the depreciation of property, plant and equipment and renovation costs.

Administrative expenses

Administrative expenses mainly include staff costs attributable to administrative expenses, travelling expenses, office rental expenses and legal and professional fees.

For the Year, the Group's administrative expenses increased by approximately 10.0% to RMB50.7 million from RMB46.1 million for the FY2018, primarily attributable to the increases in (i) fees paid to legal advisers including the legal costs incurred by a subsidiary of the Group due to a contract dispute with its minority shareholder; and (ii) the increment of salary and allowance paid during the Year.

Impairment loss on trade receivables, net

For the Year, the Group's impairment loss on trade receivables increased to RMB13.6 million from RMB2.5 million for the FY2018, mainly attributable to (i) the slow in repayment of outstanding receivables from distributors; and (ii) economic uncertainties of domestic market in the forthcoming year.

Finance costs

Finance costs mainly include interests on bank borrowings of the Group, borrowing interests paid to immediate holding company and interest expenses on lease liabilities.

For the Year, the Group's finance costs increased by approximately 19.7% to RMB18.2 million from RMB15.2 million for the FY2018. The control of finance costs of the Group was relatively stable. The increase is mainly caused by the interest expenses on lease liabilities of RMB2.9 million resulted from the adoption of the Hong Kong Financial Reporting Standard ("**HKFRS**") 16 Lease ("**HKFRS 16**") in 2019.

Income tax expense

Income tax expense mainly represents the income tax payable by the Group according to the relevant PRC tax laws and regulations. For the Year, the Group's income tax expense decreased by approximately 66.7% to RMB4.0 million from RMB12.0 million for the FY2018, primarily due to the turnaround from profit before tax to loss before tax.

Loss/Profit for the year

As a result of the foregoing, the Group recorded net loss for the Year of RMB23.2 million compared with net profit of RMB35.7 million for the FY2018. The turnaround from net profit to net loss was primarily attributable to (i) a decrease in sales gross margin; and (ii) the increases in (a) selling and distribution expenses of the Group; and (b) the provision for impairment on trade receivables and other receivables, net, which was partly offset by the absence of listing expenses for the Year.

WORKING CAPITAL MANAGEMENT

	Year ended 31 December	
	2019	2018
Average inventory turnover days	**388**	339
Average trade receivables turnover days	**65**	62
Average trade payables turnover days	**180**	171

The Group's average inventory turnover days increased from 339 days as at 31 December 2018 to 388 days as at 31 December 2019, primarily attributable to the purchase of SHANSHAN branded products from the Group's original equipment manufacturer ("**OEM**") suppliers in order to support the expansion of the retail outlets of the SHANSHAN brand and to meet the strong market demand for the SHANSHAN branded products.

The Group's average trade receivables turnover days remained relatively stable, increasing from 62 days as at 31 December 2018 to 65 days as at 31 December 2019.

The Group's average trade payables turnover days remained relatively stable, increasing from 171 days as at 31 December 2018 to 180 days as at 31 December 2019.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a solid statement of financial position for the Year. As at 31 December 2019, the Group's cash and cash equivalents decreased to RMB137.5 million from RMB145.4 million as at 31 December 2018, and its pledged deposits for the Year increased to RMB33.6 million from RMB31.5 million as at 31 December 2018. The decrease in the cash and cash equivalents was primarily attributable to the use of proceeds from the Share Offer.

As at 31 December 2019 and 31 December 2018, the Group's total bank borrowings amounted to approximately RMB180.0 million and RMB260.0 million, respectively. The bank borrowings as at 31 December 2019 carried fixed interest rates range from 5.0% to 5.7% per annum (31 December 2018: fixed interest rates range from 4.8% to 5.7% per annum). All bank borrowings were denominated in RMB and repayable within a year from the respective year end dates. The Group's gearing ratios (total borrowings over total assets of the Group) were approximately 15.8% and 24.6% as at 31 December 2019 and 31 December 2018, 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 Year. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. Surplus cash will be invested appropriately so that the Group will have adequate cash for its business operation and business development.

FOREIGN EXCHANGE RISK AND HEDGING

The Group's exposure to currency risk is minimal, as most of the Group's transactions are denominated in RMB while the net proceeds from the Share Offer and any payment of dividends to the holders of H Shares were or will be made in Hong Kong dollars. The Group does not implement any foreign currency hedging policy but will closely monitor its exposure to any exchange rates.

USE OF PROCEEDS FROM THE SHARE OFFER

On the Listing Date, the Company's H Shares were listed on the Main Board of the Stock Exchange. The total net proceeds from the Share Offer amounted to approximately HK$66.4 million (equivalent to approximately RMB55.2 million). As at 31 December 2019, a total amount of RMB46.2 million of the proceeds from the Share Offer had been utilised for the following purposes which are consistent with that disclosed in the Prospectus:

	Planned amount RMB (million)	Actual utilised from the Listing Date to 31 December 2019 RMB (million)	Actual utilised amount during the Year RMB (million)	Actual unutilised amount as at 31 December 2019 RMB (million)	Expected timeframe of full utilisation of unutilisation amount
Retail network	20.9	20.9	17.0	–	–
Brand promotion and marketing	13.6	13.6	7.7	–	–
Information technology system	10.7	1.8	1.5	8.9	Q2 2020
Warehouses and logistics center	4.5	4.5	1.1	–	–
General working capital	5.5	5.5	–	–	–
Total	55.2	46.2	27.3	8.9	

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 669 employees (31 December 2018: 701 employees). Employee costs, including Directors' emoluments, amounted to approximately RMB99.5 million for the Year. The remuneration policy for the Directors and the senior management focuses on their experience, level of responsibility and general market conditions. Any discretionary bonus and other performance bonus are linked to the profit performance of the Group and the performance of the individual Directors and senior management. The Group provides and arranges on-the-job training for the employees.

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

ENVIRONMENTAL MANAGEMENT

Being a socially and environmentally responsible enterprise, the Group is dedicated to achieving environmental-friendly and sustainable development by abiding by relevant laws and regulations, including the newly revised "Environmental Protection Law of the People's Republic of China" and the regulations implemented by the environmental protection bureaus of the relevant PRC local governments. The Group has also attained the ISO14001 Environment Management Systems Certification. A corporate social responsibility report of the Group issued in accordance with the Environmental, Social and Governance Reporting Guide as contained in Appendix 27 to the Listing Rules is included in this annual report and is published on the respective websites of the Stock Exchange and the Company.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Except for the acquisition of right-of-use assets which were recognised under HKFRS 16 in connection with the operating leases of office premises, warehouses and retail stores entered by the Group, the Group did not have any significant investments, material acquisitions or disposals of assets, subsidiaries, associates or joint ventures during the Year. Details of the operating leases are set out in note 29 to the consolidated financial statements.

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 31 December 2019.

CAPITAL STRUCTURE

There was no change in the capital structure of the Company as at 31 December 2019 as compared with that as at 31 December 2018.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2019 (31 December 2018: Nil).

PLEDGE OF ASSET

As at 31 December 2019, the Group pledged deposits of RMB33,556,150 (31 December 2018: RMB31,540,000) to secure outstanding bank acceptance bills. Save for the pledged deposits, the Group did not pledge any of its assets as securities for outstanding bank acceptance bills.

OUTLOOK AND STRATEGIES

Looking into the year of 2020, the apparel retail industry is still facing intensive challenges in view of the potential slowdown trend of Chinese economy and consumption growth, along with the impact of the novel coronavirus pneumonia epidemic. Meanwhile, there is a rapid increase in the number of consumers who pursue distinguished lifestyles, and their demand for personalized and fashionable products continue to increase. As a fashion brand group which has been deeply engaged in the apparel industry for 30 years, benefiting from the diversified brand portfolio and sound operation management, we remain fully confident towards our future prospects. We will continue to maintain and strengthen our position in the industry, and we are committed to pursuing the following strategies we advocate, including developing new retail business and expanding online trademark licensing business to reduce operating costs and expenses; taking commodity operation as the core and forming a responsive and flexible supply chain system through continuously deepening the cooperation between the upstream and downstream partners of the industrial chain and optimizing the internal business process of the Company, thereby improving the Company's inventory turnover rate.

EXECUTIVE DIRECTORS

Mr. Cao Yang (曹陽), aged 48, was appointed as a Director and chairman of the board of directors of Shanshan Garment Brand, the predecessor of the Company on 30 June 2014. He was re-appointed as the vice chairman of the Company in May 2016 and has been responsible for strategic planning of the Group. Mr. Cao has extensive experience in strategic planning, brand management, public communication and corporate culture communication. He has over 13 years of experience in business management. From June 2010 to December 2014, Mr. Cao has served as the planning director of Shanshan Holding Co., Ltd. ("**Shanshan Holding**"), a company primarily engaging in industrial investment, investment management and research, development and sales of garments, and responsible for strategic planning and brand management, public communication and corporate culture communication. From June 2009 to December 2013, he acted as an assistant to the president and the vice president of Shanshan Group Co., Ltd. ("**Shanshan Group**"), a company primarily engaging in property management, trading of nonferrous metals and chemical products, assets management and investment consultancy, and responsible for brand management and public communication. From May 2005 to January 2009, Mr. Cao served as the deputy head of the general management department and the head of the planning department of Shanshan Holding, where he was responsible for brand management, public communication and corporate culture communication. In October 2004, Mr. Cao joined Shanshan Group as the head of the planning department and was responsible for brand management, public communication and corporate culture communication. Mr. Cao obtained a bachelor's degree in journalism from Nanjing Normal University (南京師範大學) in the PRC in December 2012 by self-study.

Mr. Luo Yefei (駱葉飛), aged 45, was appointed as an executive Director on 18 May 2016. Mr. Luo is also the general manager and responsible for the overall development planning and business operations of the Group. He is also a director of Ningbo Shanshan Fashion Brand Management Co., Ltd ("**Fashion Brand**"). He has over 15 years of experience in the apparel industry. Mr. Luo joined the Group on 1 June 2013 as the general manager of Shanshan Garment Brand, the predecessor of the Company. Prior to joining the Group, Mr. Luo was the general manager and the controlling shareholder of Shaanxi Maoye Gongmao Co., Ltd. ("**Shaanxi Maoye**"), a company primarily engaged in the production and sales of garments, where he was responsible for the production operation management from September 2009 to June 2013. From September 2002 to September 2009, Mr. Luo served as the deputy general manager of Shaanxi Tuoda Commercial Trading Company Limited (陝西拓達商貿有限公司), a company primarily engaged in the sales and production of garments, where he was responsible for the sales and marketing. Mr. Luo obtained a certificate for the CEO EMBA program from Xi'an Jiaotong University (西安交通大學) in the PRC and Zhejiang University (浙江大學) in the PRC in July 2009 and June 2015, respectively. Mr. Luo also obtained a college diploma (專科文憑) through online learning from University of Science and Technology Beijing (北京科技大學) in the PRC in July 2017.

Ms. Yan Jingfen (嚴靜芬), previously known as Yan Xuefang (嚴雪舫), aged 46, was appointed as a Director on 18 May 2016 and the member of Remuneration Committee on 28 May 2018. Ms. Yan is also the chief financial officer and joint company secretary and a director of Fashion Brand and responsible for financial management, company secretarial matters and the compliance matters of the Group. Ms. Yan has over 11 years of experience in financial management. Ms. Yan joined the Group on 2 August 2010. Since June 2013, she has been serving as the chief financial officer of Shanshan Garment Brand, the predecessor of the Company, and of the Company. From August 2010 to June 2013, Ms. Yan served successively as the head of the financial department and the chief financial director of Fashion Brand. From September 2009 to August 2010, she was the head of the financial department of Ningbo Shanshan Bolai Import and Export Co., Ltd. ("**Shanshan Bolai**"), a company primarily engaged in import and export business, where she was responsible for auditing and budgeting of this company. From July 2007 to September 2009, Ms. Yan served as the head of the financial department in Ningbo Shanshan Yongjiang Real Estate Company Limited (寧波杉杉甬江置業有限公司), a property developer, where she was responsible for financial budgeting and preparing financial statements. Ms. Yan obtained her bachelor's degree in financial management from the Ningbo Dahongying University (寧波大紅鷹學院) in the PRC in June 2014. Ms. Yan was qualified as an intermediate accountant (中級會計) by Ningbo Personnel Bureau (寧波市人事局) in May 2009.

NON-EXECUTIVE DIRECTORS

Mr. Zhuang Wei (莊巍), aged 53, was appointed as a Director and the chairman of the nomination committee of the Company (the "**Nomination Committee**") on 23 August 2011 and 28 May 2018 respectively. He is responsible for the overall corporate strategies and management directions of the Group. Mr. Zhuang is the chairman of our Board and joined the Group as a director of Shanshan Garment Brand on 23 August 2011. He has over 25 years of experience in business management. Since September 2012, Mr. Zhuang has served as a chairman and a general manager of Ningbo Shanshan Co., Ltd. ("**Shanshan**"), one of the controlling shareholders of the Company whose shares are listed on the Shanghai Stock Exchange (stock code: 600884). Since September 2012, Mr. Zhuang has been a director and the chairman of FY Financial (Shenzhen) Co., Ltd. ("**FY Financial**"), a company which is principally engaged in financial services business with a focus on providing equipment-based finance leasing, commercial factory and advisory services to its customers in the PRC, and is owned as to approximately 41.60% by Shanshan and whose overseas foreign listed shares are listed on GEM of the Stock Exchange (stock code: 08452). From March 2009 to September 2012, Mr. Zhuang served as the chairman of Shanshan. From April 2008 to March 2009, Mr. Zhuang served as a director and general manager of Shanshan. From March 2007 to March 2008, Mr. Zhuang served as the general manager of Ningbo Shanshan Venture Capital Co., Ltd. (寧波杉杉創業投資有限公司), an investment company, where he was responsible for the general management of this company. From July 1993 to March 2007, Mr. Zhuang was responsible for investment management in a PRC conglomerate and general management in two other companies. Since October 2013, he has been serving as a vice president of China National Garment Association (中國服裝協會). Mr. Zhuang obtained his doctor's degree in political economics from Peking University (北京大學) in the PRC in July 2000.

Mr. Yang Feng (楊峰), aged 36, was appointed as a Director on 2 January 2018. He is responsible for providing guidance and advice to the Group from finance and accounting perspectives. Since May 2017, Mr. Yang has been serving as the director, deputy general manager and chief financial officer of Shanshan and was responsible for overseeing financial, accounting and internal control matters. From September 2010 to February 2017, he served successively as the intermediate business manager of the operation department (經營部) and the deputy head of division one for the corporate business (公司業務一處) of the Ningbo Branch of The Export-Import Bank of China (中國進出口銀行寧波分行), where he was responsible for accounting and financial management and loan business development. Mr. Yang obtained his bachelor's degree in finance from Nanjing University of Science and Technology (南京理工大學) in the PRC in June 2006 and his master's degree in management from Zhejiang

University in the PRC in June 2008. He was qualified as an intermediate economist in finance (中級經濟師（金融）) by Ningbo Personnel Bureau (寧波市人事局) in January 2011 and an intermediate accountant (中級會計師) by Ningbo Human Resources and Social Security Bureau (寧波市人力資源和社會保障局) in January 2015.

Ms. Hui Ying (惠穎), aged 39, was appointed as a Director on 2 January 2018. She is responsible for providing guidance and advice to the Group from legal perspectives. From June 2016 to March 2018, Ms. Hui served as a non-executive director of FY Financial (Shenzhen) Co., Ltd. She has served as the head of legal department, supervisor, and assistant to general manager of Shanshan since November 2010, May 2014 and January 2015, respectively. She is mainly responsible for daily legal work and investment projects for Shanshan and a number of its subsidiaries. Moreover, she also serves as the director and/or general manager of a number of subsidiaries of Shanshan. From December 2007 to September 2010, she was a legal consultant in Herbert Smith, where she focused on foreign direct investment and mergers and acquisitions. From March 2005 to September 2007, Ms. Hui was a legal assistant in Global Law Office (環球律師事務所), where she focused on initial public offering, foreign direct investment and mergers & acquisitions. Ms. Hui obtained her lawyer's practicing certificate issued by the Ministry of Justice of the PRC in February 2008. She obtained her bachelor's degree in law and master's degree in commercial and corporate laws from Ningbo University (寧波大學) in the PRC and University College of London in the United Kingdom in June 2003 and November 2004, respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Au Yeung Po Fung (歐陽寶豐), aged 52, was appointed as an independent non-executive Director and the chairman of audit committee of the Company (the "**Audit Committee**") on 28 May 2018. He is responsible for providing independent advice and judgment to our Board. Mr. Au Yeung has extensive experience in the PRC real estate industry and other industries, and is currently the chief financial officer of a company focusing on property project development and agricultural infrastructure establishments. He serves or had served various senior management positions, details of which are set out as follows:

Period of services	Name of company	Principal business	Position(s)	Responsibilities
August 2019 to present	Sinic Holdings (Group) Company Limited 新力控股（集團）有限公司 (stock code: 2103), listed on the Main Board of the Stock Exchange on 15 November 2019	Property development and property leasing	Independent non-executive director	Providing independent advice on the operations and management to the group
June 2019 to present	Zhongliang Holdings Group Company Limited (中梁控股集團有限公司) (stock code: 2772) listed on the Main Board of the Stock Exchange on 16 July 2019	Property development, property management, property leasing and management consulting	Independent non-executive director	Providing independent advice on the operations and management to the group

Period of services	Name of company	Principal business	Position(s)	Responsibilities
June 2018 to present	eBroker Group Limited (電子交易集團有限公司) (stock code: 8036), listed on GEM of the Stock Exchange	Development and supply of financial software solutions	Independent non-executive Director	Providing independent advice and judgment to the company
June 2018 to present	Redsun Properties Group Limited (弘陽地產集團有限公司) (stock code: 1996), listed on the Main Board of the Stock Exchange	Property development, property leasing, commercial property investment and operation, and hotel operation	Independent non-executive Director	Providing independent advice and judgment to the company
August 2017 to January 2018	Sansheng Holdings (Group) Co. Ltd. (三盛控股（集團）有限公司) (stock code: 2183) (formerly known as Lifestyle Properties Development Company Limited (利福地產發展有限公司)), listed on the Main Board of the Stock Exchange	Property development and investment	Chief financial officer	Compliance with listing rules, investor relations and financial reporting
August 2017 to January 2018	Fujian Sansheng Property Development Company Limited (福建三盛房地產開發有限公司)	Property development and investment	Vice-president	Financial management
July 2017 to February 2020	GR Properties Limited (國銳地產有限公司) (stock code: 108), listed on the Main Board of the Stock Exchange	Property development and management	Independent non-executive director	Providing independent advice and judgment to the company
July 2016 to September 2019	China LNG Group Limited (中國天然氣集團有限公司) (stock code: 931), listed on the Main Board of the Stock Exchange	Natural gas-related businesses, property investment, money lending and the trading of securities	Independent non-executive director	Providing independent advice and judgment to the company
July 2016 to September 2017	South China Holdings Company Limited (stock code: 413) and South China Assets Holdings Limited (stock code: 8155), listed on GEM, respectively	Property development and investment	Chief financial officer of the PRC property division of the company	Assisting the group chief financial officer in the overall financial management

Period of services	Name of company	Principal business	Position(s)	Responsibilities
May 2016 to September 2016	Kiu Hung International Holdings Limited (僑雄國際控股有限公司) (stock code: 381), listed on the Main Board of the Stock Exchange	Toys, resources and leisure-related businesses	Independent non-executive director	Providing independent advice and judgment to the company
February 2014 to August 2014	Fosun International Ltd (復星國際有限公司) (stock code: 656), listed on the Main Board of the Stock Exchange	Financial property, steel and healthcare	Vice-president and chief financial officer of the property division of the company	Overall financial management
October 2011 to December 2013	Sun Hung Kai Properties Ltd (新鴻基地產發展有限公司) (stock code: 16), listed on the Main Board of the Stock Exchange	Property development and investment	Chief financial officer — Mainland operations in the PRC department of the company	Overseeing the finance, tax, budgeting and investment functions
November 2007 to October 2011	Powerlong Real Estate Holdings Limited (寶龍地產控股有限公司) (stock code: 1238), listed on the Main Board of the Stock Exchange	Property development and investment	Vice-president, chief financial officer, company secretary and authorized representative	Overall financial management and company secretarial matters
January 2001 to January 2005	Hong Kong Exchanges and Clearing Limited (香港交易及結算所有限公司) (stock code: 388), listed on the Main Board of the Stock Exchange	Stock market and futures market operator and strategic planning	Senior manager of the clearing division	Operation of the clearing procedures of the derivatives market and strategic planning

Mr. Au Yeung was admitted as a fellow member of the Institute of Chartered Accountants in England and Wales in July 2015, a chartered financial analyst of the CFA Institute in September 2006, a fellow of the Hong Kong Institute of Certified Public Accountants in May 2003, and a fellow member of the Association of Chartered Certified Accountants in November 2000. He obtained his bachelor of art degree in business studies from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1990.

Mr. Au Yeung was a director of Uniford Asia Limited (統發亞洲有限公司), a limited liability company incorporated in Hong Kong and dissolved by striking off by the Registrar of Companies in Hong Kong as a defunct company pursuant to section 291 of the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong, as in force before 3 March 2014) on 18 May 2001. Mr. Au Yeung has confirmed that, to the best of his information and belief, the company was solvent at the time of being struck off and as at 3 June 2018, no claims has been made against him and he was not aware of any threatened and potential claims made against him and there are no outstanding claims and/or liabilities as a result of the dissolution of such company. Mr. Au Yeung further confirms that there is no fraudulent act or misfeasance on his part leading to the striking off of such company.

Mr. Wang Yashan (王亞山), aged 58, was appointed as an independent non-executive Director, chairman of the Remuneration Committee, a member of Audit Committee and a member of Nomination Committee on 28 May 2018. He is responsible for providing independent advice and judgment to the Board. Mr. Wang was the legal representative of Beijing Zhonghuang Guoxin Management Consulting Company Limited (北京中璜國信管理諮詢有限責任公司), a company primarily engaged in providing corporate management consulting services from August 2010 to May 2016. He was also an independent director of Zhongke Yinghua High-tech Company Limited (中科英華高技術有限公司) (now known as Nuode Investment Company Limited (諾德投資股份有限公司)), a company listed on the Shanghai Stock Exchange (stock code: 600110), from June 2009 to July 2015. Mr. Wang obtained his lawyer's qualification certificate issued by the Ministry of Justice of the PRC in April 1989. He obtained his bachelor's degree in law from Peking University in the PRC in July 1984.

Mr. Wu Xuekai (武學凱), aged 49, was appointed as an independent non-executive Director, a member of Audit Committee, a member of Remuneration Committee and a member of Nomination Committee on 28 May 2018. He is responsible for providing independent advice and judgment to our Board. Mr. Wu has over 23 years of experience in apparel industry. Mr. Wu has been serving as the chief creative director of Biaoding Apparel Co.,Ltd. (上海標頂服飾有限公司), a company primarily engaged in providing designing services, where he has been responsible for product design since June 2002. Mr. Wu was also the design director of Shanshan Group, where he was responsible for the product design and the management of the design department from January 1999 to April 2003. From October 1996 to January 1999, Mr. Wu was a deputy general manager of the design center of Shanshan, where he was responsible for the design of products. From January 1995 to September 1996, Mr. Wu was a workshop manager of one of Shanshan's factories, where he was responsible for daily operation of this workshop. He has also been an independent director of Hunan Huasheng Company Limited (湖南華升股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600156), where he has been supervising and providing independent advice to the board of directors of that company since January 2014. Mr. Wu was qualified as a senior craftsmanship designer (高級工藝美術師) in July 2010 by Shanghai Human Resources and Social Security Bureau (上海市人力資源和社會保障局). Mr. Wu obtained his graduation certificate in fashion design from Tianjin Polytechnic University (天津工業大學) (formerly known as Tianjin Textile Engineering Institute (天津紡織工學院)) in the PRC in July 1994.

