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

2020 | ANNUAL REPORT

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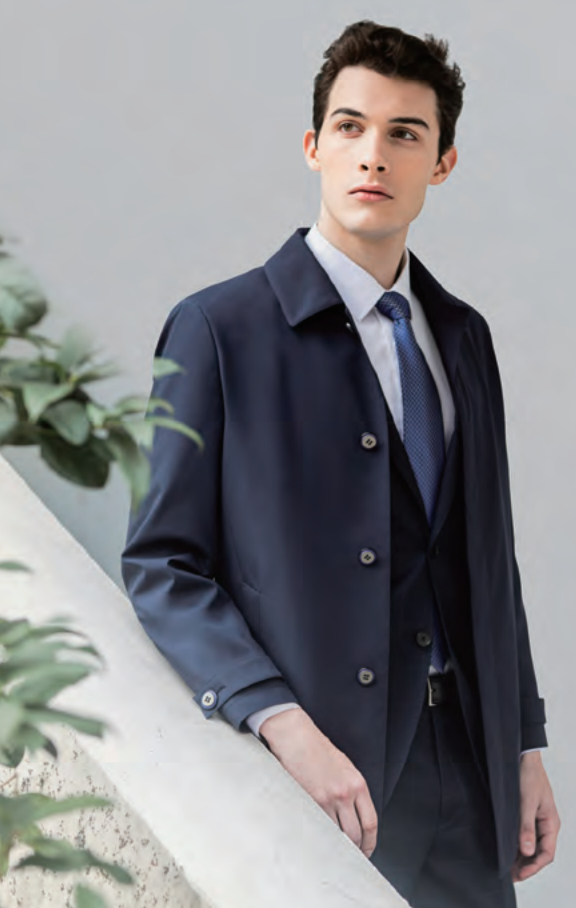
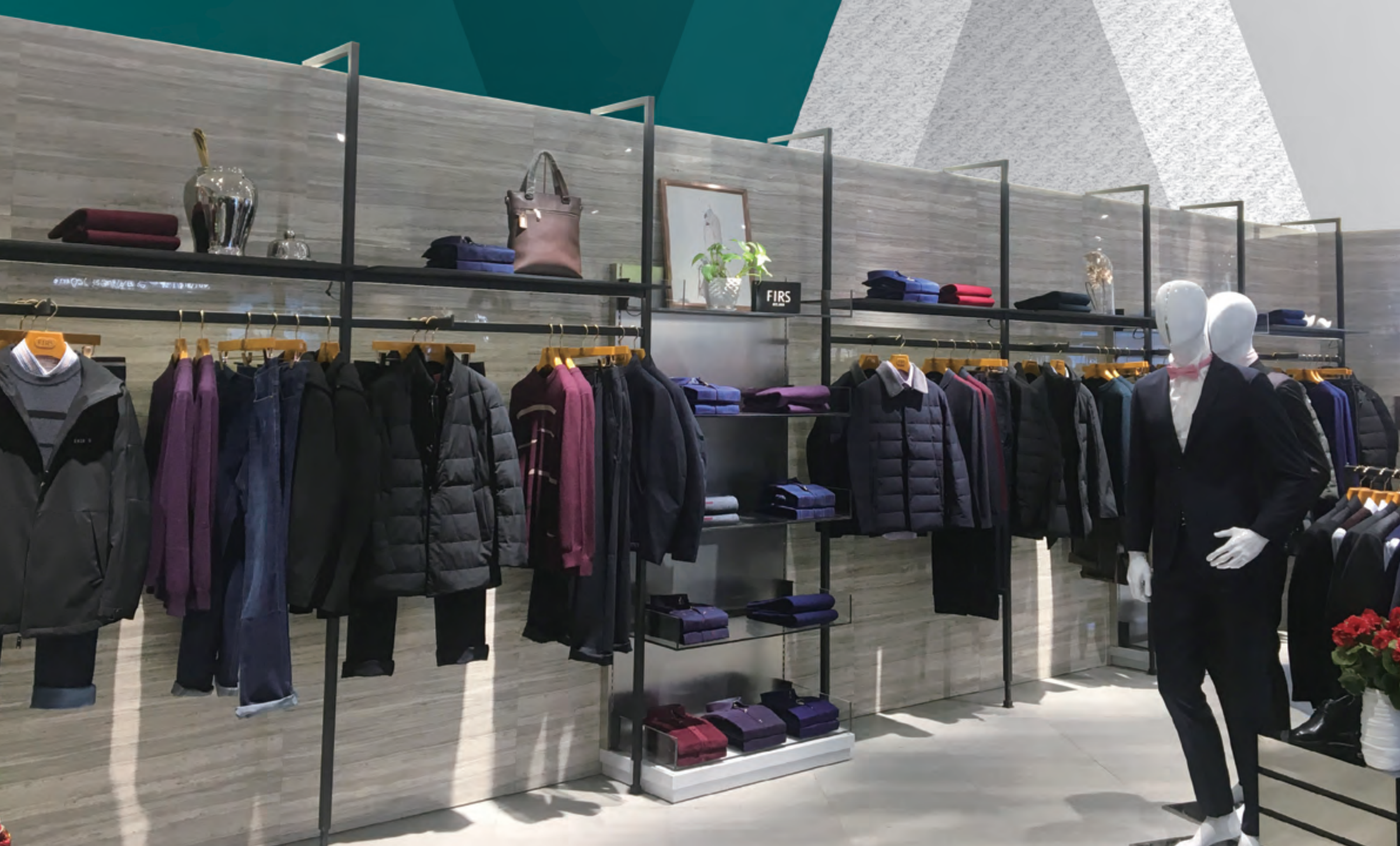