SUPERVISORY COMMITTEE

Ms. Zhou Danna (周丹娜), aged 38, was appointed as the chairperson of the supervisory committee of the Company (the "**Supervisory Committee**") on 18 May 2016. She joined the Group on 15 July 2013. She has over 12 years of experience in the apparel industry. Since July 2013, she was employed by our predecessor, Shanshan Garment Brand as an assistant to the head of the general management department, and now by the Company, as the manager of administration office, where she is responsible for administrative matters. From July 2013 to September 2014, she successively served as an assistant to the head of the general management department and the deputy department head in Fashion Brand, where she was responsible for assisting the head of general management department in administrative matters. From March 2006 to July 2013, Ms. Zhou successively served as the secretary to the general manager, administration assistant and the head of the department in Ningbo Shanshan Modun Garments Co., Ltd., a company primarily engaged in the sales of garments, where she was responsible for assisting the general manager in daily administrative matters. Ms. Zhou obtained her bachelor's degree in art design from Tianjin Polytechnic University (天津工業大學) in the PRC in July 2006.

Mr. Wang Yijun (王一軍), aged 42, was appointed as a supervisor of the Company (a "**Supervisor**") on 19 March 2019. He joined the Group on 25 August 2017, and has since been the vice department head of the finance department of the Company, being responsible for the financial management related affairs. Prior to joining the Group, from March 2000 to August 2017, Mr. Wang worked at Ningbo Youngor Dresses Co., Ltd. (寧波雅戈爾服飾有限公司), a wholly-owned subsidiary of Youngor Group Co., Ltd. (雅戈爾集團股份有限公司), a company primarily engaged in the sale of branded menswear and listed on the Shanghai Stock Exchange (stock code: 600177), with his last position as the financial manager of its certain branch companies, where he was responsible for accounting and finance related affairs. From July 1999 to February 2000, Mr. Wang was an accountant and a cashier of Ningbo Yonggang Communications Co., Ltd. (寧波甬港通訊發展有限公司), a company primarily engaged in the provision of communication services and sale and maintenance of communication equipment where he was responsible for accounting and payment related affairs. Mr. Wang obtained a diploma of graduation in finance and accounting from Zhejiang Province Yinxian Secondary Specialised School (浙江省鄞縣中等專業學校) in July 1996.

Ms. Yang Yi (楊依), aged 29, was appointed as a Supervisor on 18 May 2016. She has over 6 years of experience in managing internal control operations. She joined the Group on 8 October 2011, and has since then been serving as the deputy head of the department of internal control of Shanshan Garment Brand, the predecessor of the Company, and now the Company, and has been responsible for establishing and maintaining the internal control system of the Group as well as planning and establishing the management system of the Group. She obtained her bachelor's degree in digital media technology from Zhejiang Normal University (浙江師範大學) in the PRC in June 2012.

Biographies of Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

Mr. Wang Jun (王軍), aged 55, has been the executive deputy general manager of the Group since November 2011 and is responsible for production and procurement of the Group. He has more than 33 years of experience in the apparel industry. Mr. Wang joined the Group on 21 June 2009 and has since then been the deputy general manager of Fashion Brand. From May 2005 to August 2011, Mr. Wang worked at Ningbo Shanshan Garments Co., Ltd. (寧波杉杉服裝有限公司), a company primarily engaged in the sale of garments, where he successively served as the assistant to the general manager and deputy general manager. During that period, he was responsible for production and supply matters as well as assisting the general manager in corporate management. From June 2003 to May 2005, he served as the head of the production department of Shanshan, where he was responsible for the general management of the factories. From July 2000 to May 2003, he worked at Ningbo Shanshan Garments Co., Ltd., where he successively served as, among others, an assistant to the general manager and deputy general manager and was responsible for the production and procurement of this company. In July 1983, Mr. Wang joined the predecessor of Shanshan, where he started as a worker and was promoted as the deputy department head of Shanshan before he left in December 1998 and was responsible for the production and operation matters. Mr. Wang obtained a graduation certificate of electrical automation from the Employee University of Shanghai Chemical Fiber Industrial Company (上海市化學纖維工業公司職工大學) in July 1988. Mr. Wang was qualified as an assistant engineer by Ningbo Personnel Bureau (寧波市人事局) in September 1994.

Mr. Yang Yong (楊勇), aged 51, has been a deputy general manager and design director of the Group since November 2011. He is responsible for research and development and design of the Group. He has more than 25 years of experience in apparel industry. Mr. Yang joined the Group on 21 June 2009 as the deputy general manager and chief designer of Fashion Brand. Prior to joining the Group, Mr. Yang had worked for more than 16 years, from June 1989 to May 2006, in Beijing Shunmei Garment Company Limited (北京順美服裝有限公司), a company primarily engaged in the production and sale of menswear, where he successively served as, among others, a manager and the product director of that company. Mr. Yang completed the diploma program of executive business administration from Zhejiang University (浙江大學) in the PRC in June 2015.

Mr. Zheng Shijie (鄭世傑), aged 49, has been a deputy general manager of the Group and planning director since June 2013 and is responsible for the brand building of the Group. Mr. Zheng joined the Group as the planning director of Fashion Brand in June 2013. He has over 21 years of experience in apparel industry. From June 2012 to June 2013, Mr. Zheng was an assistant to the general manager of Shaanxi Maoye, where he was responsible for assisting the general manager in the day-to-day operations of Shaanxi Maoye. From January 2009 to June 2012, Mr. Zheng was the general manager of the business division of Romon Group Co., Ltd. (羅蒙集團股份有限公司), a company primarily engaged in the design, production and sale of garments, where he was responsible for the operation of Xili Meishi (喜麗美獅) brand. From January 1996 to October 2002, he was the manager of the business division of women swear in Peace Bird Group Co., Ltd. (太平鳥集團有限公司), a company primarily engaged in the production and sale of garments, where he was responsible for women swear establishment and development. Mr. Zheng obtained a college diploma (專科文憑) from Beijing Institute of Technology (北京理工大學) in January 2019.

The Company is committed to fulfilling its responsibilities to the Shareholders, and protecting and enhancing Shareholders' value through good corporate governance. The Directors recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. The Company has applied the principles of the CG Code as described in this corporate governance report and has complied with all the applicable code provisions as set out in the CG Code during the Year except for the following deviations:

Pursuant to code provision A.4.2 of the CG Code, every Director should be subject to retirement by rotation at least once every three years. The first session of the Board shall retire the office by rotation on 14 May 2019. As it concerns the entire Board, various factors were considered to ensure the senior management of the Company appropriately continues. Therefore, the first session of the Board continued to perform their duties until the election of the second session of the Board, which was re-elected at the annual general meeting of the Company (the "**AGM**") held on 5 June 2019 (the "**2019 AGM**"). Since then, the Company has rectified its compliance with the code provision A.4.2 of the CG Code.

Pursuant to code provision E.1.2 of the CG Code, the chairman of the Board (the "**Chairman**") should attend the AGM. However, Mr. Zhuang Wei, the Chairman, was unable to attend the 2019 AGM due to other business engagements. In the absence of the Chairman, Mr. Cao Yang, an executive Director, acted as chairman of the 2019 AGM to ensure an effective communication with the Shareholders. Mr. Zhuang followed up with Mr. Cao for any opinions or concerns of the Shareholders expressed at the 2019 AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

Corporate Governance Report

BOARD OF DIRECTORS

Responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's corporate governance practices and all other functions reserved to the Board under the articles of association of the Company (the "**Articles of Association**"). The Board has established Board committees and has delegated to these Board committee's various responsibilities as set out in their respective terms of reference. The responsibilities of these Board committees include monitoring the Group's operational and financial performance and ensuring that appropriate internal control and risk management are in place. The Board may from time to time delegate certain functions to management of the Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and those which are assigned to it from time to time.

The Directors have full access to information of the Group and the management has an obligation to supply the Directors with adequate information in a timely manner to enable the Directors to perform their responsibilities. The Directors are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

Composition

The Company is committed to holding and implementing the view that the Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors (the "**INEDs**") so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

As at the date of this annual report, the Board comprised of nine Directors including three INEDs, which was in compliance with the requirement under Rules 3.10 and 3.10A of the Listing Rules that the number of INEDs must represent at least one-third (1/3) of the Board members, and that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

The members of the Board during the Year and up to the date of this annual report are set out below:

Executive Directors
Mr. Cao Yang *(Vice Chairman)*
Mr. Luo Yefei
Ms. Yan Jingfen *(Chief Financial Officer and Joint Company Secretary)*

Non-executive Directors
Mr. Zhuang Wei *(Chairman)*
Mr. Yang Feng
Ms. Hui Ying

INEDs
Mr. Au Yeung Po Fung
Mr. Wang Yashan
Mr. Wu Xuekai

The biographical details of each of the Directors are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report. As at 31 December 2019, the Directors, the Supervisors and senior management of the Company had no financial, business, family or other material relationship among themselves.

The executive Directors are responsible for the leadership and control of the Company, overseeing the Group's businesses, strategic decisions and performances and are collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The non-executive Directors participate in Board meetings to bring in independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts and scrutinize the Company's performance in achieving agreed corporate goals and objectives.

The INEDs are responsible for ensuring a high standard of financial and other mandatory reporting of the Board as well as providing a balance in the Board in order to effectively exercise independent judgment on the corporate actions of the Company so as to protect Shareholders' interests and the overall interests of the Group.

The Company has received an annual confirmation of independence in writing from each of the INEDs pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules during the Year and up to the date of this annual report.

During the Year, the Chairman, being a non-executive Director, held a meeting with the INEDs without the presence of other Directors.

Directors' Liabilities Insurance and Indemnity

The Company had arranged for appropriate and adequate insurance cover to protect the Directors and the Supervisors from legal action arising from the performance of their duties as a Director and Supervisor. Such insurance coverage is reviewed and renewed on an annual basis.

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each of the newly appointed Directors has received a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. Pursuant to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills.

A training seminar on the responsibilities of directors of listed companies was delivered by the Company's legal advisers as to Hong Kong laws to all the Directors and senior management of the Company in May 2019.

The Company will from time to time fund and arrange suitable training and provide briefings to all the Directors to develop and refresh their knowledge and skills in relation to their duties and responsibilities, such that their contribution to the Board remains informed and relevant. All the Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records.

During the Year, all the Directors attended suitable training and/or briefings given by certain professional advisers and/or participated in continuous professional development courses organized by professional bodies/firms on corporate governance or updates on laws, rules and regulations relating to the roles, functions and duties of a Director to develop and refresh their knowledge and skills.

According to the training records maintained by the Company, the continuing professional development programmes received by each of the Directors during the Year is summarised as follows:

Name of Directors	Type of Training
Executive Directors	
Mr. Cao Yang	A and C
Mr. Luo Yefei	A and C
Ms. Yan Jingfen	A and C
Non-executive Directors	
Mr. Zhuang Wei	A and C
Mr. Yang Feng	A and C
Ms. Hui Ying	A and C
INEDs	
Mr. Au Yeung Po Fung	A and B and C
Mr. Wang Yashan	A and C
Mr. Wu Xuekai	A and C

Notes:

A: attending training sessions, including but not limited to, seminars, briefings, conferences, forums and workshops

B: reading materials relating to the seminars material, economy, general business, corporate governance and directors' duties and responsibilities

C: reading newspapers and journals relating to the corporate governance matters, environment and social issues or director's duties and responsibilities

MEETINGS OF THE BOARD AND BOARD COMMITTEES AND DIRECTORS' ATTENDANCE RECORDS

The Board is scheduled to meet four (4) regular meetings a year at approximately quarterly intervals with notice given to the Directors at least fourteen (14) days in advance. For all other Board meetings, notice of at least three (3) days in advance will be given. The agenda and accompanying board papers are dispatched to the Directors at least three (3) days before the meetings to enable the Directors to have sufficient time to review the papers and be adequately prepared for the meetings. When the Directors are unable to attend meetings, he or she may appoint in writing another Director to attend the meeting on his or her behalf. The power of attorney shall specify the scope of authorization. The proxy shall exercise the rights of the Director within the scope of the authorization. A Director failing to attend the Board meeting in person or by proxy shall be deemed as having waived his or her voting rights at such meeting.

The joint company secretaries of the Company (the "**Joint Company Secretaries**") are responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record respectively within a reasonable time after each meeting and the final version is open for the Directors' inspection. According to the Listing Rules, any Directors and their close associates (as defined under the Listing Rules) with a material interest in the transactions to be discussed in the Board meetings shall abstain from voting on the resolutions approving such transactions and will not be counted in the quorum for the meetings.

During the Year, four (4) Board meetings and one (1) AGM were held. Details of the attendance of each Director is set out below:

Name of Directors	Attendance of Board Meetings	AGM
Executive Directors		
Mr. Cao Yang	4/4	1/1
Mr. Luo Yefei	4/4	1/1
Ms. Yan Jingfen	4/4	1/1
Non-executive Directors		
Mr. Zhuang Wei *(Chairman)*	4/4	0/1
Mr. Yang Feng	4/4	1/1
Ms. Hui Ying	4/4	1/1
Independent Non-executive Directors		
Mr. Au Yeung Po Fung	4/4	1/1
Mr. Wang Yashan	4/4	1/1
Mr. Wu Xuekai	4/4	1/1

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") on 28 May 2018 and discussed all measurable objectives set for implementing the same.

The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on merit basis with due regard for the benefits of a diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code provides that the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. Under the current organization structure of the Company, Mr. Zhuang Wei is the Chairman and Mr. Cao Yang is the vice Chairman. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high caliber individuals.

Pursuant to the Articles of Association, the primary duties and responsibilities of the Chairman includes:–

(a) to preside over general meetings and to convene and preside over meetings of the Board;

(b) to examine the implementation of resolutions passed by the Board;

(c) to execute the securities issued by the Company; and

(d) to perform other duties entrusted by the Board.

The primary duties and responsibilities of the vice Chairman, amongst others, includes:–

(a) strategic planning of the Group;

(b) overseeing the implementation of the Group's strategies, business objectives and management policies; and

(c) managing the Group's business and overall operations.

There is a clear division of responsibilities between the Chairman and vice Chairman, thus, the Company has complied with code provision A.2.1 of the CG Code.

BOARD COMMITTEES

The Board has established, with written terms of reference, three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

Audit Committee

The Audit Committee was established on 28 May 2018 with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee are published on the respective websites of the Stock Exchange and the Company. The Audit Committee comprises all the INEDs, namely Mr. Wang Yashan, Mr. Wu Xuekai and Mr. Au Yeung Po Fung. Mr. Au Yeung Po Fung is the chairman of the Audit Committee.

The primary duties of the Audit Committee include, among others:

- making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

- reviewing and monitoring on the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with the applicable standards;

- monitoring the integrity of the Company's financial statements and annual report, interim report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting contained in them;

- reviewing the Company's financial controls, risk management and internal control systems, effectiveness of the Company's internal audit process and the Group's financial and accounting policies and practices;

- discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions;

- considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings; and

- performing the Company's corporate governance functions.

During the Year, the Audit Committee held 3 meetings to review and supervise the financial reporting process and review the risk management and internal control systems of the Group and its audit-related matters. It had, in conjunction with BDO Limited, the independent auditor of the Company, reviewed the audited final results of the Group for the year ended 31 December 2018 and the unaudited interim results of the Group for the six months ended 30 June 2019 and recommended the same to the Board for their consideration and approval. The Audit Committee was of the opinion that the preparation of these results complied with the applicable accounting standards and requirements and that adequate disclosures had been made. The Audit Committee also carried out and discharged its other duties as set out in the CG Code.

The attendance of each INED at the Audit Committee meetings during the Year is as follows:

Members	No. of Attendance/ No. of Meetings Eligible to Attend
Mr. Au Yeung Po Fung	3/3
Mr. Wang Yashan	3/3
Mr. Wu Xuekai	3/3

The Audit Committee met on 30 March 2020 and, among other matters, reviewed the Group's audited consolidated results for the Year including the accounting principles and practice adopted by the Group and recommended to the Board for consideration the same and the re-appointment of BDO Limited as the Company's independent auditor at the forthcoming AGM to be held on 5 June 2020.

Remuneration Committee

The Remuneration Committee was established on 28 May 2018 with written terms of reference in compliance with the CG Code. The written terms of reference of the Remuneration Committee are published on the respective websites of the Stock Exchange and the Company. The Remuneration Committee comprises two (2) INEDs, namely Mr. Wang Yashan and Mr. Wu Xuekai, and one (1) executive Director, Ms. Yan Jingfen, Mr. Wang Yashan is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include, among others:

- making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policy;

- reviewing and approving the management's remuneration by reference to the Board's corporate goals and objectives; and

- to make recommendations to the Board on the remuneration packages of each executive Directors and senior management.

During the Year, the Remuneration Committee held a meeting on 19 March 2019 and, among other things, reviewed and recommended to the Board for consideration certain remuneration-related matters of the Directors and senior management, including but not limited to, reviewing the remuneration of the Directors with reference to salaries paid by comparable companies, their experience, their responsibilities and their performance and reviewing the remuneration policy of the Company.

The attendance of each Director at the Remuneration Committee during the Year is as follows:

Members	No. of Attendance/ No. of Meetings Eligible to Attend
Mr. Wang Yashan	1/1
Mr. Wu Xuekai	1/1
Ms. Yan Jingfen	1/1

The Remuneration Committee met on 30 March 2020 to review the remuneration package of the Directors and senior management and make recommendation for the Board approval.

Nomination Committee

The Nomination Committee was established on 28 May 2018 with written terms of reference in compliance with the CG Code. The written terms of reference of the Nomination Committee are published on the respective websites of the Stock Exchange and the Company. It comprises two (2) INEDs, namely Mr. Wang Yashan and Mr. Wu Xuekai, and one (1) non-executive Director, Mr. Zhuang Wei. Mr. Zhuang Wei is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include, among others:

- reviewing the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;

- assessing the independence of the INEDs;

- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for the Directors (in particular the Chairman and the chief executive); and

- reviewing the Board Diversity Policy and the measurable objectives that the Board has set for implementing such policy, and the progress on achieving the objectives and disclosing the Board Diversity Policy or a summary of the Board Diversity Policy in the corporate governance report of the Company.

During the Year, the Nomination Committee held a meeting on 19 March 2019 and, among other matters, (i) reviewed the structure, size and composition of the Board; (ii) assessed the independence of the INEDs; and (iii) reviewed and made a recommendation on the re-election of all the members of the first session of the Board at the 2019 AGM.

The attendance of each Director at the Nomination Committee during the Year is as follows:

Members	No. of Attendance/ No. of Meetings Eligible to Attend
Mr. Zhuang Wei	1/1
Mr. Wang Yashan	1/1
Mr. Wu Xuekai	1/1

The Nomination Committee met on 30 March 2020 and among other matters, reviewed the structure, size and composition of the Board and assessed the independence of the INEDs.

The Company has adopted a nomination policy for the appointment of Board members. The appointment will be made on a merit basis and candidates will be considered against objective criteria. The selection criteria used in assessing the suitability of a candidate include:

- Integrity;
- The diversity of the Board in various aspects, including but not limited to gender, age, cultural, educational and professional background, ethnicity, professional experience, skill, knowledge and length of service;
- Time available, interests in other parties and concerns about the Company's business;
- Accomplishment, experience and reputation in relation to the business of the Company and other relevant industries;
- Independence;
- Potential contributions to the Board; and
- Other relevant factors determined by the committee or the Board from time to time.

The Nomination Committee shall make recommendations to the Board on the appointment of Directors in accordance with the following procedures and process:

(a) to prepare a list of selection criteria based on the above criteria to identify appropriate candidates, taking into account the existing composition and size of the Board;

(b) with reference to any sources it considers appropriate when identifying or selecting an appropriate candidate, such as recommendation of current Directors, recommendation of headhunting companies and recommendation of the Shareholders;

(c) to interview with individual candidates and perform background checks;

(d) after considering the suitability of a particular candidate for the position of Director, the Nomination Committee will make recommendations to the Board on the appointment by convening a meeting and/or through a written resolution, as it may consider appropriate;

(e) to arrange an interview between the selected candidates and members of the Board, if necessary;

(f) to provide information about the selected candidate to the Remuneration Committee for considering the remuneration package of such selected candidate;

(g) to recommend the Board to appoint the selected candidates as Director and the Remuneration Committee will submit the proposed remuneration package of the selected candidates to the Board; and

(h) the Board will subsequently discuss and make decisions on the appointment.

BOARD'S CORPORATE GOVERNANCE FUNCTIONS

The Audit Committee is responsible for performing the corporate governance functions of the Company as set out in code provision D.3.1 of the CG Code, which include but are not limited to:

- developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board;

- reviewing and monitoring the training and continuous professional development of the Directors and senior management of the Company and its subsidiaries;

- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors of the Company and its subsidiaries; and

- reviewing the Company's compliance with the CG Code in Appendix 14 to the Listing Rules and disclosure in this report.

The Audit Committee reviewed this corporate governance report in discharge of its corporate governance functions and ensured compliance with the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its overall responsibility for maintaining an adequate and effective risk management and internal control systems of the Group and reviewing their effectiveness. The Company has established a risk management policy to address and manage potential risks associated with its business operations, including strategic risks, operational risks and legal compliance risks. Procedures have been set up by the Company for, inter alia, identifying, analyzing, categorizing, mitigating and monitoring risks, and safeguarding assets against unauthorized use or disposition, maintaining proper accounting records and ensuring reliability of financial information, ensuring compliance with relevant legislation and regulations and protecting the interests of the Shareholders. The Company's risk management and internal control systems are designed to manage, rather than eliminate the risk of failure to achieve business objectives, and aim to provide a reasonable, as opposed to an absolute assurance against material misstatement or loss. Under its framework, general management, finance, accounting and internal control departments are primarily responsible for the design, implementation and maintenance of the risk management and internal control systems, while the Board and the Audit Committee oversee the actions of management and review the effectiveness of these systems and to safeguard the Group's assets.

In preparation for the Listing, the Company has engaged an independent internal control consulting firm to perform an overall assessment on the Group's internal control system including the areas of financial, operation, compliance and risk management with the aims of, among other matters, improving the Group's corporate governance and ensuring compliance with the applicable laws and regulations. Based on its internal control review, the independent internal control consulting firm recommended certain internal control improvement measures to the Group and the Group has adopted them.

In order to maintain sound and effective risk management and internal control systems, the Company has established and maintained stringent internal control procedures including the adoption of a corporate governance manual. Internal reporting guidelines have been developed at all department levels of the Company for identifying potential events of non-compliance, and all employees have been encouraged by management to report immediately any potential or actual non-compliance. An internal audit department has been established to carry out the analysis and independent appraisal of the adequacy and effectiveness of the systems, and the Company has procedures in place to keep information confidential and manage actual or potential conflicts of interest as well as devise a yearly audit plan according to their risk ratings. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest.

For the Year, the Board, through the Audit Committee, had conducted a review of the effectiveness of the risk management and internal control systems of the Group, as well as the internal audit function of the Company, covering all material controls, including financial, operational and compliance controls. The Board considers that the Group's risk management and internal control are adequate and effective. The Board expects that a review of the risk management and internal control systems will be performed annually.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors and non-executive Directors has entered into a service agreement with the Company for a term commencing from the date of the 2019 AGM at which the respective executive Directors or non-executive Directors were appointed until the end of the term of second session of the Board (i.e. 4 June 2022) and may be terminated in accordance with the respective terms of the service agreement.

Each of the INEDs has entered into a letter of appointment with the Company for a term commencing from the date of the 2019 AGM at which the respective INEDs were appointed until the end of the term of second session of the Board (i.e. 4 June 2022).

None of the Directors has a service agreement or letter of appointment with the Company or any of its subsidiaries expiring or determinable by the employer within one (1) year without the payment of compensation (other than statutory compensation).

In accordance with the Articles of Association, all Directors shall be elected or changed at the general meetings with a term of office of three (3) years. Upon expiry of the term of office, a Director shall be eligible to offer himself for re-election. Any person appointed by the Board to fill a casual vacancy to the Board shall hold office until the Company's next general meeting and that person shall then be eligible for re-election.

The current Board of Directors have been elected at the 2019 AGM.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment, re-election and succession planning of Directors.

Particulars of the Directors' and the Supervisors' remuneration and the five (5) highest paid employees of the Group for the Year are set out in note 15 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors and Supervisors) whose particulars are contained in the section headed "Biographical Details of Directors, Supervisors and Senior Management" in this annual report for the Year by band is set out below:

Remuneration band (RMB)	Number of individual(s)
Nil to 1,000,000	3

INDEPENDENT AUDITOR'S RESPONSIBILITY AND REMUNERATION

The statement of the independent auditor about its reporting responsibility and opinion on the Financial Statements is set out in the section headed "Independent Auditor's Report" of this annual report.

For the Year, the remuneration paid or payable to BDO Limited as the independent auditor in respect of the Year is set out below:

Services	Fee paid/payable RMB'000
Audit services	897
Non-audit services	—
Review of interim condensed consolidated financial statements	339
Other professional services	98
Total	1,334

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements for the Year, which give a true and fair view of the state of affairs of the Company and the Group's results and cashflows for the Year and are properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards. The Directors were not aware of any material uncertainties which may affect the Company's business or cast significant doubt upon the Company's ability to continue as a going concern.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "**SFO**") and the Listing Rules and the overall principle that inside information should be announced promptly when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;

- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, announcements and the Company's website;

- the Group has strictly prohibited unauthorized use of confidential or inside information; and

- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors, the Joint Company Secretaries, the financial controller and the investor relations director are authorized to communicate with parties outside the Group.

JOINT COMPANY SECRETARIES

Ms. Yan Jingfen ("**Ms. Yan**"), an executive Director and one of the Joint Company Secretaries, is responsible for advising the Board on corporate governance matters and ensuring that the Board policy and procedures, and the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also had engaged Mr. Kwok Siu Man ("**Mr. Kwok**") as its Joint Company Secretary to assist Ms. Yan to discharge her duties as a company secretary of the Company since the Listing Date and up to 4 June 2019. On 5 June 2019, Ms. Cheng Lucy ("**Ms. Cheng**") was appointed as a Joint Company Secretary in place of Mr. Kwok. For the purpose of Code F.1.1 of the CG Code, Ms. Cheng's primary contact at the Company is Ms. Yan, being the person with sufficient seniority at the Company.

Ms. Cheng was nominated by Boardroom Corporate Services (HK) Limited ("**Boardroom**") to be a Joint Company Secretary and Boardroom has been providing certain corporate secretarial services to the Company pursuant to an engagement letter entered between the Company and Boardroom. Ms. Cheng is an executive director and the head, corporate secretarial of Boardroom and a director of Boardroom Share Registrars (HK) Limited.

For the Year, each of Ms. Yan and Ms. Cheng has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

DIVIDEND POLICY

In order to enhance transparency of the Company and facilitate the Shareholders and investors to make informed investment decisions relating to the Company, the Board adopted a dividend policy of the Company (the "**Dividend Policy**").

According to the Dividend Policy, when determining whether to declare any dividend in the future and the amount of dividend to be declared, the Company shall consider a number of factors, including but not limited to:

- results of operation;
- cash flows;
- financial condition;
- future business prospects; and
- statutory and contractual restrictions on the payment of dividends by the Company.

In addition to the above, the Company may only pay dividends out of the distributable profit pursuant to the PRC laws and the Articles of Association. The distributable profit represents the lower of the net profit after tax determined under the generally accepted accounting principles in the PRC (the "**PRC GAAP**") or Hong Kong Financial Reporting Standards or the accounting standards of the place where the Shares are listed, less:

- the accumulated losses in previous years;
- appropriations are required to make to the statutory reserve, which is currently 10% of the unconsolidated net profit of the Company as determined under PRC GAAP, until such reserve reaches an amount equal to 50% of the registered capital of the Company;
- appropriations to a discretionary surplus reserve as approved by the Shareholders in an annual general meeting.

The Company does not have any pre-determined dividend distribution proportion or distribution ratio. The declaration, payment and amount of dividends will be subject to the PRC laws, the Articles of Association and the Board's discretion. The Board will review the Dividend Policy on a regular basis.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its Shareholders and the investing public.

The Company updates its Shareholders on its latest business developments and financial performance through its announcements, circulars as well as annual and interim reports. The corporate website of the Company has provided an effective communication platform to the public and the Shareholders.

SHAREHOLDERS' RIGHTS

Procedures for putting forward proposals at Shareholders' meetings

Pursuant to Article 71 of the Articles of Association, Shareholders individually or jointly holding 3% or more of the Shares shall be entitled to submit proposal(s) (the "**Proposal(s)**") to the Company in writing ten (10) days prior to the convening of a general meeting. The Company shall issue a supplemental notice of general meeting to other Shareholders within two (2) days of the receipt of the Proposal(s) and incorporate such newly proposed matters falling within the scope of duties of the general meeting into the agenda of such meeting. The new agenda shall be tabled to the general meeting for consideration.

Shareholders may lodge a written request, duly signed, at the registered office and headquarters of the Company in the PRC at 238 Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, the PRC marked for the attention of the Directors/Joint Company Secretaries.

Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to Article 66 of the Articles of Association, Shareholders individually or jointly holding more than 10% of the Shares (the "**Eligible Shareholder(s)**") are entitled to request the Board in writing to convene an extraordinary general meeting (the "**EGM**"). Eligible Shareholders who wish to convene an EGM for the purpose of moving a resolution at the EGM must deposit a written requisition (the "**Requisition**") duly signed by the Eligible Shareholder(s) concerned at the registered office and headquarters of the Company in the PRC at 238 Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, the PRC marked for the attention of the Directors/Joint Company Secretaries.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) for convening an EGM and the proposed agenda. Detailed procedures are set out in the Articles of Association which is available on the respective websites of the Stock Exchange and the Company.

Procedures for Shareholders to Send Enquiries to the Board

Shareholders may send written enquiries to the Board or the Company by post to the Company's registered office and headquarters in the PRC at 238 Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, the PRC marked for the attention of the Directors/Joint Company Secretaries.

Procedures for Shareholders to Propose a Person for Election as a Director

Shareholders can propose a person for election as a Director at a general meeting in accordance with Article 117 of the Articles of Association. By doing so, the Shareholder should deposit (i) a written notice (the "**Proposal Notice**") of the intention to propose the person (the "**Candidate**") for election as a Director; and (ii) a written notice (the "**Consent Notice**") by the Candidate of his/her willingness to be elected at the address of the Company's registered office and headquarters in the PRC mentioned above at least seven (7) days before the date of the general meeting and the period for lodgment of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and shall be at least seven (7) days in length.

The Proposal Notice (i) must be accompanied by the information of the Candidate as required by Rule 13.51(2) of the Listing Rules; and (ii) must be signed by the Shareholder proposing the Candidate for election as a Director.

The Consent Notice (i) must indicate the Candidate's willingness to be elected and consent of the publication of his/her information as required by Rule 13.51(2) of the Listing Rules; and (ii) must be signed by the Candidate.

In order to allow the Shareholders to have sufficient time to consider the proposal of election of the Candidate as a Director, those Shareholders who wish to make the proposal are urged to submit and lodge the Proposal Notice and the Consent Notice as early as practicable.

To enable the Shareholders to make an informed decision on the relevant election proposal at a general meeting, the Company shall publish an announcement or issue a supplemental circular as soon as practicable after the receipt of the Proposal Notice and the Consent Notice. The Company shall include particulars of the Candidate in the announcement or the supplemental circular. The Company shall assess whether or not it is necessary to adjourn the meeting to give Shareholders at least ten (10) business days to consider the relevant information disclosed in the announcement or the supplemental circular.

Information about the relevant procedures are available on the website of the Company at www.chinafirs.com.

COMMUNICATION WITH SHAREHOLDERS

The Company has adopted a Shareholder's communication policy on 28 May 2018 with an objective to provide our Shareholders with detailed information about the Company so that they can exercise their rights as Shareholders in an informed manner. The Company would review the Shareholders' communication policy on a regular basis.

Information about the Company will be communicated to the Shareholders and the investment community mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications on the respective websites of the Stock Exchange and the Company.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENT

The amendments to the Articles of Association were approved by the Shareholders at the 2019 AGM in relation to purchase of shares in the share capital of the Company and internal matters, details of which are set out in the circular of the Company dated 17 April 2019. There is no material change in the amendments to the Articles of Association. An updated version of the Articles and Association is available on the respective websites of the Company and the Stock Exchange.

Environmental, Social and Governance Report

INTRODUCTION

The Group are committed to providing high-quality apparel products. We strive to maintain our market leadership in the design, marketing and sale of formal and casual business menswear business in the People's Republic of China (the "**PRC**"). The Group has always attached great importance to social responsibility. While endeavoring to realize its corporate goals, it also expects to contribute to society from various aspects so as to achieve long-term and sustainable development goals.

In view of this, this Environmental, Social and Governance ("**ESG**") Report will focus on the balance of corporate needs, social demands and environmental concerns. The Group understands that incorporating sustainable development elements into business strategy has become a trend, so we will actively communicate with different stakeholders to know about their needs and carry out comprehensive management on ESG issues. While implementing the sustainable development plan, the Group will consider the short-term and long-term factors concerned, including the challenges we are facing, our responsibility for stakeholders, global trends, laws and regulations, risk management, etc. In such a constantly changing business environment, we believe that an enterprise can achieve success only by taking long-term commitments on the ESG issues.

Through careful and profound understanding of different risks and opportunities in relation to ESG issues with which the group is confronted, the Group will earnestly perform our corporate social responsibility, abide by local laws, provide appropriate working environment for employees, and meanwhile pay attention to social issues, including responsible procurement, drug abuse prevention, environmental conservation, volunteer activities, etc. At the meantime, we'll make efforts to protect the environment by reducing waste. As a member of the society, the Group will certainly endeavor to make contributions to it, and collaboratively create a better community environment.

Finally, as to the policies and performance of the Group in relation to the four major aspects, including environmental protection, employment and labour practices, operating practices and community participation from 1 January 2019 to 31 December 2019, the Board is hereby pleased to present the 2019 ESG Report of the Group.

ABOUT THE ESG REPORT

About the Report

This ESG Report introduces the significant ESG performance of the Group in the FY2019, and the long-term commitments to ESG. This ESG Report mainly focuses on the main business of the Group, i.e. the menswear design and sales business of the Group in Mainland China, and describes the progress of Shanshan in creating sustainable values for its shareholders and other stakeholders.

Scope and boundaries of the Report

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules of the Main Board issued by the Stock Exchange of Hong Kong Limited. This ESG Report summarises the ESG practices of the principal operation units of the Group, namely the Company. The information contained herein is helpful to know about and evaluate the Group's ESG performance in routine business in the PRC.

For FY2019, the Group had complied with the "comply or explain" provisions set out in the ESG Reporting Guide. In addition to internal factors, such as the Group's corporate value, strategy and core competence, the Group also attached importance to communication with the internal and external stakeholders, and considered the ESG strategies of other competitors in the industry, so as to achieve sustainable development. The Group has identified the following categories that have or may have a significant impact on the Group's ESG performance:

- The menswear design and marketing industry in the PRC;
- The menswear sales market in the PRC;
- Present or future environment and society in which the Group locates and operates;
- Financial and operation performance of the Group; and
- Evaluation, decision and action of the Group's stakeholders.

In preparing this Report, the Group has adopted some global and local industry standards or best practices, including the ESG Reporting Guide of the Hong Kong Stock Exchange and the applicable accounting and financial reporting rules of Hong Kong.

The Group attaches great importance to the issues concerned by each of its stakeholders, so we sincerely welcome opinions and suggestions for improving ESG performance of the Group. For all opinions and suggestions received, the Group takes an open and earnest attitude, with a view to uphold the common interests of the Group and the stakeholder. Stakeholders are welcome to send such opinions and suggestions to the Group's Email: ssfz@shanshan.com.

Environmental, Social and Governance Report

ABOUT SHANSHAN BRAND MANAGEMENT CO., LTD.

The Business of the Group

The Company (Stock code: 1749) and its subsidiaries are principally engaged in the design, marketing and sale of formal and casual business menswear in the PRC under three brands, namely FIRS, SHANSHAN and LUBIAM. Headquartered in Ningbo City, the Group has retail outlets operated by our distributors, ourselves and franchisees across the PRC, spanning all the provinces, autonomous regions and central government-administered municipalities in the PRC, except for Hainan and Tibet. In addition, the Group offers products under the above brands to customers via third-party e-commerce platforms, including Tmall and JD.com, enabling us to sell products under the Group's brands in more areas without physical stores.

Vision

Maintaining the leading position of its brands in the PRC by continuously producing quality products, and building Shanshan as a global brand with diversified products and global strategies, creating the most sustainable value to stakeholders.

Mission

Contributing to the society and stakeholders through various actions to make Shanshan a socially responsible company.

Objective

Continuing to provide consumers with quality menswear.

Board of Directors

As at the date of this ESG Report, the board of directors comprises:

Executive Directors	Non-executive Directors	Independent non-executive Directors
Mr. Cao Yang	Mr. Zhuang Wei (Chairman)	Mr. Au Yeung Po Fung
Mr. Luo Yefei	Mr. Yang Feng	Mr. Wang Yashan
Ms. Yan Jingfen	Ms. Hui Ying	Mr. Wu Xuekai

PARTICIPATION OF STAKEHOLDERS

The Group actively seeks every opportunity to understand our stakeholders in order to guarantee the regular improvement of our services. Our stakeholders play a vital role in maintaining the success of our business.

Stakeholders	Issues Concerned	Communications and Feedbacks
The Hong Kong Stock Exchange	Compliance with the Listing Rules, and timely and accurate announcements	Meeting, training, website update and announcements
The Government	Compliance with laws and regulations, prevention against tax evasion, and social welfare	Government inspection, tax declaration and other information
Suppliers	Payment schedule and demand stability	Business communication, purchase agreement, e-mail and telephone connection
Investors	Corporate governance system, business strategy and performance, and investment return	Organizing and participating in seminars, shareholders' meeting, providing financial reports or operation reports to investors and analysts
Media and Public	Corporate governance, environmental protection, and human rights	Publishing newsletters on the corporate website
Customers	Products quality, reasonable price and products values	Field investigation and after-sales services
Employees	Interests and welfare, employee remuneration, training and development, working hours, and working environment	Training, interview with employees, internal memos, and employee's suggestion box
Community	Community environment, employment and community development, and social welfare	Developing community activities, volunteering activities of employees, and community welfare, subsidy and donation

ENVIRONMENTAL ASPECTS

The Group recognizes that the environment should not be the sacrifice for its corporate development; in contrast, a healthy environment will be the foundation for sustainable corporate development. As a socially and environmentally responsible corporation, we are committed to cutting down the consumption of environmental resources and reducing the damage to the environment, ensuring that we are a pioneer in environmental conservation.

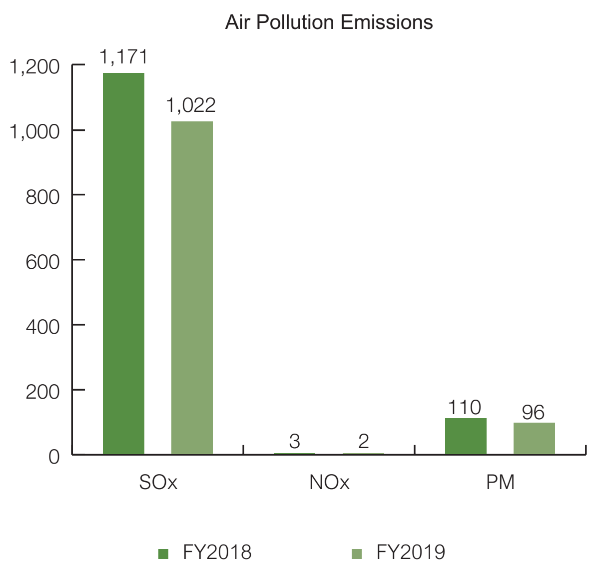
During FY2019, the Group did not find any crucial illegal behaviour relating to environmental problems.

EMISSIONS

The Group implements different measures to reduce carbon emissions from various sources in its daily operations.

Air Pollution Emissions

In view of the Group's business focusing on the design, promotion and sales of menswear, which are services in nature, our business activities and production process do not involve any fuel gas or fossil fuels. The mainly air pollution emissions are derived from the fuels used for the Group's eight automobiles which are used to pick up employees and customers in the daily course, and the resulting air pollution emissions include NOx, SOx and PM. During FY2019, the Group had discharged an aggregate of approximately 1,120 kg (2018: 1,284 kg) of air pollutant arising from its operation with an emission density of approximately 140 kg (2018: 160 kg) per automobile, representing a decrease of approximately 13%[1] as compared to the total weight and the emission density of air pollutant discharged by the Group in FY2018[1]. To reduce fuel consumption of automobiles, the Group conducts regular maintenances and inspection for its automobiles to ensure that they are in good condition, so as to avoid additional fuel consumption resulting from the low fuel efficiency. In addition, the Group also encourages staff to plan drive route in advance before driving, so as to reduce unnecessary fuel consumption caused by prolonged driving time.



[1] The data of the total weight and emission density of air pollutant disclosed in the 2018 ESG report were 3,862 kg and 483 kg per automobile, respectively. Adjustments have been made for the year according to the corresponding calculation for obtaining more accurate data.

Greenhouse Gas (GHG) Emission

The continued emissions of greenhouse gas will cause extremely severe impacts to our environment such as climate change and will pose great threats to the global ecosystem. The GHG emissions of our Group mainly derived from the use of above-said eight automobiles and the electricity consumption by our business activities in Ningbo base as well as the indirect GHG emission from other various business activities such as discarding papers at the landfill, the electricity used for the treatment of drinking water and sewage and employees travelling by planes for business trips. In light of this, in addition to regularly monitoring the operation of vehicles, the Group also made efforts to electricity and water resources consumption with implementing measures of reducing carbon emission from the source.

The total GHG emissions generated by the Group in FY2019 were approximately 1,077 tonnes (2018: 1,186 tonnes), of which 38% (2018: 38%) was direct emissions for the use of vehicles, 58% (2018: 59%) was indirect emissions for electricity consumption of headquarter in Ningbo, and the remaining 4% (2018: 3%) was indirect emissions from other sources, which were basically the same as the emission components of FY2018. Given that more than half of the GHG emissions were derived from electricity consumption, the Group posted slogans in the Company to remind the employees to unplug electrical appliances which were not in use and encouraged them to adopt natural light to reduce electricity consumption. The total GHG emissions generated in FY2019 decreased by approximately 9.2% as compared to FY2018, reflecting the Group's efforts to reduce carbon emissions have gradually achieved certain results.

Scope	Source of GHG emission	GHG emissions for FY2018 (tonne)	GHG emissions for FY2019 (tonne)
Scope 1	Direct GHG emission from the use of vehicles	**451.22**	**408.99**
Scope 2	Indirect GHG emissions from the electricity purchased by our headquarter in Ningbo[2]	**693.95**	**625.17**
Scope 3	Wasted pages discarded at the landfill	**10.12**	**10.12**[3]
	Electricity consumed for treatment of drinking water and sewage[4]	**3.56**	**4.74**
	Employees taking planes for business trips	**27.19**	**28.08**
Data of GHG emissions			
The GHG emissions in total (tonnes)		**1,186.04**	**1,077.10**
GHG emissions per capita (tonnes/number of staff)[5]		**1.69**	**1.61**

2 The average CO_2 emission factor for Zhejiang provincial power grids in 2012 is 0.6647 kg/kWh, according to "Calculating Method and Data Form for CO_2 Emission" (《二氧化碳排放核算方法及數據核查表》) published by Department of Climate Change of the People's Republic of China (中華人民共和國應對氣候變化司) on 15 May 2016.

3 The management estimated the emissions based on the data of emissions for FY2018 and considered it was closed to that for FY2018.

4 In accordance with the latest data announced by the Water Supplies Department in Hong Kong for the Year 2017/18 and the latest data announced by the Drainage Services Department in Hong Kong for the Year 2018/19, the per unit electrical consumption for treatment of drinking water and sewage in Hong Kong was 0.577 kWh and 0.28 kWh, respectively. The preset emission factor for purchased electricity is 0.7 kg/kWh. As the relevant data in mainland China is difficult to obtain, the data above is designed to be consistent with that in mainland China.

5 The GHG emission intensity was calculated by per capita emission. The Group's total number of staff was 669 as of 31 December 2019.

Waste Management

The Group's business activities involved no hazardous wastes. The Group's non-hazardous wastes were mainly produced from the papers used in its ordinary business. During FY2019, the total waste papers discarded by the Group at the landfill was about 2,100 kg[6] (2018: 2,100 kg), and the per capita waste paper disposal was about 3 kg (2018: 3 kg). In order to reduce the use of paper, the Group encouraged staff to process daily documents by using double-sided printing and to collect recyclable waste papers for reuse. In addition, the Group also encouraged staff to use electronic documents in place of paper documents to reduce the consumption of paper.

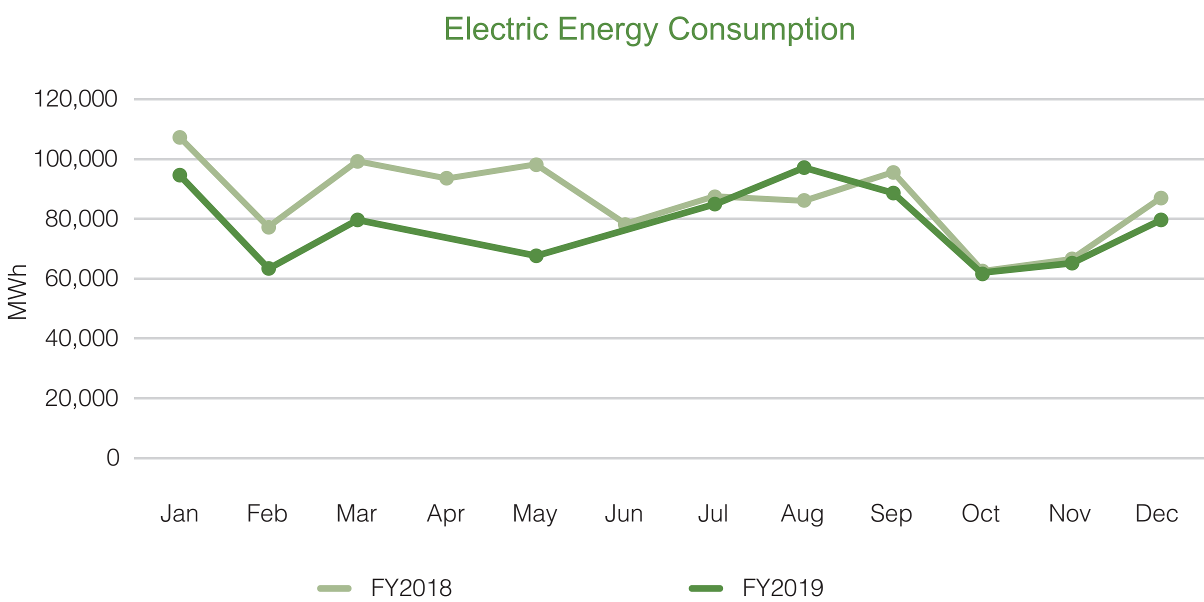
In addition, the Group has set up a staff canteen including the recovery areas for kitchen waste, food waste and chopsticks at our headquarter to recover the waste generated by the canteen and reduce the total weight of waste disposed of at landfills.

USE OF RESOURCES

As an enterprise responsible for the environment, the Group recognized that reducing carbon footprint should start from the source. Therefore, the Group has implemented a set of measures to reduce the resource consumption to achieve the goal of carbon emission reduction.

Electric Energy Consumption

The major carbon footprints of the Group came from the electric energy consumption. The electric energy consumption of Ningbo headquarter reduced by about 10% to approximately 941 MWh for FY2019, as compared to 1,044 MWh for FY2018; and due to the decrease in the total number of staff, the per capita electric energy consumption slightly reduced to approximately 1.4 MWh (2018: 1.5 MWh).



6 The management estimated the emissions based on the data of emissions for FY2018 and considered it was closed to that for FY2018.

In order to reduce electric energy consumption, the Group has put up posters in offices and staff canteens to remind employees to turn off electrical appliances, such as air conditioner and lighting system, when not in use. The corridors and windows of offices are also designed with natural lighting, and the electrical appliances in offices are mainly energy-saving electrical appliances, so as to reduce the use of electric energy in all aspects.

Water Resource Consumption

The consumption of water resource has always been a global concern of environmental issues. While the Group is actively building an internationally well-known brand, saving water is one of the important goals for the Group. Total water consumption of the Group in FY2019 was 7,902 m^3 (2018: 5,899 m^3), representing an increase of approximately 34% as compared to FY2018; and the density of relevant water consumption was approximately 11.8 m^3 per capita (2018: 8.4 m^3). In view of the Group's increasing water consumption, in order to reduce water consumption, the Group encourages employees to save water while using the washrooms, which will not only reduce water consumption but also reduce electricity consumption generated from water supply, thereby reducing the Group's carbon footprints. in FY2019, as the Group's water is supplied by the government water supply department, there was no problem in obtaining water sources.