Corporate Profile

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. Luo Yefei (Chairman)
(Appointed as the Chairman on 26 June 2020)
Mr. Cao Yang (Vice Chairman)
Ms. Yan Jingfen

Non-executive Directors

Ms. Zhao Chunxiang (Appointed on 21 August 2020)
Ms. Zhou Yumei (Appointed on 21 August 2020)
Mr. Zheng Shijie (Appointed on 21 August 2020)

Independent non-executive Directors

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

SUPERVISORS

Ms. Zhou Danna
Mr. Wang Yijun
Ms. Yang Yi

JOINT COMPANY SECRETARIES

Ms. Yan Jingfen
Ms. Cheng Lucy

AUTHORISED REPRESENTATIVES

Ms. Yan Jingfen
Ms. Cheng Lucy

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. Luo Yefei (Chairman)
(Appointed on 26 June 2020)
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
25th 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

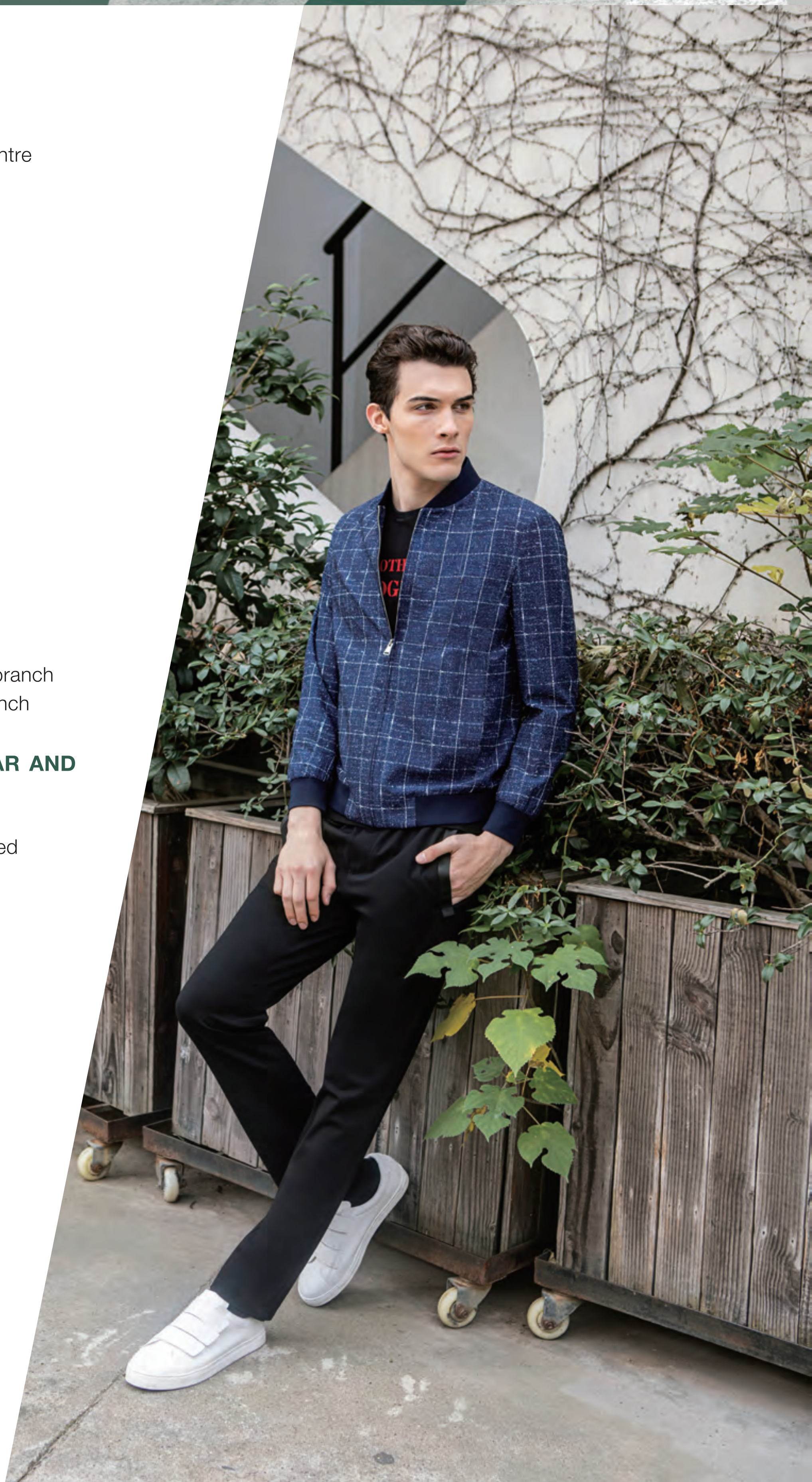
As to PRC law
Shu Jin Law Firm
12/F, Taiping Finance Tower
6001 Yitian Road
Futian District
Shenzhen
Guangdong Province
The PRC

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

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F
148 Electric Road
North Point
Hong Kong