Packaging Materials

The packaging materials of the Group are mainly plastic bags used in sales of apparels in shops. Due to the difficulties to collect such data in each individual shop, the Group was not able to disclose the total usage of packaging materials in FY2019. Nonetheless, the Group still strives hard to reduce the use of packaging materials during sales activities.

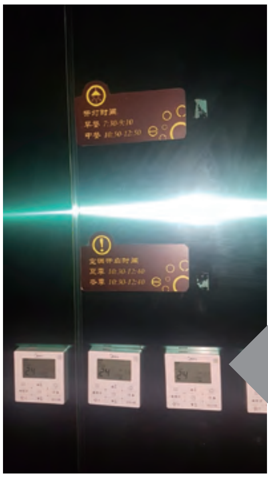
THE ENVIRONMENT AND NATURAL RESOURCES

Taking into consideration the nature of business of the Group, the electric energy consumption and water consumption are limited. In FY2019, electric energy consumption and water consumption mainly arose from the daily consumption in its headquarter in Ningbo. Nonetheless, the Group is committed to minimising its impact on the environment and conserving natural resources. In addition to the above electricity reduction and water saving plans, to minimise the Group's impact on the environment and natural resources, the Group has also implemented various environmental protection measures in its headquarter in Ningbo to achieve the goals of emission reduction from the source in all directions.

The base of the Group in Ningbo with garden concept design achieves the goals of green environment through cultivating various types of plants. Such an initiative not only provides employees with a comfortable and healthy working environment, but can also have a direct positive impact on reducing carbon emissions. In addition, the interior of the office building is designed with natural lighting to avoid unnecessary lighting and thus save electric energy.

In terms of the maintenance of natural resources, in order to promote the reduction of gas emissions caused by the use of vehicle fuels, we have set up a new energy vehicle charging station at our headquarter to provide charging services for electric vehicles of our employees.

Energy-saving measures



Energy-saving measures for staff canteen

Electrical appliances with label of China energy efficiency — energy-saving grade 1

Light off measures for staff canteen

Natural lighting design of offices

Internal landscape of the base in Ningbo headquarter

New energy vehicle charging station

Garden design concept of the headquarter

Green strap

SOCIAL

Employment and Labour Standards

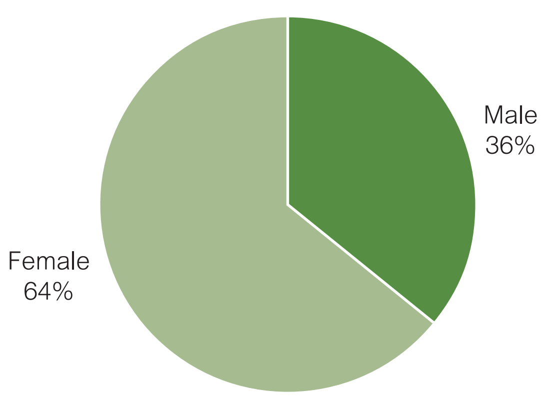
Employees are one of the most important assets of the Group. We provided the best treatment to our employees in different aspects, such as generous employee benefits, development and training plans, and a harmonious and healthy working environment. Therefore, while the employees are contributing to the Group's success, they also understand that we provide reciprocal supporting and backing for them, which ultimately achieves the goal of parallel development of the Group and the staff.

Employment

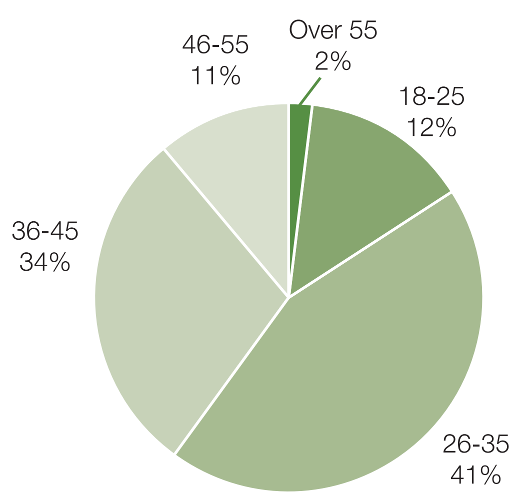
Our Staff

In order to provide customers with the best quality service and to cope with future challenges and opportunities, the Group only considered work experience, competence of and the value to be created by the applicant during recruitment and would not tolerate any unfair treatment based on gender, sexual orientation, age, ethnic group or race, family status or other personal characteristics protected by the laws. As at 31 December 2019, the Group employed a total of 669 employees (2018: 701) with male-female ratio of 36%:64% (2018: 45%:55%), fundamentally achieving gender equality; and the age of our employees spread across different age groups, demonstrating that certain achievements had been made by the efforts of the Group to create a harmonious and inclusive working environment. Consequently, the Group enjoyed strong loyalties from its staff with 17% (2018: 14%) of employees who had worked for more than five years and 32% (2018: 23%) had worked in the Group for more than three years. The year-on-year increase in the proportion of employees who had worked for over three years and over five year reflected a closer relationship was established between the Group and its employees.

Employees by gender



Employees by age

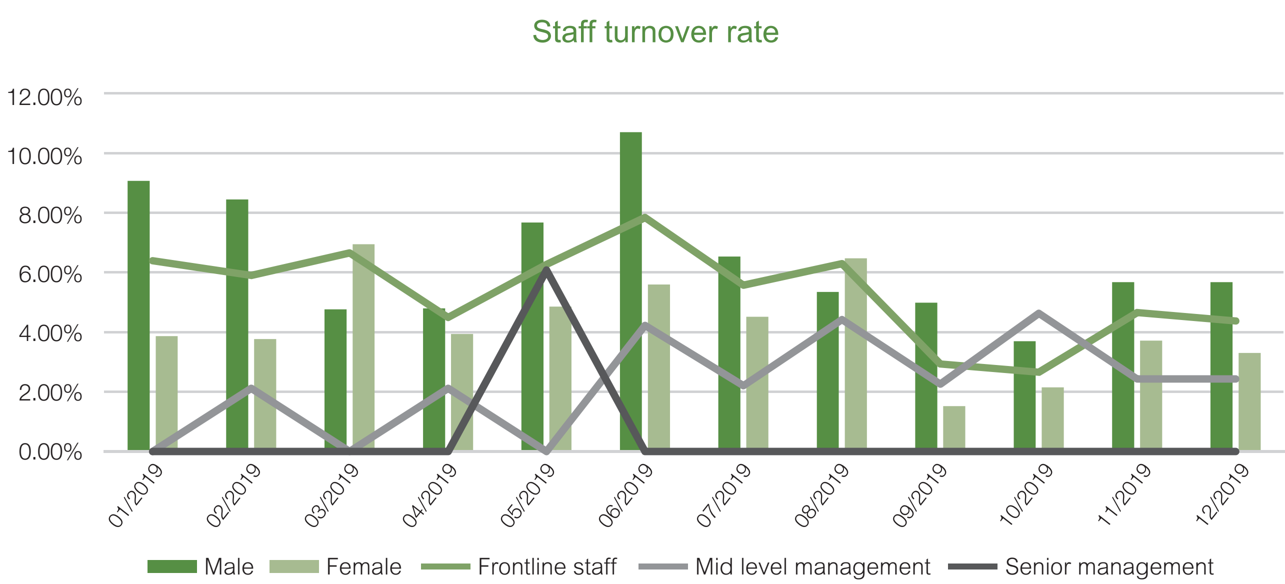


Staff Compensation and Welfare

In order to achieve simultaneous development of the Group and its employees, the Group had offered employees competitive remuneration packages, including but not limited to on-the-job training, bonus and travelling allowance. The Group would also carry out performance appraisals based on the individual performances of the employees on a quarterly and semi-annually basis to encourage them to set up their own clearly defined goal. Based on the evaluation results, employees would be awarded the titles of "commendation", "reward" or "promotion or conferring honorary title" to motivate them to continuously improve and to ensure their performance meet the expectation and requirements of the Group. The Group had purchased various social insurance and made contributions to housing provident funds for all employees. The Group strictly followed the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》), Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) and other relevant regulations in an effort to guarantee the due benefits entitled to the employees and offer them the best remuneration package.

Work-life Balance

In order to ensure our employees achieve a balance between work and life, and maintain a balanced and healthy lifestyle, the Group had implemented a standard labor time system, which stipulated that the working hours of employees per day shall not exceed eight hours and the average working time per week shall not exceed 40 hours. Apart from weekly rest days and the statutory holidays, employees were also entitled to the maternity leave, funeral leave, marital leave and family planning leave. Our vacation system was also established based on the actual circumstances to ensure sufficient break time of our employees. In addition, the Group offered various amenities facilities for our employees, including staff canteens and a variety of staff events, to increase their sense of belonging to the Group. Given the series of measures taken by the Group, the average turnover rate of the Group was controlled at only about 5.20% during FY2019 (2018: 4.79%).



Health and Safety

The Group is committed to providing a safe working environment for its employees and has implemented the following measures. The Group has formulated "Fire Emergency Plan" which sets out the emergency plan for fire accidents. It also regularly organizes fire safety training seminars to ensure that all employees can safely respond to fire accidents. Moreover, the Group is equipped with a number of fire protection equipment in the office building, such as fire extinguishers and fire hydrants, and conducts regular inspections to ensure that they are in good condition.

In the event of an emergency occurs, employees can use the office's first aid kit for emergency medical assistance in a timely manner.

Any employee suffering from work-related injuries is entitled to indemnification treatment in accordance with relevant national regulations, and the Group will also provide sufficient work-related injury leave to enable employees to have sufficient rest. During FY2019, the Group reported a total of 4 work-related injuries and lost 264 work hours (2018: no work-related injuries), and the Group has provided employees suffering from work-related injuries with sufficient sick leave for recuperation. However, the Group did not experience any accidents that caused serious injuries and deaths to employees for FY2019, and the Group is committed to providing employees with a healthy and safe working environment.

Moreover, sufficient safety production trainings are provided to our employees to enhance their safety awareness. All employees are covered by the relevant social insurance scheme about work injury.

The Group had strictly complied with relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards. During FY2019, the Group did not aware of any non-compliance of the aforesaid matters.

Development and Training

The Group understands that the progress of the employees is indispensable for the Group's sustainable development. Therefore, the Group provides adequate and effective training for its employees. It also emphasizes that the employees' competency must meet the expectations and requirements of the Group so that they can complement each other. To this end, the Group has formulated the "Training Management" system, and provides internal and external trainings to its employees to enhance their work abilities from time to time. If any employee does not get satisfactory results in his or her performance appraisal, the Group will provide additional training to ensure that every employee can meet the requirements of their positions. In addition, the Group also provides on-the-job training for front-line staff to familiarize them with the business processes of departments and positions, as well as staff codes such as personnel systems and anti-corruption mechanisms, so that they can more easily integrate into and adapt to the new working environment. After each training course, the Group will listen to the feedback from each employee to improve the training content so as to maximize its effectiveness.

During FY2019, the number of employees trained of the Group was 669 (2018: 701), accounting for 100% (2018: 100%) of the total number, while the total training hours was 2,479 hours (2018: 38,620 hours), with the averaged training hours per trainee amounting to approximately 4 hours (2018: 55 hours).

Labour Standard

The Group strictly abides by the Labor Law of the People's Republic of China and provides employees with remunerations no lower than the local statutory minimum wage and does not employ child labor. When hiring new employees, the human resources department is responsible for reviewing the applicant's identification documents to ensure that no underage child labor is employed. During FY2019, the Group was not involved in any labor disputes or cases of forced labor. The Group undertakes to maintain strict compliance with laws and regulations at any time. Any employee facing or discovering potential violations in relation to child and forced labour can report to the management through the Group's reporting mechanism, and the management will take appropriate actions to follow up.

OPERATING PRACTICES

Supply Chain Management

As the Group is principally engaged in the design and production of menswear, the Group places a great emphasis on supply chain management of procurement. The Group's suppliers are mainly OEM suppliers, including suppliers who purchase raw materials themselves and provide finished products and suppliers who provide processed products with raw materials and fabrics purchased by the Group. In the process of selecting its suppliers, the Group will review the company background of suppliers and the quality of their supplies, together with on-site inspection of the production process, to ensure that the materials and goods provided by the suppliers meet the stringent specifications and standards of the Group. The Group will list the suppliers that have passed the above review and inspection into the list of qualified suppliers, and evaluate them on a quarterly basis to check their pricing, quality of supplies, efficiency, reliability, punctuality and credit rating. The Group will also take into consideration whether the suppliers have adopted policies and measures similar to those of the Group to mitigate environmental and social risks. If any supplier fails to meet these standards, the Group will exclude it from the list.

The Group selects reliable suppliers with excellent reputations to provide products and services of high quality, reasonable price and sustainability. The Group has a transparent and independent procurement process in place to enhance competitiveness, which at the same time advances the interests of our Shareholders and other stakeholders well. It is the Group's expectation to cater to the needs of our customers by integrating procurement resources, promoting system for suppliers selection and management to forge a vertically integrated supply chain management system and offer comprehensive solutions actively.

Meanwhile the Group encourages suppliers to participate in corporate social responsibility activities and adhere to corporate social responsibility code. We are required to maintain a high standard of ethics in connection with all commercial trades where provision or reception of bribery or other improper interests is forbidden. According to applicable laws and regulations, suppliers are required to regularly disclose information on relevant commercial activities, structure, financial condition and performance.

Product Responsibility

In order to retain the leadership of its apparel brand and sustainability, the Group sells menswear and other products, the quality of which, tallies with or even outmatches the industrial standard, with an intention to safeguard the reputation of the Group and the public interests. In addition, the Group places strong emphasis on long-term mutual trust relationship with its customers so as to achieve the customer-oriented principal.

The Group had strictly complied with the relevant policies and regulations relating to health and safety, advertising, labelling and privacy matters. During FY2019, the Group did not aware of any non-compliance with the aforesaid matters.

Quality Control

The Group has a mature quality inspection system to ensure all products meet the quality standard.

The Group requires suppliers to provide samples to the nationally recognized quality supervision and inspection center for textile and apparel products for comprehensive testing when purchasing raw material from suppliers, and only if the test result is positive will the Group make purchase from the specific supplier. The quality assurance team of the Group will check all the major stages of the production process conducted by the OEM supplier to ensure every step during the production complies with our technique and quality requirements. During the initial stage of the production, the Group will conduct site visits for the purposes of obtaining raw materials used in the production process, semi-finished goods and components as well as conduct quality test on the said subjects. During the middle and final stages of production, the quality assurance team of the Group will carry out inspections on a sample basis to review if the quality, technique and size of the finished product meet the related requirements. As for the existing inventory of the Group, the quality inspection team will make irregular spot checks on the inventory's quality and send the sample to the nationally recognized quality supervision and inspection center for textile and apparel products for comprehensive inspection to in order to ensure there will be no quality issue caused by the logistics and warehousing process.

Customer Complaint and Return Process

Positioned as a pioneer garment seller, the Group attaches a great importance to after-sale services in a bid to establish a healthy-trustworthy relationship with its customers. The Group has already set up after-sale service management requirements in a written system, according to which our after-sales commissioner will see the customers to their inquisition, complaint and return. Our after-sales commissioner will patiently cater to for the complaint and requirement brought by our customers. Every case will be record the problem of the product and the follow-up arrangement, including return, replacement or repair, etc, to facilitate of future follow-up and improvement. It will be also used as a source of information for quality inspection team to improve quality testing standards.

Membership System

In order to attract customers to build a long-term and sustainable relationship with the Group, we have established a membership system. Customer who are registered as VIPs are entitled to the additional consumer rights. The Group highly values the privacy and personal date of our members, which can only be accessed by our authorized staff. The Group has entered into the confidential agreement with its staff, preventing them from leaking our customers' information with an aim to safeguard their interests.

Anti-Corruption

The Group has established a written anti-corruption policy prohibiting any act of bribery, extortion, fraud or money laundering, and to set up a good commercial operation structure. Prohibited dishonest behaviors by the Group mainly include but are not limited to:

- Offering or accepting bribes;
- Provision of illegal political contributions;
- Improper charitable donation or sponsorship;
- Provision or acceptance of unreasonable gifts, entertainment or other improper interests;
- Other defined misconducts.

The Group requires its employees to strictly abide by the Prevention of Bribery Ordinance, and requires suppliers sign the Sunshine Agreement, making the commitments as follows: While engaged in business practices, suppliers must not directly or indirectly provide, undertake, require or accept any illegitimate benefits, or carry out other dishonest acts in breach of good faith, law or national regulations, including criminal offences such as corruption, bribery, extortion, fraud or money laundering, and other acts such as providing illegal political contributions, improper charitable donations or sponsorships, providing or accepting unreasonable gifts, entertainments or other illegitimate benefits, infringing business secrets, trademark rights, patent rights, copyrights and other intellectual property rights, engaging in unfair competition, etc. Employees of the Group must report any benefits received, for which the Group will make the final decision on disposal.

In FY2019, neither the Group nor its employees were prosecuted for corruption, bribery, extortion, fraud or money laundering.

Anti-Corruption Course

In order to create an incorrupt and honest working environment, the Group organizes anti-corruption training lessons for employees in addition to organizing induction training for employees, so the employees can understand the Group's code of conduct for employees and anti-corruption regulations to elevate their sense of anticorruption and self-discipline during work.

Whistle-Blowing Channel and Policy

The Group has established written systematized whistleblowing monitoring procedure, encouraging employees to report and file complaints relating to fraud and immorality which they discovered or were informed about. The whistleblower shall truthfully report the situation to the Administration Center of the Group. Upon receipt of the whistleblowing matter, the Administration Center will investigate the complaint. The Administration Center will keep the whistleblower's personal information confidential, safeguard the whistle blowers and relevant witnesses in accordance with counter-retaliation mechanism, and will submit the case to the competent external agency for handling when necessary. The whistleblowing policy of the Group enables its employees to report, in confidence, about possible improprieties in the Group, allowing the Group to take proactive measures and appropriate actions, in a timely manner, to uphold its integrity and long-term sustainability. Nonetheless, employees of the Group are reminded that it is unethical to fabricate facts. Falsifying evidence or conducting false charge against any persons may result in possible legal actions and therefore such actions are discouraged.

COMMUNITY INVESTMENT

The Group insists on the philosophy of giving back to the society. Apart from the continual and robust operation of business development, the Group makes active efforts to demonstrate the service spirit of our core corporate values, integrate the ideas of community concern and participation, and continue devoting to all kinds of education, cultural and social welfare activities.

In the coming year, the Group will dedicate more resources in various educational, cultural and social welfare activities, actively participate in community activities, and express the Group's concern of and give back to local society.

ENVIRONMENTAL ASPECTS

	FY2018	FY2019
Air pollution emissions		
Total air pollution emissions	**1,283.57 kg**	**1,120.42 kg**
Air pollution emission density	**160.45 kg/vehicle**	**140.05 kg/vehicle**
Total NOx emission	**1,171.04 kg**	**1,022.41 kg**
Total SOx emission	**2.58 kg**	**2.33 kg**
Total PM emission	**109.95 kg**	**95.68 kg**
GHG emission		
Total GHG emission	**1,186.04 tonnes**	**1,077.10 tonnes**
GHG emission density	**1.69 tonnes/person**	**1.61 tonnes/person**
Total CO_2 emission	**1,152.88 tonnes**	**1,045.63 tonnes**
Total CH_4 emission	**0.39 tonnes**	**0.38 tonnes**
Total N_2O emission	**32.77 tonnes**	**31.09 tonnes**
Non-hazardous wastes		
Total waste paper disposal	**2,100 kg**	**2,100 kg**
Waste paper disposal density	**3 kg/person**	**3 kg/person**
Electric energy consumption		
Total electric energy consumption	**1,044.00 MWh**	**940.54 MWh**
Electric energy consumption density	**1.49 MWh/person**	**1.41 MWh/person**
Water resource consumption		
Total water resource consumption	**5,899 m^3**	**7,902 m^3**
Water resource consumption density	**8.42 m^3/person**	**11.81 m^3/person**

SOCIAL ASPECTS

	FY2018	FY2019
Number of Employees		
Total employees	701	669
Employees by gender		
Male	315	242
Female	386	427
Employees by age		
18 below	–	–
18–25	150	82
26–35	310	271
36–45	167	225
46–55	65	77
56 above	9	14
Employees by position		
Frontline staff	631	615
Mid level management	61	39
Senior management	9	15
Employees by working year		
Less than 1 year	250	202
1–3 years	293	251
3–5 years	61	99
5–10 years	51	69
Over 10 years	46	48
Staff turnover rate		
Averaged turnover rate per month	4.79%	5.20%
Development and training		
Total training hours	38,620 hours	2,479 hours
Averaged training hours per trainee	55 hours	4 hours

Report of the Directors

The Board presents its report together with the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the Group is engaged in the design, marketing and sale of formal and casual business menswear in the PRC under three brands, namely FIRS, SHANSHAN and LUBIAM, each having distinct product features and brand positioning that are tailored to the preferences of consumers in particular age and income groups. Our products are primarily targeted at male consumers who seek high-quality menswear products.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the Year (2018：RMB0.06 per share (pre-tax), representing a total amount of RMB8,004,000 (pre-tax)).

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividends.

BUSINESS REVIEW

A review of the business of the Group and a discussion and analysis of the Group's operating performance for the Year are provided in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 7 and 8 and on pages 9 to 16 of this annual report, respectively.

A description of the potential risks and uncertainties that the Company may be facing and the key financial performance indicators are set out in the sections headed "Management Discussion and Analysis" on pages 9 to 16 of this annual report and "Risk Factors" contained on pages 34 to 56 of the Prospectus. Additionally, the financial risk management objectives and policies of the Company are set out in note 39 to the consolidated financial statements.

The future development of the Group's business is discussed throughout this annual report including in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 7 and 8 and on pages 9 to 16 of this annual report, respectively.

Since January 2020, the outbreak of coronavirus disease (COVID-19) (the "**COVID-19 Pandemic**") is expected to affect the domestic business environment in China. As at the date of this report, management of the Group is yet to be able to estimate the overall impact of the COVID-19 Pandemic on the financial performance and trading position of the Group. Pending the development of the COVID-19 Pandemic subsequent to the date of this report, further spread of the COVID-19 Pandemic may have impact on the trading position of the Group, the extent to which could not be estimated as of the date of this report. The Group will closely monitor the situation of the COVID-19 Pandemic and react actively to any of its impact on the financial position and operating results of the Group.

ENVIRONMENT, HEALTH AND SAFETY

The Group's business complies with applicable environmental laws and regulations of the PRC in any material respect. The Group also made every effort to ensure the health and safety of its employees. The Group is equipped with certain emergency medications to handle daily medical matters of the employees. Should there be any critical and urgent medical situations, the Group will send its employees to local hospitals for treatment promptly. The Group also employed qualified property management companies to provide property security services for the Group's park in the premise of its office. As far as the Board and the management of the Company are concerned, the Group has complied with the relevant laws and regulations that have a significant impact on the Group's business and operations in all major respects. There was no serious violation against or non-compliance with applicable laws and regulations by the Group during the Year. For details, please refer to the Environmental, Social and Governance Report in this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the Year, the Group was not aware of any material non-compliance with the relevant laws and regulations that had a significant impact on the business and operations of the Group.

RELATIONSHIP WITH KEY STAKEHOLDERS

In regard to the stakeholder relationships, the Group understands the importance of its customers, suppliers and employees to its long-term business development, and therefore is dedicated to establishing and maintaining a close and caring relationship with these stakeholders.

Recognising the crucial roles of its customers and suppliers in its business operations, the Group has reinforced its relationship with business partners through ongoing communication in a proactive and effective manner. In particular, the Group continuously interacts with its customers to ensure that the quality of its services has satisfied customers' needs and requirements and will, therefore, meet customers' expectation. Furthermore, the Group is also dedicated to cultivating good relationships with its suppliers to ensure a stable supply of reliable and high-quality products for the Group's daily operation.

Apart from the above, the Group recognises the importance of human capital in its long-term development. The Group has provided a fair and safe workplace and offered competitive remuneration, benefits and career development opportunities based on the merits and performance of its employees. The Group also places ongoing efforts in providing adequate training and development resources to its staff with the aim of fostering an environment in which the employees can develop to their fullest potential and can achieve personal and professional growth.

BORROWINGS

Details of the borrowings of the Group as at 31 December 2019 are set out in note 27 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year, together with the reasons thereof, are set out in note 30 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the Year are set out in note 16 to the consolidated financial statements.

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

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

RESERVES AND DISTRIBUTABLE RESERVES

As at 31 December 2019, the distributable reserves of the Company, calculated in accordance with the provisions of the PRC Companies Law, amounted to approximately RMB91,719,787 (2018: RMB116,035,958). The movements in the reserves of the Group and the Company during the Year are set out on page 88 to the consolidated statement of changes in equity and in note 41 to the consolidated financial statements, respectively.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and financial position of the Group for the preceding five financial years is set out on page 158.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the percentage of the Group's turnover attributable to the Group's largest customer and the five largest customers in aggregate were approximately 2.6% and 9.0% (2018: 1.9% and 6.7%) respectively.

During the Year, the percentage of the Group's purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate were approximately 4.7% and 17.3% (2018: 5.6% and 22.7%) respectively.

During the Year, none of the Directors or any of their close associates or any Shareholders (which to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital) had any interest in any of five largest customers or suppliers of the Group.

TAX CONCESSIONS

None of the holders of the Company's listed securities was entitled to any tax concessions for holding securities of the Company.

DIRECTORS

The Directors during the Year and up to the date of this report are set out as follows:

Executive Directors

Mr. Cao Yang
Mr. Luo Yefei
Ms. Yan Jingfen

Non-executive Directors

Mr. Zhuang Wei
Mr. Yang Feng
Ms. Hui Ying

INEDs

Mr. Au Yeung Po Fung
Mr. Wang Yashan
Mr. Wu Xuekai

The profiles of the current Directors are set out on pages 17 to 22.

CHANGE IN INFORMATION OF DIRECTOR

Subsequent to the date of the 2019 interim report of the Company, the change in Director's information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Mr. Au Yeung Po Fung	:	appointed as an independent non-executive director of Sinic Holdings (Group) Company Limited (stock code: 2103) on 26 August 2019, a company listed on the Main Board of the Stock Exchange on 15 November 2019.
	:	resigned as an independent non-executive director of China LNG Group Limited GR (stock code: 931) on 2 September 2019, a company listed on the Main Board of the Stock Exchange.
	:	resigned as an independent non-executive director of GR Properties Limited (stock code: 108) on 9 February 2020, a company listed on the Main Board of the Stock Exchange.

SERVICE CONTRACT OF DIRECTORS AND SUPERVISORS

The service period of this session of the Board and the Supervisory Committee (being the second session of the Board and the Supervisory Committee) is from 5 June 2019 to 4 June 2022 or on the date when the third session of the Board and the Supervisory Committee are elected by the Shareholders.

The Company has received an annual confirmation of independence in writing from each of the INEDs pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules during the Year and up to the date of this report.

For the Year, none of the Directors or the Supervisors had entered or proposed to enter into a service contract and/or appointment letter with any member of the Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association and subject to the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), every Director and officer of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain in or about the execution of their duty in their respective offices, except when (if any) they incur or sustain through their own fraud or dishonesty. The Company has arranged appropriate directors', supervisors' and officers' liability insurance coverage for the Directors, the Supervisors and the officers of the Company during the Year and the indemnity provision and the liability insurance coverage for the Directors, the Supervisors and the officers of the Company remained in force as of the date of this report.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, the interests of the Directors, Supervisors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register as referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions

(a) Domestic shares (the "Domestic Shares") in the Company

Name of Director/ Supervisor	Class of Shares	Capacity/Nature of Interest	Number of Shares Held	Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Shareholding in the Total Shares
Mr. Luo Yefei ("**Mr. Luo**") (Note)	Domestic Shares	Interest of a controlled corporation/Corporate interest/Interest of spouse	10,000,000	10%	7.496%

Note:

Shaanxi Maoye is owned as to 80% by Mr. Luo, an executive Director, and 20% by Ms. Zhou Yumei ("**Ms. Zhou YM**"), the wife of Mr. Luo. By virtue of the SFO, Mr. Luo is deemed to be interested in the Domestic Shares held by Shaanxi Maoye.

(b) Shares in associated corporations of the Company

Name of Directors/ Supervisors	Name of Associated Corporations	Class of Shares	Capacity/Nature of Interests	Number of Shares Held	Approximate Percentage of Shareholding
Mr. Zhuang Wei ("**Mr. Zhuang**") (Note 1)	Shanshan Holding	Domestic Shares	Interest of a controlled corporation/ Corporate interest	22,000,000	2.200%
Mr. Cao Yang ("**Mr. Cao**") (Note 2)	Shanshan Holding	Domestic Shares	Interest of a controlled corporation/ Corporate interest	7,300,000	0.730%
Ms. Hui Ying	Shanshan	Domestic Shares	Beneficial owner/ Personal interest	17,200	0.002%

Notes:

(1) Ningbo Meishan Bonded Port Area Longhe Investment Partnership (L.P.) (寧波梅山保稅港區瀧和投資合夥企業（有限合夥）) ("**Longhe Investment**") is owned as to 99% by Mr. Zhuang. By virtue of the SFO, Mr. Zhuang, a non-executive Director and the chairman of the Board, is deemed to be interested in the Domestic Shares of Shanshan Holding held by Longhe Investment.

(2) Ningbo Meishan Bonded Port Area Pingren Investment Partnership (L.P.) (寧波梅山保稅港區平人投資合夥企業（有限合夥）) ("**Pingren Investment**") is owned as to 99% by Mr. Cao. By virtue of the SFO, Mr. Cao, an executive Director, is deemed to be interested in the Domestic Shares of Shanshan Holding held by Pingren Investment.

Save as disclosed above and so far as is known to the Directors, as at 31 December 2019, none of the Directors, Supervisors or the chief executives of the Company had or was deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register referred to therein pursuant to Section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares

As at 31 December 2019, so far as was known to or otherwise notified to any Directors or the chief executives of the Company, the particulars of the corporations or persons which had 5% or more interests in the shares and the underlying shares as recorded in the register required to be kept under Section 336 of the SFO were as follows:

LONG POSITIONS AND SHORT POSITIONS IN THE SHARES

Name of Shareholders	Class of Shares	Capacity/Nature of Interests	Number of Shares Held	Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Shareholding in the Total Shares
Shanshan (Notes 1 and 8)	Domestic Shares	Beneficial owner/ Personal interest	90,000,000	90%	67.466%
Shanshan Group (Notes 2 and 8)	Domestic Shares	Interest of a controlled corporation/Corporate interest	90,000,000	90%	67.466%
Ningbo Yonggang Clothing Investment Co., Ltd. ("**Ningbo Yonggang**") (Notes 3 and 8)	Domestic Shares	Interest of a controlled corporation/Corporate interest	90,000,000	90%	67.466%
Shanshan Holding (Notes 4 and 8)	Domestic Shares	Interest of a controlled corporation/Corporate interest	90,000,000	90%	67.466%
Ningbo Qinggang Investment Co., Ltd. ("**Qinggang Investment**") (Notes 5 and 8)	Domestic Shares	Interest of a controlled corporation/Corporate interest	90,000,000	90%	67.466%
Mr. Zheng Yonggang ("**Mr. Zheng**") (Notes 6 and 8)	Domestic Shares	Interest of a controlled corporation/Corporate interest	90,000,000	90%	67.466%

Name of Shareholders	Class of Shares	Capacity/Nature of Interests	Number of Shares Held	Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Shareholding in the Total Shares
Ms. Zhou Jiqing ("**Ms. Zhou**") (Notes 6 and 8)	Domestic Shares	Interest of a controlled corporation/Corporate interest	90,000,000	90%	67.466%
Shaanxi Maoye	Domestic Shares	Beneficial owner/ Personal interest	10,000,000	10%	7.496%
Ms. Zhou YM (Note 7)	Domestic Shares	Interest of spouse/ Family interest	10,000,000	10%	7.496%

Notes:

(1) Shanshan is a joint stock company with limited liability established in the PRC, whose issued shares are listed on the Shanghai Stock Exchange (stock code: 600884). Shanshan is owned as to approximately 32.69% by Shanshan Group, approximately 7.18% by Shanshan Holding, approximately 0.04% by Mr. Zheng and approximately 60.09% by other public shareholders.

(2) Shanshan Group is interested in approximately 32.69% of the registered share capital of Shanshan, and (together with Shanshan Holding) controls the majority of the board of directors of Shanshan. By virtue of the SFO, Shanshan Group is deemed to be interested in the Domestic Shares held by Shanshan.

(3) Ningbo Yonggang is interested in approximately 11.94% of the registered capital of Shanshan Group, which (together with Shanshan Holding) controls the majority of the board of directors of Shanshan. By virtue of the SFO, Ningbo Yonggang is deemed to be interested in the Domestic Shares held by Shanshan.

(4) Shanshan Holding is directly interested in approximately 7.18% of the registered share capital of Shanshan and indirectly interested in approximately 32.69% of the registered share capital of Shanshan through (i) Ningbo Yonggang (a corporation of which Shanshan Holding is interested in approximately 97.34% of its registered capital), and (ii) Shanshan Group (a corporation of which Shanshan Holding is directly interested in approximately 61.84% and indirectly interested in approximately 11.94% through Ningbo Yonggang). By virtue of the SFO, Shanshan Holding is deemed to be interested in the Domestic Shares held by Shanshan.

(5) Qinggang Investment is interested in 61.81% of the registered capital of Shanshan Holding. By virtue of the SFO,Qinggang Investment is deemed to be interested in the Domestic Shares held by Shanshan.

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

(7) Shaanxi Maoye is owned as to 80% by Mr. Luo, an executive Director and 20% by Ms. Zhou YM. Ms. Zhou YM is the wife of Mr. Luo. By virtue of the SFO, Ms. Zhou YM is deemed to be interested in the Domestic Shares held by Mr. Luo and Shaanxi Maoye.

(8) On 23 January 2020, Shanshan entered into sales and purchase agreements with five parties, including Shaanxi Maoye, Ningbo Liankangcai Brand Management Co., Ltd (where Mr. Luo and Ms. Yan had equity interest) and three other independent third parties to dispose of a total of 64,165,400 domestic shares of the Company at an aggregate consideration of RMB168,113,348. Upon completion, Shanshan, Shanshan Group, Ningbo Yonggang, Shanshan Holding, Qinggang Investment, Mr. Zheng and Ms. Zhou (either through direct or indirect interest) will own 25,834,600 domestic shares of the Company. As at the date of this report, such disposals have not been completed.

Save as disclosed above, as at 31 December 2019, so far as it was known to or otherwise notified to the Directors or the chief executive of the Company, no other corporations or persons (other than a Director, a supervisor or the chief executive of the Company) had 5% or more interests in the shares and the underlying shares as recorded in the register required to be kept under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Year was the Company or its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or the Supervisors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the Year or subsisted at the end of the Year.

DEED OF NON-COMPETITION

As disclosed in the Prospectus, Ningbo Yonggang, Ningbo Qinggang, Shanshan, Shanshan Group, Shanshan Holding, Mr. Zheng and Ms. Zhou (collectively, the "**Controlling Shareholders**") executed a deed of non-competition agreement (the "**Non-Competition Agreement**") in favour of the Company on 15 August 2017. Pursuant to the Non-Competition Agreement, each of the Controlling Shareholders has, among others, undertaken to the Company that it/he/she will not, and will procure its/his/her close associates (other than members of the Group) not to directly or indirectly competes, or may compete, with the business or undertaking of the Company (the "**Restricted Activity**"), or hold shares or interest in any companies or business that compete directly or indirectly with the Company's business from time to time and to procure that if any new business investment or other business opportunity related to the Restricted Activity (the "**Competing Business Opportunity**") is identified by or made available to it/him/her or any of its/his/her close associates, it/he/she shall, and shall procure that its/his/her close associates shall, refer such Competing Business Opportunity to the Company on a timely basis.

A summary of the principal terms of the Non-Competition Agreement is set out in the section headed "Relationship with Controlling Shareholders — Non-Competition Undertakings" of the Prospectus.

Each of the Controlling Shareholders has made an annual written declaration as to the compliance with the terms of the Non-Competition Agreement during the Year. The INEDs had reviewed the status of compliance and the confirmation provided by the Controlling Shareholders. On the basis that: (i) the Company has received the confirmations from the Controlling Shareholders regarding the Non-Competition Agreement; (ii) there was no competing business reported by the Controlling Shareholders; and (iii) there was no particular situation rendering the full compliance of the Non-Competition Agreement being questionable, the INEDs are of the view that the Non-Competition Agreement has been complied with and been enforced by the Company in accordance with the terms.

DIRECTORS' AND SUPERVISORS' INTEREST IN COMPETING BUSINESS

During the Year and up to the date of this report, none of the Directors, the Supervisors or the Controlling Shareholders, their respective close associates had engaged in or had any interest in any business (apart from the business of the Group) that competed or might compete, either directly or indirectly, with the businesses of the Group or had any other conflicts of interest with the Group, which must be disclosed in this report.

DIRECTORS' AND SUPERVISORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in this annual report, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries or holding company was a party and in which a Director or a Supervisor or a connected entity of a Director or a Supervisor had a material interest, whether directly or indirectly, at any time during the Year or subsisted at the end of the Year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraphs headed "Connected Transaction" and "Continuing Connected Transactions" below, there was no contract of significance (whether for the provision of services to the Company or not) in relation to the Group's business to which the Company or any of its subsidiaries was a party and a controlling Shareholder or any of its subsidiaries is the other party during the Year or subsisted at the end of the Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the PRC Companies Law, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

RELATED PARTY TRANSACTIONS

Save as disclosed in the paragraphs headed "Connected Transaction" and "Continuing Connected Transactions" below, all other related party transactions as disclosed in note 32 to the consolidated financial statements are not connected transactions or continuing connected transactions which need to comply with the disclosure requirements under Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the disclosure requirements regarding the connected transactions or continuing connected transactions disclosed in this report in accordance with Chapter 14A of the Listing Rules and the transactions were in the ordinary and usual course of business.

CONNECTED TRANSACTION

During the Year, the Company and the Group had the connected transactions with parties regarded as connected persons under Chapter 14A of the Listing Rules as follows:

On 31 July 2019, the Company and Shanshan, a controlling shareholder of the Company, entered into the new lease agreement I and the new lease agreement III (as defined in the announcement of the Company dated 31 July 2019 (the "**Announcement**") and Lubiam (Ningbo) Apparel Co., Ltd* (寧波魯彼昂姆服飾有限公司) ("**Lubiam Apparel**"), a non-wholly-owned subsidiary of the Company, and Shanshan entered into the new lease Agreement II (as defined in the Announcement) (the new lease agreement I, the new lease agreement II and the new lease agreement III, collectively, the "**2019 New Lease Agreements**") to renew the terms of respective leases for the properties as offices, warehouses and store for one year. The total rent payable by the Group to Shanshan under the 2019 New Lease Agreements amounts to RMB3,514,452. The transactions contemplated under the 2019 New Lease Agreements between the Company and Shanshan, and between Lubiam Apparel and Shanshan constitute connected transactions for the Company under Chapter 14A of the Listing Rules. For further details, please refer to the Announcement.

CONTINUING CONNECTED TRANSACTIONS

During the Year, the Company and the Group had the continuing connected transactions with parties regarded as connected persons under Chapter 14A of the Listing Rules as follows:

A. Continuing connected transactions which are fully exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements

1. Trademark licence agreements with Shanshan and Shanshan Group

On May 20, 2016, the Company entered into a trademark licence agreement with each of Shanshan and Shanshan Group, respectively (together the "**Exempted Trademark Licence Agreements**"), pursuant to which each of Shanshan and Shanshan Group agreed to grant the Company, on a perpetual, exclusive and royalty free basis, a right to use trademarks registered under their respective names (the "**Licensed Trademarks**") under the category of garments, accessories, luggages and bags, shoes and hats and for the Company to sub-license any members of the Group and third parties to use the Licensed Trademarks. For further details of the Exempted Trademark Licence Agreement, please refer to the section headed "Connected Transactions" in the Prospectus.

Each of Shanshan and Shanshan Group is a substantial Shareholder and hence, a connected person of the Company under the Listing Rules.

2. Trademark licence agreement with Lubiam Moda per L'Uomo

On November 11, 2005, Lubiam Apparel entered into a trademark licence agreement with LUBIAM MODA per L'UOMO S.p.a. ("**Lubiam Moda per L'Uomo**") (the "**Lubiam Trademark Licence Agreement**"), pursuant to which Lubiam Moda per L'Uomo agreed to grant Lubiam Apparel, on an exclusive basis, a right to use the "LUBIAM" trademark owned by it for the manufacture and sale of "LUBIAM" branded garments and accessories by Lubiam Apparel in the territory of the PRC (excluding Taiwan, Hong Kong and Macau for the purpose of the Lubiam Trademark Licence Agreement). The term of the licence commenced on the date of the Lubiam Trademark Licence Agreement and shall end on the date on which the business licence of Lubiam Apparel becomes ineffective. For further details of the Lubiam Trademark Licence Agreement, please refer to the section headed "Connected Transactions" in the Prospectus.

It was estimated that the maximum amount of the licence fees payable by Lubiam Apparel under the Lubiam Trademark Licence Agreement would not exceed US$250,000 for the year ended 31 December 2018 and each of the years ending 31 December 2019 and 2020, respectively.

Lubiam Moda per L'Uomo is a substantial shareholder of Lubiam Apparel holding a 40% equity interest in Lubiam Apparel and hence, a connected person of the Company under the Listing Rules.

3. Cooperative Agreements

On 10 September 2015, 25 June 2017 and 28 June 2016, the Company and Lubiam Apparel entered into a cooperative agreement with each of Harbin Shanshan Chunxiaqiudong Real Estate Co., Ltd. (哈爾濱杉杉春夏秋冬置業有限公司) ("**Harbin Shanshan**"), Shanjing Business Administration (Ningbo) Co., Ltd. (杉井商業管理（寧波）有限公司) ("**Shanjing Commercial**") and Zhengzhou Shanshan Outlet Shopping Mall Co., Ltd. (鄭州杉杉奧特萊斯購物廣場有限公司) ("**Zhengzhou Shanshan**") (the "**Cooperative Agreements**"), respectively.

It was estimated that the maximum amount of the revenue sharing fees under the Cooperative Agreements would not exceed RMB0.5 million, RMB0.5 million and RMB0.5 million for the year ended 31 December 2019 and each of the years ending 31 December 2020 and 2021, respectively.

Harbin Shanshan, Shanjing Commercial and Zhengzhou Shanshan are owned as to 60%, 54% and 51%, respectively, by Shanshan Group, one of the controlling Shareholders of the Company and hence, each of Harbin Shanshan, Shanjing Commercial and Zhengzhou Shanshan is a connected person of the Company under the Listing Rules. For further details, please refer to the section headed "Connected Transactions" in the Prospectus.

Upon the Listing, the Exempted Trademark Licence Agreements, the Lubiam Trademark Licence Agreement and the Cooperative Agreements and the transactions contemplated thereunder constitute de minimis continuing connected transactions that are exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

B. Continuing connected transactions which are subject to the reporting, annual review, announcement requirements but exempt from the independent Shareholders' approval requirement

On 17 November 2016, the Group and Shanshan entered into three lease agreements (the "**Previous Lease Agreements**") in relation to the leasing of certain properties in the PRC, with a total gross floor area of 32,996.69 sq.m. as office, warehouses, stores and showrooms, for a term of three years each commencing on 1 August 2016, 1 October 2016 and 1 August 2016 respectively. The maximum annual rent payable by the Company to Shanshan under the Previous Lease Agreements was estimated to be RMB5,699,124. On 23 August 2018, the Company entered into a supplemental lease agreement (the "**Supplemental Lease Agreement**") with Shanshan in relation to the adjustment and termination of certain leased areas under the Previous Lease Agreements. By entering into the Supplemental Lease Agreement, the aggregated maximum annual rent payable by the Group to Shanshan was revised to RMB5,281,340, which constitute the maximum amount of rent payable by the Company to Shanshan under the Previous Lease Agreements (as amended by the Supplemental Lease Agreement) for the year ending 31 December 2019. Further details of the Previous Lease Agreements and the Supplemental Lease Agreements are set out in the section headed "Connected Transactions — Continuing Connected Transactions — B. Continuing connected transactions which are subject to the reporting, annual review, announcement requirements but exempt from the independent Shareholders' approval requirement — 4. Lease Agreements with Shanshan" in the Prospectus and the announcement of the Company dated 23 August 2018, respectively.

On 23 August 2018, the Company entered into two new lease agreements (each, the "**New Lease Agreement I**" and the "**New Lease Agreement II**", respectively) with Shanshan Fashion Industrial Park Suqian Co., Ltd. (杉杉時尚產業園宿遷有限公司) ("**Shanshan Suqian**"), a wholly-owned subsidiary of Shanshan, for a term of three years commencing on 1 September 2018 and ending on 31 August 2021, in relation to the leasing of certain properties in the PRC, by the Company for warehouse and dormitory use. The maximum annual rent payable by the Company to Shanshan under the New Lease Agreement I and the New Lease Agreement II was expected to be RMB3,495,270 and RMB172,800 respectively.

In addition, on 23 August 2018, Lubiam Apparel, a non-wholly owned subsidiary of the Company, entered into a new lease agreement (the "**New Lease Agreement III**", together with the New Lease Agreement I and the New Lease Agreement II, the "**2018 New Lease Agreements**") with Shanshan in relation to the leasing of certain properties in Ningbo, the PRC, by Lubiam Apparel for office use for a term of one year commencing on 1 September 2018 and ending on 31 August 2019. The maximum annual rent payable by the Group to Shanshan under the New Lease Agreement III was expected to be RMB129,948. Upon the entering into the New Lease Agreement III, one of the Previous Lease Agreements in relation to the leasing of certain properties in Ningbo, the PRC for the use of office and showroom was terminated and superseded by the New Lease Agreement III.

As part of the Group's expansion plans after the Listing as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus, within the first six months after the Listing, the Group planned to establish a new warehousing and logistics center to provide sufficient space for installing advanced product sorting and distribution equipment and storing its inventory products and SHANSHAN branded consignment products. The 2018 New Lease Agreements and the Supplemental Lease Agreement were thus entered into between the Company and Shanshan Group to facilitate the establishment of such new warehousing and logistics center.

It was estimated that the annual caps for the total amounts of rent payable by the Group to Shanshan Group under the 2018 New Lease Agreements and the Previous Lease Agreements (as amended by the Supplemental Lease Agreement), calculated on an aggregated basis, for each of the three financial years ended 31 December 2019, 2020 and 2021 shall be RMB6,243,080, RMB3,668,070 and RMB2,459,780, respectively. Details of the 2018 New Lease Agreements and the Supplemental Lease Agreement are set out in the announcement of the Company dated 23 August 2018.

Shanshan is a substantial Shareholder of the Company and Shanshan Suqian is a wholly-owned subsidiary of Shanshan, and therefore both Shanshan and Shanshan Suqian are connected persons of the Company pursuant to the Listing Rules.

As all of the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the 2018 New Lease Agreements and the Previous Lease Agreements (as amended by the Supplemental Lease Agreement) on an aggregated basis are more than 0.1% but less than 5% on an annual basis, the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The INEDs have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into:

a. in the ordinary and usual course of business of the Group;

b. on normal commercial terms or better; and

c. according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the Company's auditor to perform certain procedures in respect of the continuing connected transactions set out above in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter to the Board containing their findings and conclusions in respect of the continuing connected transactions and the Company's auditor has confirmed that nothing has come to their attention that causes them to believe the above continuing connected transactions:

a. have not been approved by the Board;

b. were not entered into, in all material respects, in accordance with the pricing policies of the Group and the relevant agreement governing the transactions; and

c. the aggregate amount of the above continuing connected transactions has exceeded the cap.

RETIREMENT SCHEMES

The Group participated in various retirement benefit schemes in accordance with relevant rules and regulations in the PRC and Hong Kong. Details of our retirement benefit schemes are set out in note 4(l) to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, during the Year and up to the date of this report, there had been sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

INDEPENDENT AUDITOR

The consolidated financial statements of the Group for the Year have been audited by the independent auditor, BDO Limited, which will retire at the forthcoming AGM and, being eligible, offer themselves for re-appointment.