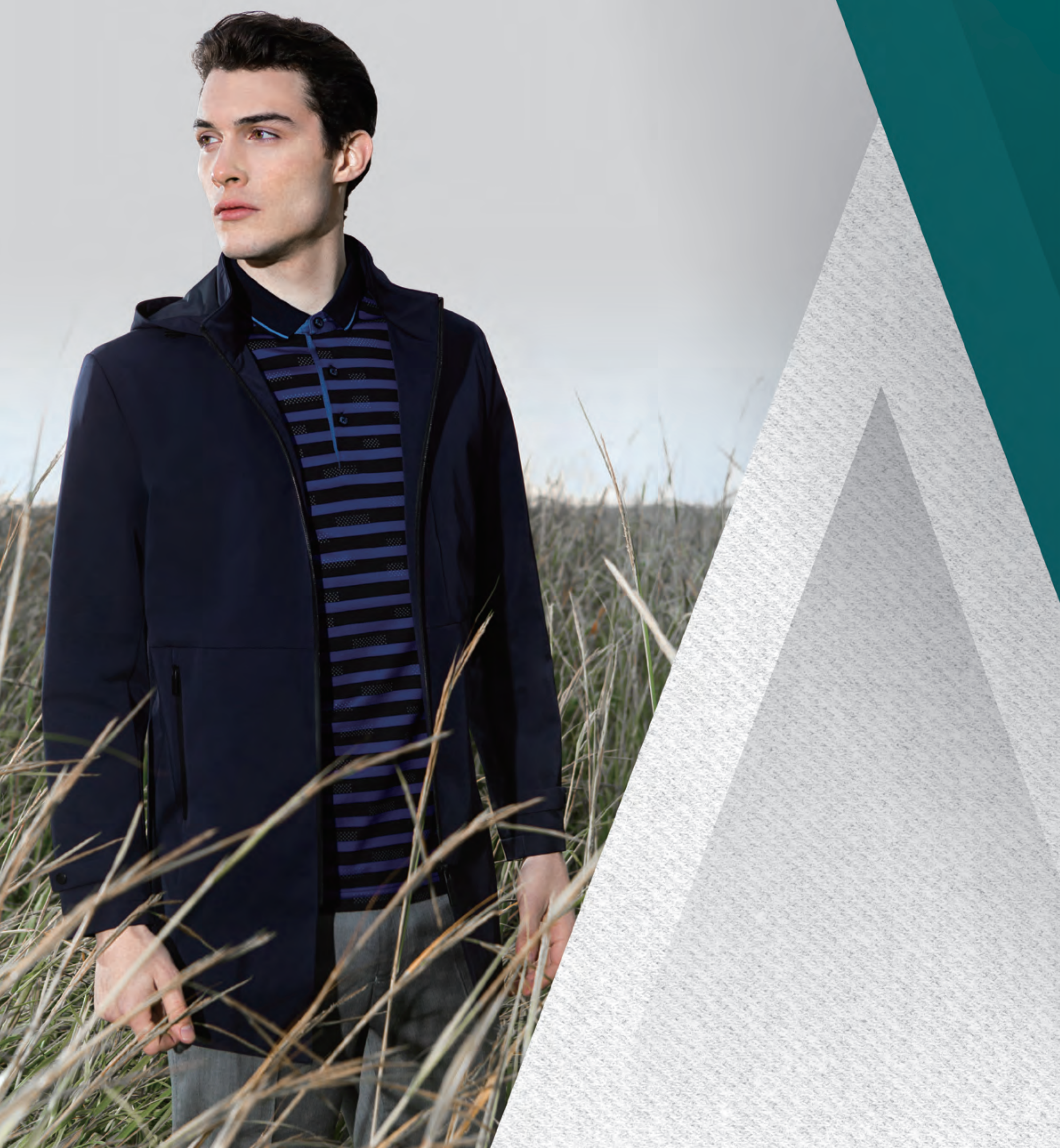


Financial Summary

		Year ended				
		2020	2019	2018	2017	2016
Revenue	*RMB'000*	**899,686**	1,036,440	1,025,286	797,888	592,083
Operating (loss)/profit	*RMB'000*	**(75,944)**	(23,178)	35,668	36,961	33,814
(Loss)/profit attributable to owners of the Company	*RMB'000*	**(68,310)**	(16,312)	36,210	44,970	35,244
Gross profit margin	*%*	**47.0%**	56.2%	58.1%	54.1%	48.7%
Operating (loss)/profit margin	*%*	**(8.4%)**	(2.2%)	3.5%	4.6%	5.7%
(Loss)/profit margin attributable to owners of the Company	*%*	**(7.6%)**	(1.6%)	3.5%	5.6%	6.0%
(Loss)/earnings per share — basic and diluted	*RMB cents*	**(51)**	(12)	31	45	35
Final dividend per share	*RMB cents*	**—**	—	6	—	—

	As at 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**130,186**	212,689	145,902	120,924	102,015
Current assets	**758,428**	926,218	909,625	746,915	590,148
Inventories	**428,466**	503,448	461,779	336,424	234,173
Trade and bills receivables	**162,834**	188,093	183,247	163,329	198,859
Cash and cash equivalents	**111,326**	137,476	145,399	102,073	97,110
Total assets	**888,614**	1,138,907	1,055,527	867,839	692,163
Current liabilities	**658,433**	813,818	745,254	684,439	541,837
Trade and bills payables	**168,666**	229,872	218,121	184,154	174,425
Interest-bearing bank borrowings	**202,244**	180,000	260,000	285,000	245,000
Non-current liabilities	**23,505**	42,470	—	—	6,354
Total liabilities	**681,938**	856,288	745,254	684,439	548,191

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 2020 (the "**Year**" or "**FY2020**").

Looking back at 2020, the outbreak of novel coronavirus (COVID-19) (the "**COVID-19**") epidemic has evolved into a pandemic (the "**Pandemic**"), which has caused a huge impact on China's domestic economy and consumption, and the apparel industry where the Group operates were significantly affected by the downturn in the macroeconomy. The domestic epidemic and related prevention and control measures have also had a significant negative impact on the Group's financial performance and operating conditions. As a result of the lockdowns due to the Pandemic, the Internet and e-commerce have become increasingly popular, which has greatly changed people's consumption habits. Meanwhile, price competition among retailers and rising operating costs have led to difficult operational conditions. Although the Group continued to take a variety of measures during the Year to cope with the impact of the market environment, the Group's performance was inevitably negatively affected.