For and on behalf of the Board
Zhuang Wei
Chairman

Ningbo, 30 March 2020

Report of the Supervisory Committee

Looking back to the year of 2019, the Supervisory Committee executed its supervising function earnestly, safeguarded the rights and interests of the Shareholders and the Company and carried out its work in a diligent and proactive manner pursuant to the provisions of the PRC Companies Law, the Articles of Association, the rules of procedure of the Supervisory Committee and the Listing Rules.

The Supervisory Committee comprises three members. The chairman of the Supervisory Committee is Ms. Zhou Danna; and the members of Supervisory Committee are Mr. Wang Yijun and Ms. Yang Yi.

I. MEETINGS OF THE SUPERVISORY COMMITTEE

As at 31 December 2019, the Supervisory Committee held three (3) meetings in total. Such meetings were convened and held in compliance with the requirements of relevant regulations and the Articles of Association and with proper service of notice and quorum. Major matters considered and reviewed by the Supervisory Committee include:

a. Review of the interim report for 2019 and the third quarterly report for 2019;

b. Review of the plan of final financial accounts for 2018, the resolution on profit distribution plan for 2018 and the financial budget proposal for 2019;

c. Considering and approving the work report of the Supervisory Committee for 2018.

As at 31 December 2019, members of the Supervisory Committee attended or observed all general meetings and Board meetings in accordance with the law and monitored the matters considered at the Board meetings and general meetings and the legitimacy of the procedures. During the Year, there was no incidence that the Supervisors made representations to the Directors or sued the Directors on behalf of the Company.

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS

1. Financial report

The 2019 financial report of the Company prepared under the Hong Kong Financial Reporting Standards has been audited by BDO Limited and BDO Limited has issued an unqualified audit report. The financial report fairly and truly reflects the Company's financial position as at 31 December 2019 and the operating results and cash flow in 2019.

2. Related party transaction

After reviewing the related party transactions between the Company and its related parties during the Year, the Supervisory Committee considered that the related party transactions were in compliance with relevant requirements of the Stock Exchange and applicable laws and the considerations for the related party transactions were reasonable, open and fair and, and was not aware of any matters that were detrimental to the interests of the Company or its Shareholders as a whole.

3. Internal control

During the Year, the Company continued to strengthen and improve the construction of its internal control system. The comprehensiveness and effectiveness of the internal control were continuously improved. The Supervisory Committee was not aware of any material defect in the design of the Company's internal control system or its implementation.

4. Implementation of the resolutions of general meetings

The Supervisory Committee had no objection to any of such reports and resolutions as submitted by the Board to general meetings for consideration and approval in 2019. The Supervisory Committee supervised the implementation of the resolutions of general meetings and considered that the Board had prudently implemented the relevant resolutions of general meetings.

5. Operations in Compliance with Laws and Regulations

During the Year, the operations of the Company were normal and reasonable and were in compliance with all applicable laws, regulations, rules and the Articles of Association. The Supervisory Committee was not aware of any non-compliance with laws, regulations or the Articles of Association or behaviors committed by any of the Directors and senior management of the Company in discharging their duties that was detrimental to the interests of the Company and the Shareholders.

Shanshan Brand Management Co., Ltd.

Supervisory Committee

30 March 2020

Independent Auditor's Report

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF SHANSHAN BRAND MANAGEMENT CO., LTD.
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Shanshan Brand Management Co., Ltd. (the "Company") and its subsidiaries (together the "Group") set out on pages 85 to 157, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards (the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with the Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment Assessment of Inventories

(Refer to notes 5(c) and 20 to the consolidated financial statements)

As at 31 December 2019, the carrying amount of inventories was approximately RMB503,447,118. The provision for inventories for the year ended 31 December 2019 was approximately RMB29,941,900. Management estimated the net realisable value of inventories at the end of the reporting period, and made provision for write-down in value, if any.

The considerations of an appropriate level of provision for inventories included inventory ageing, condition of inventories, historical and current sales information, as well as different market factors impacting the selling price of these inventories. In addition, the determination of provision on inventories as a result of the changed prevailing market conditions, requires an exercise of significant judgement of the management, based on historical experience.

Accordingly, the provisions carried against inventory are considered to be a key audit matter.

Our Response

Our key procedures in relation to impairment assessment of inventories included:

— Understanding and evaluating the Group's provision policy on inventories and basis of the assessment;

— Reviewing and assessing management's process of the identification of slow moving inventories and estimation of the net realisable value of these inventories;

— Reviewing inventory analysis and analysing the level of aged inventory and their associated provisions;

— Performing substantive procedures related to the purchase cost and selling price with reference to the purchase invoices and subsequent sales records; and

— Recalculating the provision.

KEY AUDIT MATTERS (CONTINUED)

Impairment Assessment of Trade and Bills Receivables

(Refer to note 5(d) and 21 to the consolidated financial statements)

As at 31 December 2019, the Group had gross trade and bills receivables of RMB257,768,330 and provision for impairment of trade and bills receivables of RMB69,676,254. There is a risk that these receivables are not recoverable. The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated expected credit loss ("ECLs") based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

After management's impairment assessment, impairment losses on trade receivables of RMB13,593,529 have been recognised in profit or loss for the year.

Our Response

Our key procedures in relation to management's impairment assessment of trade and bills receivables included:

- Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances;

- Checking, on a sample basis, settlements during the year and subsequent settlements from debtors to the relevant supporting documents; and

- Circularising direct confirmations to debtors, on a sample basis, and performing alternative audit work on all non-replies by checking to the relevant supporting documents.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the HKFRS issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Ng Wai Man
Practising Certificate Number P05309
Hong Kong, 30 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 RMB	2018 RMB
Revenue	6	**1,036,439,097**	1,025,285,807
Cost of sales		**(454,013,907)**	(429,526,121)
Gross profit		**582,425,190**	595,759,686
Other revenue	7	**4,874,917**	4,055,635
Other gains and losses	8	**(4,706,603)**	(467,343)
Selling and distribution expenses		**(520,685,505)**	(479,552,238)
Administrative expenses		**(50,652,842)**	(46,088,081)
Impairment loss on trade receivables, net		**(13,593,529)**	(2,500,774)
Impairment loss on other receivables, net		**(956,426)**	—
Finance costs	9	**(18,199,298)**	(15,241,007)
Share of results of associates		**2,283,711**	4,950,482
Listing expenses		**—**	(13,254,412)
(Loss)/profit before income tax	10	**(19,210,385)**	47,661,948
Income tax expense	11	**(3,967,997)**	(11,994,103)
(Loss)/profit and total comprehensive income for the year		**(23,178,382)**	35,667,845
(Loss)/profit and total comprehensive income for the year attributable to:			
— Owners of the Company		**(16,312,171)**	36,210,435
— Non-controlling interests		**(6,866,211)**	(542,590)
		(23,178,382)	35,667,845
(Loss)/earnings per share attributable to the owners of the Company			
— Basic and dilutive (RMB)	13	**(0.12)**	0.31

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 RMB	2018 RMB
Non-current assets			
Property, plant and equipment	16	**57,877,771**	61,058,944
Right-of-use assets	29	**67,432,907**	—
Intangible assets	17	**3,803,852**	2,729,691
Interests in associates	18	**51,157,988**	54,781,061
Prepayments, deposits and other receivables	22	**13,816,840**	11,866,413
Deferred tax assets	19	**18,599,089**	15,465,667
Total non-current assets		**212,688,447**	145,901,776
Current assets			
Inventories	20	**503,447,118**	461,778,367
Trade and bills receivables	21	**188,092,076**	183,246,509
Prepayments, deposits and other receivables	22	**60,602,046**	82,276,312
Amount due from immediate holding company	32(a)	**433,200**	2,870,187
Amounts due from fellow subsidiaries	32(a)	**156,541**	2,514,500
Income tax recoverable		**2,455,174**	—
Pledged deposits	23	**33,556,150**	31,540,000
Cash and cash equivalents	23	**137,475,542**	145,398,494
Total current assets		**926,217,847**	909,624,369
Current liabilities			
Trade and bills payables	24	**229,871,356**	218,120,737
Contract liabilities	25	**29,326,585**	19,276,709
Other payables and accruals	26	**241,361,254**	236,826,765
Interest-bearing bank borrowings	27	**180,000,000**	260,000,000
Amount due to immediate holding company	32(a)	**100,000,000**	—
Amount due to an associate	18	**83,648**	91,188
Amount due to a fellow subsidiary	32(a)	**—**	500,000
Amount due to a non-controlling shareholder of a subsidiary	28	**9,812,410**	3,200,000
Lease liabilities	29	**23,362,334**	—
Income tax payables		**—**	7,238,341
Total current liabilities		**813,817,587**	745,253,740

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 RMB	2018 RMB
Net current assets		**112,400,260**	164,370,629
Total assets less current liabilities		**325,088,707**	310,272,405
Non-current liabilities			
Deferred tax liabilities	19	**533,688**	—
Lease liabilities	29	**41,935,819**	—
Total non-current liabilities		**42,469,507**	—
Net assets		**282,619,200**	310,272,405
Capital and reserves			
Share capital	30	**133,400,000**	133,400,000
Reserves		**134,037,141**	154,824,135
		267,437,141	288,224,135
Non-controlling interests	42	**15,182,059**	22,048,270
Total equity		**282,619,200**	310,272,405

On behalf of the directors

Luo Yefei
Director

Yan Jingfen
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital RMB	Capital reserve RMB (Note 31(a))	Statutory surplus reserve RMB (Note 31(b))	Merger reserve RMB (Note 31(c))	Accumulated profits RMB	Attributable to ordinary equity holders of the Company RMB	Non-controlling interests RMB	Total equity RMB
Balance at 1 January 2018	100,000,000	15,304,925	8,307,705	(44,755,847)	81,951,886	160,808,669	22,590,860	183,399,529
Profit/(loss) and total comprehensive income for the year	–	–	–	–	36,210,435	36,210,435	(542,590)	35,667,845
Transfer to statutory surplus reserve	–	–	2,126,363	–	(2,126,363)	–	–	–
Share issue under public offer	33,400,000	68,111,897	–	–	–	101,511,897	–	101,511,897
Share issuance expenses	–	(10,306,866)	–	–	–	(10,306,866)	–	(10,306,866)
Balance at 31 December 2018 and 1 January 2019	133,400,000	73,109,956	10,434,068	(44,755,847)	116,035,958	288,224,135	22,048,270	310,272,405
Loss and total comprehensive income for the year	**–**	**–**	**–**	**–**	**(16,312,171)**	**(16,312,171)**	**(6,866,211)**	**(23,178,382)**
Utilisation of tax losses arising from the disposal of subsidiaries upon the Reorganisation	**–**	**–**	**–**	**3,529,177**	**–**	**3,529,177**	**–**	**3,529,177**
Dividends declared and paid (Note 12)	**–**	**–**	**–**	**–**	**(8,004,000)**	**(8,004,000)**	**–**	**(8,004,000)**
Balance at 31 December 2019	**133,400,000**	**73,109,956**	**10,434,068**	**(41,226,670)**	**91,719,787**	**267,437,141**	**15,182,059**	**282,619,200**

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 RMB	2018 RMB
Cash flows from operating activities			
(Loss)/profit before income tax		**(19,210,385)**	47,661,948
Adjustments for:			
Interest income		**(1,417,720)**	(1,529,429)
Interest expenses		**15,298,100**	15,241,007
Interest expenses on lease liabilities		**2,901,198**	—
Impairment loss on trade receivables, net		**13,593,529**	2,500,774
Impairment loss on other receivables, net		**956,426**	—
Write down on inventories, net		**8,276,806**	7,478,652
Depreciation of right-of-use assets		**30,168,797**	—
Depreciation on property, plant and equipment		**43,610,146**	29,085,652
Amortisation of intangible assets		**410,490**	305,405
Gain on disposal of property, plant and equipment		**(17,390)**	—
Provision for litigation and related expenses		**6,612,410**	—
Gain on disposal of a subsidiary		**—**	(612,591)
Share of result of associates		**(2,283,711)**	(4,950,482)
Operating cash flows before working capital changes		**98,898,696**	95,180,936
Increase in inventories		**(49,945,557)**	(132,833,085)
Increase trade and bills receivables		**(18,439,096)**	(22,269,273)
Decrease in prepayments, deposits and other receivables		**18,767,413**	2,511,370
Decrease in amount due from immediate holding company		**2,436,987**	12,047,198
Increase in trade and bills payables		**11,750,619**	33,967,092
Increase in contract liabilities		**10,049,876**	19,276,709
(Decrease)/increase in other payables and accruals		**(5,232,157)**	58,997,049
Decrease in amount due to an associate		**(7,540)**	(4,125,495)
Cash generated from operations		**68,279,241**	62,752,501
Income taxes paid		**(12,732,071)**	(17,834,028)
Cash generated from operating activities		**55,547,170**	44,918,473
Cash flows from investing activities			
Interest received		**1,417,720**	1,529,429
Increase in pledged deposits		**(2,016,150)**	(17,740,000)
Capital reduction of an associate	18	**4,760,586**	14,159,675
Dividend received from associates		**1,146,198**	2,380,205
Proceeds from disposal of property, plant and equipment		**27,640**	—
Proceeds from disposal of a subsidiary, net		**—**	(1,691,540)
Purchase of property, plant and equipment		**(40,439,223)**	(50,874,597)
Purchase of intangible assets		**(1,484,651)**	(430,531)
Increase/(decrease) amounts due from fellow subsidiaries		**1,857,959**	(512,656)
Net cash used in investing activities		**(34,729,921)**	(53,180,015)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 RMB	2018 RMB
Cash flows from financing activities			
Interest paid		**(15,298,100)**	(15,241,007)
Interest elements of lease rentals paid	36	**(2,901,198)**	—
Capital elements of lease rentals paid	36	**(22,536,903)**	—
Dividend paid	36	**(8,004,000)**	—
Proceeds from issuance of H Shares, net		**—**	91,205,031
Cash advance from immediate holding company	36	**100,000,000**	—
Proceeds from borrowings	36	**400,000,000**	325,000,000
Repayment of borrowings	36	**(480,000,000)**	(350,000,000)
Net cash (used in)/generated from financing activities		**(28,740,201)**	50,964,024
Net (decrease)/increase in cash and cash equivalents		**(7,922,952)**	42,702,482
Cash and cash equivalents at beginning of year		**145,398,494**	102,696,012
Cash and cash equivalents at end of year		**137,475,542**	145,398,494

Note: The Group has initially applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use assets at the amounts equal to the lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information has not been restated and continued to be reported under HKAS 17. Previously, cash payments under operating leases made by the Group as a lessee of RMB60,352,989 were classified as operating activities in the consolidated cash flow statement. Under HKFRS 16, except for the short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of lease liabilities, all other rental paid on leases are now split into capital element and interest element and classified as financing cash outflows.

1. GENERAL 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.

At the date of this report, in the opinion of the Directors, the Company's immediate and ultimate holding companies are Ningbo Shanshan Co., Ltd. ("Shanshan") and Shanshan Holding Co., Ltd. ("Shanshan Holding") respectively, both of which were established in the PRC. The issued shares of Shanshan are listed and traded on the Shanghai Stock Exchange. The particulars of the Company's subsidiaries are as follows:

Name of subsidiaries	Place and date of establishment and type of legal entity	Place of operation	Issued and paid-up capital	Proportion of effective equity interests held by the Company				Principal activities
				2019		2018		
				Directly	Indirectly	Directly	Indirectly	
Ningbo Shanshan Fashion Brand Management Co., Ltd	The PRC/17 June 2009/ Limited liability company	The PRC	RMB100 million	**100%**	**N/A**	100%	N/A	Investment holding and trademark sub-licensing
Lubiam (Ningbo) Apparel Co., Ltd	The PRC/21 December 2005/Limited liability company	The PRC	US$5 million	**N/A**	**60%**	N/A	60%	Design, develop and sales of men's apparel under LUBIAM brand
Shanghai Haimeng Apparel Co., Ltd.	The PRC/14 October 2011/Limited liability company	The PRC	RMB10 million	**N/A**	**60%**	N/A	60%	Inactive

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

(a) Adoption of new/revised HKFRSs — effective on 1 January 2019

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new/revised HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features and Negative Compensation
- Amendments to Hong Kong Accounting Standard ("HKAS") 19, Plan Amendment, Curtailment or Settlement
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015–2017 Cycle

HKFRS 16 — Leases

The impact of the adoption of HKFRS 16 Leases has been summarised in below. The other new/revised HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

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

(a) Adoption of new/revised HKFRSs — effective on 1 January 2019 (Continued)

HKFRS 16 — Leases (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	RMB
Right-of-use assets	43,818,629
Less: rental prepayments	(5,901,670)
Total assets	37,916,959
Lease liabilities (non-current)	28,313,996
Lease liabilities (current)	9,602,963
Total liabilities	37,916,959

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019:

	RMB
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as of 31 December 2018	64,118,520
Less: exemption for short-term leases	(16,717,746)
Less: leases of low-value assets	(20,683)
Less: rental prepayment paid prior to 1 January 2019	(5,901,670)
Operating lease liabilities before discounting at 31 December 2018	41,478,421
Effect of discounting at the incremental borrowing rate at 1 January 2019	(3,561,462)
Total lease liabilities as of 1 January 2019	37,916,959

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 is 5.45%.

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

(a) Adoption of new/revised HKFRSs — effective on 1 January 2019 (Continued)

HKFRS 16 — Leases (Continued)

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets (the Group has leased mobile phones, laptop computers and photocopying machines) and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term. For other leases, the Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

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

(a) Adoption of new/revised HKFRSs — effective on 1 January 2019 (Continued)

HKFRS 16 — Leases (Continued)

(iii) Accounting as a lessee (Continued)

Right-of-use assets

The right-of-use assets should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

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

Refundable rental deposits

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

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

(a) Adoption of new/revised HKFRSs — effective on 1 January 2019 (Continued)

HKFRS 16 — Leases (Continued)

(iii) Accounting as a lessee (Continued)

Lease liability (Continued)

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g. a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are recognised at initial recognition and over the lease terms on a net basis.

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use assets at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

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

(a) Adoption of new/revised HKFRSs — effective on 1 January 2019 (Continued)

HKFRS 16 — Leases (Continued)

(iv) Transition (Continued)

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified as operating leases under HKAS 17 at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before 1 January 2019.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease; (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4; and (iii) the Group relied on the previous assessment as at 31 December 2018 as an alternative to performing an impairment review.

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

(a) Adoption of new/revised HKFRSs — effective on 1 January 2019 (Continued)

HKFRS 16 — Leases (Continued)

(iv) Transition (Continued)

Refundable rental deposits

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. There is no material adjustment to fair value of the rental deposits at initial recognition.

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKAS 19 — Plan Amendments, Curtailment or Settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

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

(a) Adoption of new/revised HKFRSs — effective on 1 January 2019 (Continued)

Annual Improvements to HKFRSs 2015–2018 Cycle — Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2018 Cycle — Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2018 Cycle — Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015–2018 Cycle — Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

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

(a) Adoption of new/revised HKFRSs — effective on 1 January 2019 (Continued)

Amendments to HKAS 28 — Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

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

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 Effective for annual periods beginning on or after 1 January 2020

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

Amendments to HKFRS 3 — Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process". Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 — Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

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

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

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Companies Ordinance, Chapter 622 of the laws of Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(b) Basis of measurement and going concern assumption

The consolidated financial statements have been prepared under the historical cost except for bills receivables, which are stated at fair value, at the end of each reporting period.

(c) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Business combination and basis of consolidation (Continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position disclosed in Note 41, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Associates (Continued)

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold improvements	Over the lease terms
Plant and machinery	2–10 years
Furniture, fixtures and equipment	3–5 years
Motor vehicles	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e)A Leasing (accounting policies applied from 1 January 2019)

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e)A Leasing (accounting policies applied from 1 January 2019) (Continued)

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the substance fixed lease payments or a change in assessment to purchase the underlying asset.

(e)B Leasing (accounting policies applied until 31 December 2018)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Finance leases income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of the finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease.

The Group as lessee

Operating leases payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(f) Intangible assets (other than goodwill)

(i) Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Software	5 years
Trademark	10 years

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (other than goodwill) (Continued)

(ii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4(m)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount; however, the carrying amount should not be increased above the lower of its recoverable amount and the carrying amount that would have resulted had no impairment loss been recognised for the asset in prior years. All reversals are recognised in the profit or loss immediately, unless the relevant asset is carried at a revalued amount, in which case any reversal of impairment should be treated as a revaluation and therefore credited to other comprehensive income. However, to the extent that an impairment on the revalued asset was previously recognised as an expense in profit or loss, a reversal of that impairment loss is recognised as income in profit or loss.

(g) Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial Instruments (Continued)

(i) Financial assets (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECLs on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial Instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that financial asset are credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

(e) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial Instruments (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method/first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Revenue recognition (Continued)

(i) Trading of garments

Revenue for trading of garments generally includes only one performance obligation. The Group has concluded that revenue from trading of garments should be recognised at the point in time when control of the products is transferred to the customer, generally when the products are delivered to and the risks of obsolescence and loss have been transferred to customer.

Some of the Group's contracts with customers from the trading of garment products provides customers a volume rebate if the customer purchase more than certain volume of garment product in a calendar year. The volume rebates give rise to variable consideration. The Group apply the expected value method to estimate the variable consideration. A refund liability would be recognised based on the estimate of the expected to be paid to customer's volume-based rebated.

(ii) Trademark sub-licensing income

Trademark sub-licensing income is recognised over time in accordance with the terms of the relevant agreements if all of the following criteria are met, that are (a) the contract requires, or the customer reasonably expects, that the entity will undertake activities that significantly affect the intellectual property to which the customer has rights; (b) the rights granted by the licence directly expose the customer to any positive or negative effects of the entity's activities identified; and (c) those activities do not result in the transfer of a good or a service to the customer as those activities occur.

(iii) Other income

Interest income is recognised on time-proportion basis using effective interest method.

Contract liabilities

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

If the considerations (including advances received from customers) exceeds the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(k) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Employee benefits

(i) Retirement benefit costs

The employees of the Group which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute certain percentage of employees' salaries to the central pension scheme.

(ii) Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period) in which the employees render the related services. Short term employee benefits are recognised in the year when the employee render the related service.

(m) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment/right of use assets under cost model; and
- investments in subsidiaries, associates and joint ventures (except for those classified as held for sale.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Related parties (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(a) Useful lives, residual values and depreciation of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

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

(b) Impairment of property, plant and equipment, right of use assets and intangible assets

The impairment loss of property, plant and equipment, right of use assets intangible assets is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount of the assets, or, where appropriate, the cash generating unit to which they belong, is the higher of its fair value less costs to sell and value-in-use. The recoverable amounts are determined based on fair value less costs to sell which are based on the best information available to reflect the amount obtainable at the end of reporting period, from the disposal of the asset in an arm's length transaction between knowledgeable and willing parties, after deducting the costs of disposal. For the estimation of value in use, the Group's management estimates future cash flows from the cash-generating units and chooses a suitable discount rate in order to calculate the present value of those cash flows.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses the estimations at the end of each reporting period.

(d) Impairment of trade, bills and other receivables

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

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

(e) Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lessee is reasonably certain to exercise the extension option (or reasonably certain not to exercise the termination option).

For leases of warehouses, retail stores and office premises, the following factors are normally the most relevant:

- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

As at 31 December 2019, potential future cash outflows of RMB7,465,200 (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended which is detailed in Note 29. No additional amount of right-of-use assets and lease liabilities are recognised.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. As at 1 January 2019/date of commencement of lease for leases entered into after 1 January 2019, the management had assessed and considered the facts and circumstances to exercise the termination options. Management had concurred that it was reasonably certain not to exercise all the termination options and hence the related lease payments had been included in lease liabilities. As at 1 January 2019/date of commencement of lease for leases entered into after 1 January 2019, the management had assessed and considered the facts and circumstances to exercise the extension options. Management had concurred that it was not reasonably certain to exercise all the extension options and hence the related lease payments had not been included in lease liabilities. During the current financial year, the effect of exercising termination options (that was assessed as at 1 January 2019 not reasonably certain to be exercised) was a decrease in recognised lease liabilities and right-of-use assets of RMB2,259,606 which is detailed in Note 29.

6. SEGMENT INFORMATION AND REVENUE

(a) Reportable segment

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

6. SEGMENT INFORMATION AND REVENUE (CONTINUED)

(a) Reportable segment (Continued)

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

Revenue from contracts with customer within the scope of HKFRS 15:	2019 RMB	2018 RMB
Trading of garments	**1,022,288,154**	1,012,140,760
Trademark sub-licensing income	**14,150,943**	13,145,047
	1,036,439,097	1,025,285,807

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

Disaggregation of revenue from contracts with customers

	Trading of garments	
	2019 RMB	2018 RMB
Primary geographical market		
PRC	**1,036,439,097**	1,025,285,807
Major product/service		
Standard garment products	**1,022,288,154**	1,012,140,760
Trademark sub-licensing income	**14,150,943**	13,145,047
	1,036,439,097	1,025,285,807
Revenue by brands		
FIRS	**442,342,137**	453,387,303
Shanshan	**560,760,915**	521,916,435
Marco Azzali (Note)	**–**	8,563,529
Lubiam	**19,185,102**	28,273,493
Others	**14,150,943**	13,145,047
	1,036,439,097	1,025,285,807
Timing of revenue recognition		
At a point in time	**1,022,288,154**	1,012,140,760
Transferred over time	**14,150,943**	13,145,047
	1,036,439,097	1,025,285,807

Note: The operation relating to Marco Azzali was disposed of on 26 March 2018.

6. SEGMENT INFORMATION AND REVENUE (CONTINUED)

(b) Geographic information

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

(c) Information about major customer

During the reporting period, there is no customer with transactions exceeded 10% of the Group's revenue.

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

	31 December 2019 RMB	31 December 2018 RMB
Trade and bills receivables (note 21)	**188,092,076**	183,246,509
Contract liabilities (note 25)	**29,326,585**	19,276,709

The contract liability is an entity's obligation to transfer goods to a customer for which the entity has received consideration. The Group's contract liabilities comprise receipt in advance from customers.

As at 31 December 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB29,326,585 (2018: RMB19,276,709). This amount represents revenue expected to be recognised in the future. The Group will recognise the expected revenue when the performance obligation is completed, which is expected to occur within one year.

7. OTHER REVENUE

	2019 RMB	2018 RMB
Interest income	**1,417,720**	1,529,429
Sundry income	**3,457,197**	2,526,206
	4,874,917	4,055,635

Note: Sundry income mainly represent the profit from sale of raw materials, provision of steam service and provision of supporting service.

8. OTHER GAINS AND LOSSES

	2019 RMB	2018 RMB
Donation	**—**	(456,531)
Exchange (losses)/gains, net	**(936)**	4,815,134
Government grant (Note i)	**8,013,124**	359,486
Gain on disposal/write off of property, plant and equipment, net	**17,390**	—
Write down of inventories, net	**(8,276,806)**	(7,478,652)
Gain on disposal of a subsidiary	**—**	612,591
Provision for litigation and related expenses (Note ii)	**(6,612,410)**	—
Others	**2,153,035**	1,680,629
	(4,706,603)	(467,343)

Note i: In 2019, the Company mainly received government grants of RMB7,550,000 (2018: RMB nil) as governmental reward funds because the Company's H shares were listed on the Stock Exchange. There were no unfulfilled conditions and other contingencies attached to such government grants. The remaining government grants of RMB463,124 (2018: RMB359,486) related to grants that the Group has fulfilled the relevant granting criteria immediately upon receipt of payment and was not capital in nature.

Note ii: During the year ended 31 December 2019, an arbitral hearing was carried out against the Company's subsidiary relating to a dispute with a non-controlling shareholder which alleges that the subsidiary breached its obligation to pay its consulting service fees from 2014 to 2018 under the service agreement entered with the non-controlling shareholder in 2013. On 24 February 2020, the International Court of Arbitration made the final verdict to rule the Company's subsidiary was required to pay the total amount of USD750,000 with interest and the respective legal cost. Accordingly, the Group has made full provision in profit or loss during the year ended 31 December 2019.

9. FINANCE COSTS

	2019 RMB	2018 RMB
Imputed interest on amount due to a non-controlling shareholder of a subsidiary	**—**	72,385
Interest on amount due to immediate holding company	**371,620**	—
Interest expenses on bank borrowing wholly repayable within one year	**14,926,480**	15,168,622
Interest expenses on lease liabilities	**2,901,198**	—
	18,199,298	15,241,007

10. (LOSS)/PROFIT BEFORE INCOME TAX

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

	2019 RMB	2018 RMB
Auditor's remuneration	**896,835**	975,329
Advertising and promotional expenses	**38,746,968**	42,510,373
Amortisation of intangible assets	**410,490**	305,405
Depreciation on property, plant and equipment	**43,610,146**	29,085,652
Depreciation of right-of-use assets	**30,168,797**	—
Impairment loss on trade receivables, net	**13,593,529**	2,500,774
Impairment loss on other receivables, net	**956,426**	—
Cost of inventories sold	**454,013,907**	429,526,121
Expenses relating to leases of low value assets	**33,928**	—
Expenses relating to short-term leases	**26,471,721**	—
Expenses relating to variable lease payment (note i)	**5,238,825**	12,166,837
Lease payments under operating leases:		
– minimum lease payments	**—**	48,186,152
Trademark payments (note ii)	**1,176,744**	903,313
Staff cost	**99,549,579**	96,316,714

(i) Expenses relating to variable lease payment represents the leases of retail stores contain variable lease payment that are based on 11% to 35% sales.

(ii) Trademark payments represent the payment made to a non-controlling shareholder of a subsidiary for the use of "Lubiam" trademark.

11. INCOME TAX EXPENSE

	2019 RMB	2018 RMB
Income tax		
— for current year	**5,456,021**	14,781,152
— under provision in respect of prior years	**1,111,710**	—
	6,567,731	14,781,152
Deferred tax (Note 19)	**(2,599,734)**	(2,787,049)
	3,967,997	11,994,103

Enterprise income tax ("EIT") has been provided at the rate of 25% (2018: 25%) on the estimated assessable profit for the year arising from the PRC.

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

	2019 RMB	2018 RMB
(Loss)/profit before income tax	**(19,210,385)**	47,661,948
Tax (credit)/charge calculated at the domestic income tax rate of 25% (2018: 25%) (Note)	**(4,802,596)**	11,915,487
Tax effect of revenue not subject to tax	**—**	(147,415)
Tax effect of expenses not deductible for tax purposes	**2,722,426**	1,153,409
Tax effect of tax losses and deductible temporary differences not recognised	**5,507,385**	310,243
Under provision in prior years	**1,111,710**	—
Tax effect of share of results of associates	**(570,928)**	(1,237,621)
Income tax expense	**3,967,997**	11,994,103

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

At 31 December 2019, the Group had estimated unused tax losses of approximately RMB48,930,981 (2018: RMB56,271,148) available for offset against future profits which were arising from operation. The tax losses are subject to the final assessment by the tax authorities in the respective jurisdictions where the tax losses arising from.

No deferred tax asset has been recognised in respect of the estimated unused tax losses and deductible temporary difference due to unpredictability of future profit streams. The tax losses may be carried forward for a period of five years from their respective year of origination.

12. DIVIDEND

On 5 June 2019, the Board recommended to distribute the final dividend of RMB0.06 per ordinary share of the Company (the "Share") for the shareholders registered as the members of the Company on 18 June 2019 (the "Shareholders"). Total final dividend of RMB8,004,000 was paid to these Shareholders on 31 July 2019.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2019.

13. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the Year of RMB16,312,171 (2018: profit attributable to owners of the Company of RMB36,210,435) and the weighted average of 133,400,000 Shares (2018: 117,111,781 Shares) in issue during the Year.

Diluted (loss)/earnings per share

There were no potential dilutive ordinary shares outstanding during the years ended 31 December 2019 and 2018, and hence the diluted (loss)/earnings per share is the same as basic (loss)/earnings per share.

14. STAFF COSTS

	2019	2018
	RMB	RMB
Staff costs (including directors) comprise:		
— Salaries and allowances	**86,176,759**	82,930,868
— Contributions to defined contribution retirement plan	**13,372,820**	13,385,846
	99,549,579	96,316,714

15. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emolument for each of the directors for the years ended 31 December 2019 and 2018 is set out below:

Year ended 31 December 2019

	Fee RMB	Salaries and allowance RMB	Discretionary bonus RMB	Contribution to defined contribution retirement plan RMB	Total RMB
Executive Directors					
Cao Yang	53,030	389,000	–	44,568	486,598
Luo Ye Fei	53,030	580,099	–	30,643	663,772
Yan Jing Fen	53,030	337,600	75,000	23,105	488,735
Non-Executive Directors					
Zhuang Wei	53,030	–	–	–	53,030
Yang Feng (Note ii)	53,030	–	–	–	53,030
Hui Ying (Note iii)	53,030	–	–	–	53,030
Independent Non-Executive Directors					
Au Yeung Po Fung (Note iv)	105,722	–	–	–	105,722
Wang Ya Shan (Note v)	105,722	–	–	–	105,722
Wu Xue Kai (Note vi)	105,722	–	–	–	105,722
	635,346	1,306,699	75,000	98,316	2,115,361

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

(a) Directors' emoluments (Continued)

Year ended 31 December 2018

	Fee RMB	Salaries and allowance RMB	Discretionary bonus RMB	Contribution to defined contribution retirement plan RMB	Total RMB
Executive Directors					
Cao Yang	26,376	425,560	–	46,754	498,690
Luo Ye Fei	26,376	485,164	–	27,851	539,391
Yan Jing Fen	26,376	302,656	75,000	21,826	425,858
Zhu Zhi Lin (Note i)	–	–	–	–	–
Non-Executive Directors					
Zhuang Wei	26,247	–	–	–	26,247
Yang Feng (Note ii)	26,376	–	–	–	26,376
Hui Ying (Note iii)	26,514	–	–	–	26,514
Independent Non-Executive Directors					
Au Yeung Po Fung (Note iv)	52,807	–	–	–	52,807
Wang Ya Shan (Note v)	65,857	–	–	–	65,857
Wu Xue Kai (Note vi)	65,857	–	–	–	65,857
	342,786	1,213,380	75,000	96,431	1,727,597

Note:

(i) Mr. Zhu Zhi Lin was resigned as an executive director on 3 January 2018.

(ii) Mr. Yang Feng was appointed as non-executive director on 2 January 2018.

(iii) Ms. Hui Ying was appointed as non-executive director on 2 January 2018.

(iv) Mr. Au Yeung Po Fung was appointed as independent non-executive director on 28 May 2018.

(v) Mr. Wang Ya Shan was appointed as independent non-executive director on 28 May 2018.

(vi) Mr. Wu Xue Kai was appointed as independent non-executive director on 28 May 2018.

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

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2018: three) were directors of the Company whose emoluments are included in the disclosures in Note (a) above. The emoluments of the remaining two (2018: two) individuals were as follows:

	2019 RMB	2018 RMB
Wages, salaries, and allowances	**1,255,188**	1,257,748
Contributions to defined contribution retirement plan	**50,450**	45,704
	1,305,638	1,303,452

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

	2019 No. of individuals	2018 No. of individuals
Nil to HK$1,000,000	**2**	2

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

In addition, none of the directors waived or agreed to waive any emoluments for each of the years ended 31 December 2019 and 2018.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB	Plant and machinery RMB	Furniture, fixtures and equipment RMB	Motor vehicles RMB	Total RMB
Cost					
At 1 January 2018	10,302,455	5,226,352	55,110,481	2,410,090	73,049,378
Additions	349,883	1,709,181	48,815,533	—	50,874,597
At 31 December 2018 and 1 January 2019	10,652,338	6,935,533	103,926,014	2,410,090	123,923,975
Additions	1,276,667	572,562	38,589,994	—	40,439,223
Disposals/write-off	—	(6,644)	(80,936)	(114,425)	(202,005)
At 31 December 2019	**11,929,005**	**7,501,451**	**142,435,072**	**2,295,665**	**164,161,193**
Depreciation and amortisation					
At 1 January 2018	8,157,580	3,789,075	19,620,398	2,212,326	33,779,379
Charge for the year	957,477	380,017	27,720,166	27,992	29,085,652
At 31 December 2018 and 1 January 2019	9,115,057	4,169,092	47,340,564	2,240,318	62,865,031
Charge for the year	1,388,414	750,286	41,433,102	38,344	43,610,146
Eliminated on disposal/write-off	—	(3,998)	(76,765)	(110,992)	(191,755)
At 31 December 2019	**10,503,471**	**4,915,380**	**88,696,901**	**2,167,670**	**106,283,422**
Carrying values					
At 31 December 2019	**1,425,534**	**2,586,071**	**53,738,171**	**127,995**	**57,877,771**
At 31 December 2018	1,537,281	2,766,441	56,585,450	169,772	61,058,944

17. INTANGIBLE ASSETS

	Trademark RMB	Software RMB	Total RMB
Cost			
At 1 January 2018	13,016,800	2,946,954	15,963,754
Addition	—	430,531	430,531
At 31 December 2018 and 1 January 2019	13,016,800	3,377,485	16,394,285
Addition	—	1,484,651	1,484,651
At 31 December 2019	**13,016,800**	**4,862,136**	**17,878,936**
Amortisation and impairment			
At 1 January 2018	13,016,800	342,389	13,359,189
Charge for the year	—	305,405	305,405
At 31 December 2018 and 1 January 2019	13,016,800	647,794	13,664,594
Charge for the year	—	410,490	410,490
At 31 December 2019	**13,016,800**	**1,058,284**	**14,075,084**
Carrying values			
At 31 December 2019	**—**	**3,803,852**	**3,803,852**
At 31 December 2018	—	2,729,691	2,729,691

18. INTERESTS IN ASSOCIATES

	2019 RMB	2018 RMB
Share of net assets of associates	**51,157,988**	54,781,061
Amount due to an associate	**(83,648)**	(91,188)

The amount due to an associate is unsecured, interest-free and repayable on demand.

18. INTERESTS IN ASSOCIATES (CONTINUED)

Details of the Group's associates are as follows.

Name of associate	Form of business structure	Place of incorporation and operation	Proportion of nominal value of issued capital held by the Group 2019	2018	Principal activities
Ningbo Shanjing Apparel Co., Ltd. ("Ningbo Shanjing")	Incorporated	The PRC	**46% (Note 1)**	46% (Note 1)	Manufacture of apparel products under sub-contracting
Le Coq Sportif (Ningbo) Co., Ltd. ("Le Coq Sportif")	Incorporated	The PRC	**20%**	20%	Retailing, trading and distribution of sporting goods

Note 1: The share capital of Ningbo Shanjing reduces by USD1,500,000 (2018:USD4,750,000). A cash proceed of RMB4,760,586 (2018: RMB14,159,674) was received from the capital reduction.

The summarised financial information in respect of the associates held by the Group, adjusted for any difference in accounting policies:

	2019 RMB	2018 RMB
Ningbo Shanjing		
Current assets	**34,552,909**	31,388,609
Non-current assets	**15,300,390**	18,659,955
Current liabilities	**(15,652,988)**	(7,615,515)
Le Coq Sportif		
Current assets	**347,962,468**	357,304,590
Non-current assets	**80,712,396**	63,439,728
Current liabilities	**(233,834,971)**	(215,715,028)
Non-current liabilities	**(17,710,667)**	(28,720,000)

18. INTERESTS IN ASSOCIATES (CONTINUED)

	2019 RMB	2018 RMB
Ningbo Shanjing		
Revenue	**101,051,048**	102,034,665
Profit for the year and total comprehensive income	**2,116,361**	3,469,547
Dividend received	**–**	(460,000)
Le Coq Sportif		
Revenue	**617,291,676**	578,129,154
Profit for the year and total comprehensive income	**6,550,926**	16,772,453
Dividend received	**(1,146,198)**	(1,920,205)

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements:

	2019 RMB	2018 RMB
Ningbo Shanjing		
Net assets	**34,200,311**	42,433,049
Proportion of the Group's ownership interest	**46%**	46%
Carrying amount of the Group's interest in an associate	**15,732,143**	19,519,203
Le Coq Sportif		
Net assets	**177,129,226**	176,309,290
Proportion of the Group's ownership interest	**20%**	20%
Carrying amount of the Group's interest in an associate	**35,425,845**	35,261,858

19. DEFERRED TAX ASSETS/(LIABILITIES)

	Impairment of assets and allowance for expected credit loss RMB	Refund liabilities RMB	Lease liabilities RMB	Total RMB
At 1 January 2018	10,711,242	1,967,376	—	12,678,618
Credit to profit or loss	2,309,617	477,432	—	2,787,049
As 31 December 2018 and 1 January 2019	13,020,859	2,444,808	—	15,465,667
Credit/(charge) to profit or loss	3,545,005	(411,583)	(533,688)	2,599,734
At 31 December 2019	**16,565,864**	**2,033,225**	**(533,688)**	**18,065,401**

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

	2019 RMB	2018 RMB
Deferred tax assets	**18,599,089**	15,465,667
Deferred tax liabilities	**(533,688)**	—
	18,065,401	15,465,667

20. INVENTORIES

	2019 RMB	2018 RMB
Raw materials	**4,683,513**	7,164,935
Work-in-progress	**12,896,038**	13,657,240
Finished goods	**485,867,567**	440,956,192
	503,447,118	461,778,367

21. TRADE AND BILLS RECEIVABLES

	2019 RMB	2018 RMB
Trade receivables	**254,889,390**	234,510,988
Bills receivables	**2,878,940**	4,818,246
Less: Provision for impairment	**(69,676,254)**	(56,082,725)
	188,092,076	183,246,509

21. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	2019 **RMB**	2018 RMB
Within 3 months	**119,371,094**	113,428,898
Over 3 months but within 6 months	**33,400,253**	33,900,577
Over 6 months but within 1 year	**33,844,556**	31,615,880
Over 1 year	**1,476,173**	4,301,154
	188,092,076	183,246,509

The Group recognised impairment loss based on the accounting policy stated in Note 4(g)(ii).

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. Further details on the Group's credit policy and credit risk arising from trade debtors and bills receivables are set out in note 39(a).

Bills receivables are non-interest bearing bank acceptance bills aged within a year upon issuance.

As at 31 December 2019, bills receivables amounting to RMB2,878,940 (2018:RMB4,818,246) were measured at financial asset at FVOCI.

The Directors considered that the fair values of bills receivables are not materially different from their carrying amounts because these amounts have short maturity periods.

During the year, the Group endorsed bank acceptance bills (the "Endorsed Bills") issued by several banks in the PRC (the "Issuing Banks") with aggregate carrying amount of RMB40,136,741 (2018: RMB46,432,075), with maturity within one (2018: one) year from the issued date to certain of its suppliers for settlement of the trade and other payables due to these suppliers (the "Endorsement"). Among of the Endorsed Bills with aggregate carrying amount of RMB17,499,573 (2018: RMB19,072,443) were not yet matured as at 31 December 2019. In accordance with the Negotiable Instruments Law of the PRC, a holder of the Endorsed Bills has a right of recourse against the Group if default of payment by the Issuing Banks (the "Continuing Involvement"). In the opinion of the Directors, all risks and rewards relating to the Endorsed Bills have been substantially transferred upon the Endorsement. Accordingly, the Group has derecognised the full carrying amounts of the Endorsed Bills and the associated trade and other payables. The maximum exposure arising from the Group's Continuing Involvement in the Endorsed Bills and the undiscounted cash flows to repurchase these Endorsed Bills equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvements in the Endorsed Bills are not significant.

During the years ended 31 December 2019 and 2018, the Group has not recognised any gain or loss arising from of the Endorsed Bills. No gain or loss were recognised from the Continuing Involvement, both during the years or cumulative years. The Endorsement has been made evenly throughout the years.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 RMB	2018 RMB
Prepayment (Note i)	**56,077,763**	64,833,190
Deposits and other receivables (Note ii)	**19,960,835**	29,972,821
Less: Provision for impairment	**(1,619,712)**	(663,286)
	74,418,886	94,142,725
Less: Non-current portion included in prepayments, deposits and other receivables	**(13,816,840)**	(11,866,413)
	60,602,046	82,276,312

Note i: Prepayments mainly consist of refundable earnest money paid to original equipment manufacturer ("OEM") suppliers amounting to RMB16,244,121 (2018: RMB34,929,131), prepayment to suppliers for the supply of inventories amounting to RMB8,648,059 (2018: RMB4,755,206) and other prepayments consist of prepaid rents, prepayment for the fitting out of retail outlets and others.

Note ii: Deposits and other receivables mainly represent refundable earnest money paid to the shopping malls and online platform operators and advances paid to franchisees.

Movements in provision for impairment are as follows:

	2019 RMB	2018 RMB
At beginning of year	**663,286**	663,286
Recognised for the year, net	**956,426**	—
At end of year	**1,619,712**	663,286

Details of impairment assessment of prepayments and other receivables are set out in note 39(a).

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2019 RMB	2018 RMB
Cash and bank balances	**137,475,542**	145,398,494
Pledged deposits (Note (b))	**33,556,150**	31,540,000
	171,031,692	176,938,494

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (CONTINUED)

(a) As at 31 December 2019, the Group has cash and cash equivalents denominated in RMB amounted to approximately RMB155,667,063 (2018: RMB129,586,068), which are deposited with banks in PRC.

RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks in the PRC that are authorised to conduct foreign exchange business.

Bank balances earn interest at floating rates based on daily bank deposit rates.

(b) The pledged deposits were placed to secure the outstanding bank acceptance bills disclosed in Note 24 below.

24. TRADE AND BILLS PAYABLES

	2019 **RMB**	2018 RMB
Bank acceptance bills	**80,700,000**	78,850,000
Trade payables	**149,171,356**	139,270,737
	229,871,356	218,120,737

As at 31 December 2019, the ageing of the Group's bank acceptance bills were all within six months (2018: six months), and there were no overdue bills. The bank acceptance bills were secured by pledged deposits of RMB33,556,150 (2018: RMB31,540,000) as at 31 December 2019 as disclosed in Note 23.

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

	2019 **RMB**	2018 RMB
Within 3 months	**112,360,646**	135,144,803
Over 3 months but within 6 months	**25,435,206**	2,432,881
Over 6 months but within 1 year	**8,560,070**	611,585
Over 1 year	**2,815,434**	1,081,468
	149,171,356	139,270,737

25. CONTRACT LIABILITIES

	2019 **RMB**	2018 RMB
Contract liabilities arising from:		
Sale of goods	**29,326,585**	19,276,709

Movements in contract liabilities

	2019 **RMB**	2018 RMB
Balance as at 1 January	**19,276,209**	17,980,376
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of year	**(17,252,053)**	(14,982,516)
Increase in contract liabilities as a result of receipt in advance of sale of goods	**27,301,929**	16,278,849
Balance as at 31 December	**29,326,585**	19,276,709

The contract liabilities primarily relate to the advance consideration received from the customers for trading of garments, revenue from which is recognised when the performance obligation is satisfied by delivering the garments to the customers.

26. OTHER PAYABLES AND ACCRUALS

	2019 **RMB**	2018 RMB
Other payables and accruals (Note (i))	**232,369,776**	226,059,499
Other tax payables	**858,577**	932,432
Refund liabilities (Note (ii))	**8,132,901**	9,834,834
	241,361,254	236,826,765

(i): The amounts mainly included the renovation costs payables, deposits received from franchisees and other accrued expenses.

(ii): Refund liabilities are recognised for volume rebate payable to customers.

27. INTEREST-BEARING BANK BORROWINGS

	2019 RMB	2018 RMB
Interest-bearing bank borrowings due for repayment within one year	**180,000,000**	260,000,000

At 31 December 2019, the bank borrowings were unsecured, at fixed interest rate ranges from 5.00% to 5.66% (2018: 4.79% to 5.66%) per annum and repayable within one year.

28. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amount due was unsecured, interest-free and repayable on demand.

29. LEASES

HKFRS 16 was adopted on 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see Note 2(a). The accounting policies applied subsequent to the date of initial application, 1 January 2019, as disclosed in note 4(e)A.

Nature of leasing activities

The Group has obtained the right to use properties as its offices premises, warehouses and retail stores under non-cancellable operating lease agreements, comprise only fixed payments and variable payments that are based on sales over the lease terms.

Variable lease payments

Leases of retail stores include fixed lease payments and variable lease payments that are based on 11% to 35% monthly sales and such payment will be settled monthly. Some variable payment terms include cap clauses. The payment terms are common in the retail stores in PRC where the Group operates. The amount of fixed and variable lease payments paid to relevant lessors for the year ended 31 December 2019 were:

	Number of stores	Fixed payments for the year ended 31 December 2019 RMB	Variable payments for the year ended 31 December 2019 RMB	Total payments for the year ended 31 December 2019 RMB
Retail stores with variable payments	**33**	**11,923,285**	**5,238,825**	**17,162,110**

The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of store sales in future years.