Faced with various adverse factors in operation and market challenges in all aspects, the Group has redefined its development position and taken the initiative to seek for change in the first half of 2020. Guided by the annual operating policy of "enhancing the efficiency of operations, achieving increment through innovation, and energising the enterprise through mechanism", the Group has taken a number of measures to respond to changes in the market environment. Although the annual performance declined to a certain extent, in the second half of 2020, the Group's revenue showed a gradual improvement trend, representing an increase of about 14.4% as compared with the corresponding period in 2019. Specific measures included but were not limited to the following:

I. PROACTIVELY PLANNING FOR AND EXPANDING NEW RETAIL BUSINESS

The Group comprehensively planned for new retail scenarios, established new retail business department, integrated several online businesses including traditional e-commerce, live-broadcast e-commerce and online shopping mall, actively adopted various ways such as cooperation with external Internet platforms, and strived to enhance its business capability, expand the brand influence and promote the business growth of the Group. In the FY2020, the Group's e-commerce platform channel revenue increased significantly by about 56.4%, which also played a positive role in improving the de-stocking of inventory products.

II. REFINING BUSINESS OPERATION

At the beginning of 2020, the Group actively promoted the revitalisation of its business around the "four increases" and "four reductions" management principles, including increase in performance, sell-out and employees' efficiency, and reduction of expenses, inventory, redundant personnel and internal consumption. In terms of specific business operation, the Group took several core management measures, including optimising channel structure, adjusting product structure, upgrading outlet image, improving terminal displays, adjusting regional staffing, building an incentive mechanism, and promoting the unified outlet appearance, demand-oriented replenishment and membership management. The Group has achieved positive performance in a number of operating indicators, and achieved the best level in the sell-out over the years; with the improvement of performance in the second half of 2020, the proportion of various expenses of the Group gradually decreased; the Group has positively improved its inventory, with inventory decreased by about 14.9% year-on-year.

III. STABLY PROMOTING THE INNOVATION AND OPTIMISATION OF SUPPLY CHAIN

During the Year, the Group continually upgraded and rebuilt its warehousing and logistics center and its information management system, so as to promptly response to the changes in the market. The main measures include strengthening the linkage between the headquarters and the terminal, improving the market matching of products and terminal coverage ratio in prompt response to market demands, optimising the supplier structure, and strengthening the management and control over cost, efficiency and quality. The Group has improved its inventory turnover rate to a certain extent during the Year, with average turnover days of inventory reduced from 388 days in 2019 to 357 days in the Year.

IV. ADJUSTING THE ORGANISATION STRUCTURE AND PROMOTING MECHANISM BUILDING

The Group adjusted the organisation structure by implementing business division system and centralising the functions of the headquarters; in terms of regional management, it adjusted the regional structure and personnel allocation, striving to build an elite business management team. Meanwhile, efforts were made to optimise human resources, strengthen the objective and performance assessment mechanism, encourage innovation, and motivate the operation vitality; internal training and external introduction were combined to cultivate potential talents internally and introduce outstanding talents externally. The structure and overall quality of the Group's human resources were significantly optimised and improved during the Year.

A series of above-mentioned measures generated positive effect on the business performance of the Group in the second half of 2020, but as far as the annual business performance is concerned, it was inevitably affected by the Pandemic and domestic economic environment. For 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 RMB899.7 million, with a decrease of approximately 13.2% compared with last year.

Going forward, we will forge ahead despite the continuously changing economic environment, increasingly intensified market competition and the continuous impact of the Pandemic to develop the two core self-owned brands and maintain our position in the industry. We believe that the operating strategies adopted and to be adopted by the Group will have a positive impact on the future operating performance of the Group. We will also continue to actively seek and amplify new business growth points, promote business development, and create more value for the shareholders of the Company (the "**Shareholders**").