29. LEASES (CONTINUED)

Variable lease payments (Continued)

The Group has extension options and/or termination options in a number of leases. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options and termination options held are exercisable only by the Group and not by the respective lessors.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options or not to exercise the termination options. The potential exposures to these future lease payments for extension options in which the Group is not reasonably certain to exercise is summarised below:

	Potential future lease payments not included in lease liabilities (undiscounted) RMB
Retail stores — PRC	7,465,200

The following table summarised the additional lease liabilities recognised during the year ended 31 December 2019 as a result of (i) exercising extension option that the Group was not reasonably certain to exercise as at 1 January 2019 and (ii) not exercising termination option that the Group was not reasonably certain not to exercise as at 1 January 2019:

	Extension option available to the Group during the year ended 31 December 2019 (Not included in lease liabilities) No. of leases	Extension option exercised for the year ended 31 December 2019 (Not included in lease liabilities) No. of leases	Termination option available to the Group during the year ended 31 December 2019 (Included in lease liabilities) No. of leases	Termination option exercised during the year ended 31 December 2019 No. of leases
Warehouses — PRC	—	—	3	—
Retail stores — PRC	18	—	79	2
	18	—	82	2

29. LEASES (CONTINUED)

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2019 RMB	1 January 2019 RMB
Properties leased for own use, carried at depreciated cost	**67,432,907**	43,818,629

During the year, additions to right-of-use assets were RMB56,042,681. This amount related to the capitalised lease payments payables under new tenancy agreements.

Movement of right-of-use assets during the year:

31 December 2019	Buildings RMB
Balance as at 1 January 2019	**43,818,629**
Additions	**56,042,681**
Exercising termination option	**(2,259,606)**
Depreciation	**(30,168,797)**
Balance as at 31 December 2019	**67,432,907**

Lease liabilities

Future lease payments are due as follows:

	At 31 December 2019		
	Minimum lease payments RMB	Interest RMB	Present value RMB
Not later than one year	**26,031,959**	**2,669,625**	**23,362,334**
Later than one year and not later than two years	**19,320,847**	**1,625,823**	**17,695,024**
Later than two years and not later than five years	**25,419,980**	**1,179,185**	**24,240,795**
	70,772,786	**5,474,633**	**65,298,153**

29. LEASES (CONTINUED)

Lease liabilities (Continued)

	At 1 January 2019		
	Minimum lease payments RMB	Interest RMB	Present value RMB
Not later than one year	11,353,272	1,750,309	9,602,963
Later than one year and not later than two years	14,827,275	1,117,282	13,709,993
Later than two years and not later than five years	15,297,873	693,870	14,604,003
	41,478,420	3,561,461	37,916,959

The Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use assets at the amount equal to the lease liabilities, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018.

The present value of future lease payments are analysed as:

	31 December 2019 RMB	1 January 2019 RMB
Current liabilities	**23,362,334**	9,602,963
Non-current liabilities	**41,935,819**	28,313,996
	65,298,153	37,916,959

30. SHARE CAPITAL

	Number of shares	RMB
Registered domestic share capital and H Shares		
At 1 January 2018	100,000,000	100,000,000
Issuance of H shares (note)	33,400,000	33,400,000
At 31 December 2018 and 31 December 2019	133,400,000	133,400,000

Note: On 27 June 2018 (the "Listing Date"), an aggregate of 33,400,000 H Shares of RMB1 each were issued at a price of HK$3.78 per Share (the "Share Offer"). The Group raised approximately RMB101,511,897 before any related listing expenses arising from the Share Offer, resulting in an increase in the issued share capital of the Company by RMB33,400,000 and the capital reserve of the Company by RMB57,805,031, which was net off by the related share issue expense of RMB10,306,866.

31. PURPOSE OF RESERVES

(a) Being part of the Group's Reorganisation which details were set out in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus dated 12 June 2018, the Company (previously known as "Shanshan Garment Brand") increased share capital from RMB50,000,000 to RMB100,000,000 with reference to the net asset value of the Company at the date of capital restructuring. Increase in share capital was completed through utilisation of accumulated profits and statutory surplus reserve. The excess portion of net asset value of the Company at the date of capital restructuring over the enlarged share capital was transferred to capital reserve.

(b) The statutory surplus reserve is required by the relevant laws and regulations in the PRC which required the Company and its subsidiaries, which established in the PRC to appropriate 10% of its net profit after tax, as determined under the PRC accounting regulation, to a statutory surplus reserve until the reserve fund reaches 50% of these companies' registered capital. It may be utilised by the Company for restricted purposes including offsetting against prior years' losses or increase the capital of the Company. The transfer of this reserve must be made before the distribution of dividend to the equity owners of these companies.

(c) Merger reserve was created which mainly includes investment costs less proceeds from disposal, transfer of and deregister of these non-consolidated entities. Merger reserve also includes the amount of issued capital and premium of consolidated entities under the Group's Reorganisation completed on 26 May 2016.

32. RELATED PARTY DISCLOSURES

(a) Amounts due from/(to) immediate holding company/fellow subsidiaries

	2019 RMB	2018 RMB
Amount due from immediate holding company:		
— Trade nature	**433,200**	1,970,998
— Non-trade nature	**—**	899,189
	433,200	2,870,187
Amounts due from fellow subsidiaries:		
— Trade nature	**136,541**	2,282,653
— Non-trade nature	**20,000**	231,847
	156,541	2,514,500
Amount due to immediate holding company:		
— Non-trade nature	**(100,000,000)**	—

Amounts due from immediate holding company and fellow subsidiaries are unsecured, interest-free and repayable on demand.

Amount due to immediate holding company is unsecured and carries annual interest of 4.35% and repayable on demand.

The amounts due from immediate holding company and fellow subsidiaries which are in trade nature mainly arose from the sales arrangement as described in note 32(b).

32. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Transactions with related parties

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

	2019 RMB	2018 RMB
Product inspection expenses recharged on markup to:		
— an associate	**6,126**	69,042
Sale of goods to:		
— immediate holding company	**2,103**	—
— an associate	**—**	5,718
— fellow subsidiaries	**2,636,454**	3,804,370
Purchase from:		
— an associate	**(347)**	(13,761)
Interest expense charged by:		
— immediate holding company	**(371,620)**	—
Sub-contracting expenses charged by:		
— an associate	**(228,013)**	(998,320)
Rental expenses charged by:		
— immediate holding company	**(3,347,097)**	(4,981,335)
— a fellow subsidiary	**(2,682,046)**	(1,032,358)
Water and electricity expenses charged by:		
— immediate holding company	**(1,600,647)**	(1,586,937)
Sales commission charged by:		
— fellow subsidiaries	**(727,282)**	(1,516,180)
Shopping mall expenses charged by:		
— fellow subsidiaries	**(395,518)**	(501,428)

32. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Compensation of key management personnel

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

	2019 RMB	2018 RMB
— Short-term benefits	**3,886,534**	3,436,511
— Contributions to defined contribution retirement plan	**213,086**	198,570
	4,099,620	3,635,081

The emoluments paid or payable to senior managements were within the following band:

	2019 No. of individuals	2018 No. of individuals
Nil to HK$1,000,000	**3**	3

33. FAIR VALUE MEASUREMENT

A number of assets and liabilities included in the consolidated financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilised market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable inputs used in the valuation technique utilised are (the "Fair Value Hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

33. FAIR VALUE MEASUREMENT (CONTINUED)

The following table provides an analysis of financial instruments carried at fair value by level of Fair Value Hierarchy:

	Level 1 RMB	Level 2 RMB	Level 3 RMB	Total RMB
31 December 2019				
Financial asset at FVOCI				
— Bills receivables	**—**	**2,878,940**	**—**	**2,878,940**
31 December 2018				
Financial asset at FVOCI				
— Bills receivables	—	4,818,246	—	4,818,246

The fair value of the bills receivables has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

During the year ended 31 December 2019 and 2018, there was no transfer between level 1 and level 2 Fair Value Hierarchy or transfer into or out of level 3.

34. COMMITMENTS

(a) Operating lease commitments

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

	2019 RMB	2018 RMB
Not later than one year	**12,195,686**	34,554,743
Later than one year but not later than five years	**—**	29,563,777
	12,195,686	64,118,520

34. COMMITMENTS (CONTINUED)

(a) Operating lease commitments (Continued)

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position. The operating leases commitments as of 31 December 2019 as disclosed above are all related to short-term leases which are exempted from recognising the related right-of-use assets and lease liabilities under HKFRS 16.

The operating leases of certain retail 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 the year, the relevant contingent rentals have not been included in the determination of the lease liabilities.

(b) Capital commitments

As at 31 December 2019 and 2018, the Group had no significant capital commitments.

35. CONTINGENT LIABILITIES

As at 31 December 2019 and 2018, the Group had no significant contingent liabilities.

36. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

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

Reconciliation of liabilities arising from financing activities (Continued)

	Interest-bearing bank borrowings RMB (note 27)	Dividend payable RMB (note 12)	Lease liabilities RMB (note 29)	Amount due to immediate holding company RMB (note 32)
At 1 January 2018	285,000,000	–	–	–
Changes from cash inflows/(outflow):				
Proceeds from bank borrowings	325,000,000	–	–	–
Repayment of bank borrowings	(350,000,000)	–	–	–
Interest paid	(15,168,622)	–	–	–
Other changes:				
Interest expenses	15,168,622	–	–	–
At 31 December 2018 and 1 January 2019	260,000,000	–	–	–
Impact of initial application of HKFRS 16	–	–	37,916,959	–
At 1 January 2019	**260,000,000**	**–**	**37,916,959**	**–**
Changes from cash inflows/(outflow):				
Proceeds from bank borrowings	**400,000,000**	**–**	**–**	**–**
Repayment of bank borrowings	**(480,000,000)**	**–**	**–**	**–**
Dividend paid	**–**	**(8,004,000)**	**–**	**–**
Cash advance from immediate holding company	**–**	**–**	**–**	**100,000,000**
Interest paid	**(14,926,480)**	**–**	**–**	**(371,620)**
Repayment of principal portion of the lease liabilities	**–**	**–**	**(22,536,903)**	**–**
Repayment of interest portion of the lease liabilities	**–**	**–**	**(2,901,198)**	**–**
Other changes:				
Dividend declared/approved	**–**	**8,004,000**	**–**	**–**
Interest expense	**14,296,480**	**–**	**2,901,198**	**371,620**
Changes in lease liabilities	**–**	**–**	**49,918,097**	**–**
At 31 December 2019	**180,000,000**	**–**	**65,298,153**	**100,000,000**

37. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which includes the borrowings as disclosed in Note 27, cash and cash equivalents and equity of the Company, comprising share capital, reserves and accumulated profits. The Group's risk management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

Based on the management's recommendations, the Group will balance its overall capital structure through the issue of new debts and the payment of dividends.

The gearing ratio at end of the year was as follows:

	2019 **RMB**	2018 RMB
Debts	**180,000,000**	260,000,000
Cash and cash equivalents	**(137,475,542)**	(145,398,494)
Net debts	**42,524,458**	114,601,506
Equity	**282,619,200**	310,272,405
Net debts to equity ratio	**15%**	37%

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2019 RMB	2018 RMB
Financial assets at FVOCI:		
Bills receivables	**2,878,940**	4,818,246
Financial assets at amortised cost:		
Trade receivables	**185,213,136**	178,428,263
Other receivables	**18,341,123**	29,309,535
Amount due from immediate holding company	**433,200**	2,870,187
Amounts due from fellow subsidiaries	**156,541**	2,514,500
Pledged deposits	**33,556,150**	31,540,000
Cash and cash equivalents	**137,475,542**	145,398,494
	375,175,692	390,060,979
Financial liabilities measured at amortised cost:		
Trade and bills payables	**229,871,356**	218,120,737
Other payables and accruals	**232,369,776**	226,059,499
Interest-bearing bank borrowings	**180,000,000**	260,000,000
Amount due to immediate holding company	**100,000,000**	—
Amount due to an associate	**83,648**	91,188
Amount due to fellow a subsidiary	**—**	500,000
Amount due to non-controlling shareholder of a subsidiary	**9,812,410**	3,200,000
Lease liabilities	**65,298,153**	—
	817,435,343	707,971,424

39. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk. These risks are limited by the Group's financial management policies and practices described below:

(a) Credit risk

As at the end of the reporting period, the Group's maximum exposure to credit risk which may cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk in relation to trade receivables, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Trade receivables

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2019:

31 December 2019	Expected loss rate (%)	Gross carrying amount RMB	Loss allowance RMB
Not past due	2.8%	170,866,008	4,779,362
Less than 1 month past due	5.8%	2,692,714	155,455
1 to 3 months past due	11.8%	18,082,693	2,125,287
Over 3 months past due	94.7%	66,126,915	62,616,150
		257,768,330	69,676,254

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Trade receivables (Continued)

31 December 2018	Expected loss rate (%)	Gross carrying amount RMB	Loss allowance RMB
Not past due	0.7%	160,304,067	1,050,768
Less than 1 month past due	5.3%	5,296,716	281,986
1 to 3 months past due	10.0%	10,042,053	1,004,205
Over 3 months past due	91.3%	58,868,152	53,745,766
		234,510,988	56,082,725

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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

	2019 RMB	2018 RMB
Balance at 1 January	**56,082,725**	55,358,140
Amounts written off during the year	**–**	(1,776,189)
Impairment losses recognised during the year	**13,593,529**	2,500,774
Balance at 31 December	**69,676,254**	56,082,725

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance during 2019 and 2018:

- Origination of new trade receivables net of those settled resulted in an increase in loss allowance of RMB13,593,529 (2018:RMB2,500,774);

- A write-off of trade receivables with a gross carrying amount of RMB nil (2018:RMB1,776,189) resulted in a decrease in loss allowance of RMB nil (2018:RMB1,776,189).

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Bills receivables

As at 31 December 2019 and 2018, bills receivables are classified as debt instruments at FVOCI, which are matured within 12 months. The measurement of loss allowance was therefore based on 12 months expected credit losses. Management considered its debt instruments have a low risk of default and limited impact of time value of money due to short maturity period, therefore no impairment loss is recognised during the year.

Other receivables

As at 31 December 2019 and 2018, other receivables is classified as financial asset at amortised cost. For deposits and other receivables, the management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The management of the Group believes that generally there is no material credit risk inherent in the Group's outstanding balance of deposits and other receivables. The measurement of loss allowance was therefore generally based on 12 months expected credit losses. The Group considers that there has been a significant increase in credit risk (i.e. Stage 2 for ECL calculations) in specified case when contractual payments are more than 30 days past due. The Group has assessed that the expected loss rate for other receivables was material. Thus, RMB956,246 (2018: RMB nil) for other receivables was recognised. As at 31 December 2019 and 2018, no collateral was held by the Group, the maximum exposure to loss of other receivables was RMB18,341,123 (2018: RMB29,309,535).

Amounts due from immediate holding company and fellow subsidiaries — Trade nature

As at 31 December 2019 and 2018, amounts due from immediate holding company and fellow subsidiaries (trade nature) are classified as financial asset at amortised cost. The Group uses lifetime expected credit losses to assess these receivables. The measurement of loss allowance was therefore based on lifetime expected credit losses as they are mainly trade in nature. Since these receivables are not past due, and there has no material historical default record, the Directors consider that the Group's credit risk is not significant after considering the financial background and condition of the counterparties. Accordingly, no loss allowance was provided as the ECL in respect of these receivables.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Amounts due from immediate holding company and fellow subsidiaries — Non-trade nature

As at 31 December 2019 and 2018, amounts due from immediate holding company and fellow subsidiaries (non-trade nature) are classified as financial assets at amortised cost. Since these receivables are not past due, there has not been a significant increase in credit risk since initial recognition and the Group uses 12 months expected credit losses to assess these receivables. In this regard, the Directors also consider that the Group's credit risk is not significant after considering the financial background of the counterparties. Accordingly, no loss allowance was provided as the ECL in respect of these receivables.

Most of the Group's cash and cash equivalents are held in major reputable financial institutions in the PRC, which management believes are of high credit quality.

The Group's concentration of credit risk on the trade and bills receivables as at 31 December 2019 and 2018 included five major counterparties accounting for 28% and 31% of the trade and bills receivables respectively. The Group has closely monitored the recoverability of the advances to these counterparties and taken effective measures to ensure timely collection of outstanding balances. The Group has not obtained collateral from customers.

The Group is exposed to the concentration of geographic risk on revenue which is generated mostly from customers located in the PRC. The Group has closely monitored the business performance of these customers in the PRC.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. The management of the Company is satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future in the normal course of business.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Carrying amount RMB	Total contractual undiscounted cash flow RMB	Within 1 year or on demand RMB	More than 1 year but less than 2 years RMB	More than 2 years but less than 5 years RMB
31 December 2019					
Trade and bills payables	**229,871,356**	**229,871,356**	**229,871,356**	**–**	**–**
Other payables and accruals	**232,369,776**	**232,369,776**	**232,369,776**	**–**	**–**
Interest-bearing bank borrowings	**180,000,000**	**183,492,424**	**183,492,424**	**–**	**–**
Amount due to an associate	**83,648**	**83,648**	**83,648**	**–**	**–**
Lease liabilities	**65,298,153**	**70,772,786**	**26,031,959**	**19,320,847**	**25,419,980**
Amount due to immediate holding company	**100,000,000**	**104,350,000**	**104,350,000**	**–**	**–**
Amount due to a non-controlling shareholder of a subsidiary	**9,812,410**	**9,812,410**	**9,812,410**	**–**	**–**
	817,435,343	**830,752,400**	**786,011,573**	**19,320,847**	**25,419,980**
31 December 2018					
Trade and bills payables	218,120,737	218,120,737	218,120,737	–	–
Other payables and accruals	226,059,499	226,059,499	226,059,499	–	–
Interest-bearing bank borrowings	260,000,000	265,364,205	265,364,205	–	–
Amount due to an associate	91,188	91,188	91,188	–	–
Amount due to a fellow subsidiary	500,000	500,000	500,000	–	–
Amount due to a non-controlling shareholder of a subsidiary	3,200,000	3,200,000	3,200,000	–	–
	707,971,424	713,335,629	713,335,629	–	–

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk

The Group is not exposed to fair value interest rate risk in relation to its fixed-rate borrowings (see Note 27 for details) as they are carried at amortised costs. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is not exposed to cash flow interest rate risk as the interest rates of its borrowings are fixed (see Note 27 for details).

(d) Currency risk

Currency risk to the Group is minimal as most of the Group's transactions are carried out in its functional currency.

40. NON-CONTROLLING INTERESTS

Lubiam Apparel, a 60% owned subsidiary of the Company, has material non-controlling interests. Summarised financial information in relation to the non-controlling interests of Lubiam Apparel before intra-group eliminations, are presented below:

	2019 **RMB**	2018 RMB
Lubiam Apparel		
Revenue	**19,185,102**	28,373,493
Loss for the year and total comprehensive income	**(17,165,528)**	(1,356,475)
Loss allocated to non-controlling interests	**(6,866,211)**	(542,590)
Cash used in operating activities	**(4,462,369)**	(2,226,844)
Cash used in investing activities	**(1,276,667)**	(353,202)
Net cash outflows	**(5,739,036)**	(2,580,046)
Lubiam Apparel		
Current assets	**50,798,154**	61,056,966
Non-current assets	**2,087,140**	1,439,439
Current liabilities	**(14,894,826)**	(7,340,411)
Net assets	**37,990,468**	55,155,994
Accumulated non-controlling interest	**15,196,187**	22,062,398

41. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	2019 RMB	2018 RMB
Non-current assets		
Investment in a subsidiary	**10**	10
Property, plant and equipment	**56,306,159**	59,585,242
Right-of-use assets	**67,432,907**	—
Intangible assets	**3,803,852**	2,729,691
Prepayments, deposits and other receivables	**13,816,840**	11,866,413
Deferred tax assets	**18,599,089**	15,465,667
Total non-current assets	**159,958,857**	89,647,023
Current assets		
Inventories	**482,723,165**	437,726,673
Trade and bills receivables	**178,565,645**	172,284,082
Prepayments, deposits and other receivables	**54,914,530**	76,156,781
Amount due from immediate holding company	**433,200**	1,970,998
Amounts due from fellow subsidiaries	**—**	1,788,111
Amount due from a subsidiary	**63,725,000**	80,000,000
Income tax recoverable	**3,121,007**	—
Pledged deposits	**33,556,150**	31,540,000
Cash and cash equivalents	**113,196,379**	114,331,167
Total current assets	**930,235,076**	915,797,812
Current liabilities		
Trade and bills payables	**226,249,424**	214,430,645
Contract liabilities	**29,117,339**	19,203,877
Other payables and accruals	**234,258,488**	230,543,072
Interest-bearing bank borrowings	**180,000,000**	260,000,000
Amount due to an associate	**83,648**	91,188
Amount due to immediate holding company	**100,000,000**	—
Lease liabilities	**23,362,334**	—
Income tax payables	**—**	6,572,509
Total current liabilities	**793,071,233**	730,841,291
Net current assets	**137,163,843**	184,956,521
Total assets less current liabilities	**297,122,700**	274,603,544
Non-current liability		
Deferred tax liabilities	**533,688**	—
Lease liabilities	**41,935,819**	—
Total non-current liabilities	**42,469,507**	—
Net assets	**254,653,193**	274,603,544
Capital and reserves		
Share capital	**133,400,000**	133,400,000
Reserves	**121,253,193**	141,203,544
Total equity	**254,653,193**	274,603,544

On behalf of the directors

Luo Yefei
Director

Yan Jingfen
Director

41. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)

Reserves of the Company

	Statutory surplus reserve RMB	Capital reserve RMB	Accumulated profit RMB	Total RMB
At 1 January 2018	6,354,248	15,304,925	40,475,704	62,134,877
Profit and total comprehensive income for the year	—	—	21,263,636	21,263,636
Transfer to statutory surplus reserve	2,126,363	—	(2,126,363)	—
Share issue under public offer	—	57,805,031	—	57,805,031
At 31 December 2018 and 1 January 2019	8,480,611	73,109,956	59,612,977	141,203,544
Loss and total comprehensive income for the year	—	—	(11,946,351)	(11,946,351)
Final dividend declared and paid (Note 12)	—	—	(8,004,000)	(8,004,000)
At 31 December 2019	**8,480,611**	**73,109,956**	**39,662,626**	**121,253,193**

42. SUBSEQUENT EVENTS

Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impact on the global business environment. Up to the date when these financial statements are authorised for issue, management is yet to be able to estimate the overall impact to the financial performance and position of the Group. Pending the development and spread of COVID-19 subsequent to the date of these financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial statements. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 March 2020.

Summary of Financial Information

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements is set out below. The summary does not form part of the audited consolidated financial statements.

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB	RMB	RMB	RMB	RMB
RESULTS					
Revenue	**1,036,439,097**	1,025,285,807	797,888,217	592,082,843	526,081,752
Gross profit	**582,425,190**	595,759,686	431,260,307	288,109,394	252,403,973
(Loss)/profit from operations	**(19,210,385)**	47,661,948	55,806,908	47,962,593	67,136,624
(Loss)/profit before income tax	**(19,210,385)**	47,661,948	55,806,908	47,962,593	67,136,624
Income tax expenses	**(3,967,997)**	(11,994,103)	(18,845,753)	(14,148,111)	(14,233,167)
(Loss)/profit for the year	**(23,178,382)**	35,667,845	36,961,155	33,814,482	52,903,457

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB	RMB	RMB	RMB	RMB
ASSETS AND LIABILITIES					
Non-current assets	**212,688,447**	145,901,776	120,923,641	102,014,469	85,892,799
Current assets	**926,217,847**	909,624,369	746,914,295	590,147,282	483,231,284
TOTAL ASSETS	**1,138,906,294**	1,055,526,145	867,837,936	692,161,751	569,124,083
Current liabilities	**813,817,587**	745,253,740	684,438,407	541,836,647	593,659,628
Non-current liabilities	**42,469,507**	—	—	6,353,017	8,935,023
TOTAL LIABILITIES	**856,287,094**	745,253,740	684,438,407	548,189,664	602,594,651
NET ASSETS/ (LIABILITIES)	**282,619,200**	310,272,405	183,399,529	143,972,087	(33,470,568)