Luo Yefei
Chairman of the Board

Ningbo, the PRC, 29 March 2021

Management Discussion and Analysis

BUSINESS REVIEW

With the outbreak and spread of the Pandemic in 2020, the PRC suffered from greater pressure in the domestic apparel market. According to the data of China National Garment Association, in 2020, the operating revenue of enterprises above designated size in the apparel industry decreased by 11.34% year-on-year, and the retail sales of garment products above designated size totaled RMB882.4 billion, down by 8.1% year-on-year, of which the first quarter of 2020 decreased by 34.3% year-on-year. During the Year, the Group continued to follow its annual operation policy of "enhancing the efficiency of operations, achieving increment through innovation, and energising the enterprise through mechanism", took a variety of business management measures to lift the operation vitality: optimised and adjusted its sales and distribution network; optimised supplier structure and raised supply chain efficiency; disposed inventory products via multiple channels; optimised product structure and improved product design and quality; strengthened the exploration of the business suit market through enhancing the customer satisfaction; developed and expanded business growth points through the planning of the new retail scenario. In the second half of 2020, the Group achieved positive improvements in business performance, reversing the downward trend of business in the first half of 2020, with an increase in its revenue by about 14.4% as compared with the corresponding period in 2019.

As a leading enterprise deeply engaged in the apparel industry for three decades, the Group strove for reasonable planning and refined operation, and carried out restructuring in terminal channels according to the history of each store and the business performance during the Pandemic period. The number of retail outlets of the Group decreased from 1,280 as at 31 December 2019 to 1,003 as at 31 December 2020, including 498 retail outlets under FIRS, 497 retail outlets under SHANSHAN and 8 retail outlets under LUBIAM, representing a decrease of approximately 21.6% in the total number of retail outlets under these three brands.

Although the business attire sales declined to a certain extent in 2020, the Group increased its efforts to develop the business suit market in the second half of 2020, and the number of prospective customers and contracted customers increased steadily, which will have a positive effect on future business growth. In addition, on the basis of multiple measures to improve the traditional business, the Group has also joined hands with highly specialised partner customers to vigorously promote the business development of traditional e-commerce platforms (including VIP.com, Tmall and JD.com platforms); meanwhile, the Group has also increased its investment in the new retail placement, including actively cooperating with various external internet platforms and setting up an independent operation team for live e-commerce, which has greatly increased the Group's e-commerce business this year.

During the Year, faced with the economic downturn, the Pandemic and intensified competition of the apparel industry in the PRC, the Group continued to close certain loss-making and low-efficiency outlets according to their performances, reorganised distribution network and optimised the direct sales terminal. At the same time, the Group continued to expand the franchise channels. In addition, while steadily promoting the operation of offline stores, as the capability of the new retail business operation team matures day by day, the Group will effectively promote the integration of new retail business and traditional offline business and facilitate the joint development of online and offline business. At the level of basic management, the Group will continue to optimise the personnel structure, activate organisational motivation, strengthen target assessment, and optimise business processes to ensure the Company's business development. 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.

Management Discussion and Analysis

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 decreased by approximately 13.2% to RMB899.7 million from RMB1,036.4 million for the year ended 31 December 2019 (the "**FY2019**"), primarily attributable to (i) the Pandemic and related prevention and control measures imposing a great impact on the business in the first half of 2020, (ii) the Company's initiative to adjust the sales channel structure and eliminate low-capacity outlets; and (iii) the decrease in the sales to distributors and the revenue in uniform business. 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			
	2020		2019	
	RMB'000	**%**	RMB'000	%
Sales to distributors	**78,988**	**8.8**	136,573	13.2
Direct sales				
E-commerce platforms	**151,989**	**16.9**	97,178	9.4
Self-operated retail outlets	**154,406**	**17.2**	156,714	15.1
Franchisee sales				
Cooperative arrangements and franchising arrangements in relation to LUBIAM	**445,955**	**49.6**	529,110	51.0
Work uniforms	**55,310**	**6.1**	102,714	9.9
Trademark sub-licensing income	**13,038**	**1.4**	14,151	1.4
Total	**899,686**	**100.0**	1,036,440	100.0

Revenue by brands

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

	Year ended 31 December			
	2020		2019	
	RMB'000	**%**	RMB'000	%
FIRS	**375,621**	**41.8**	442,343	42.7
SHANSHAN	**498,814**	**55.4**	560,761	54.1
LUBIAM	**12,213**	**1.4**	19,185	1.8
Others	**13,038**	**1.4**	14,151	1.4
Total	**899,686**	**100.0**	1,036,440	100.0

Gross profit

For the Year, the Group's gross profit decreased by approximately 27.3% to RMB423.3 million from RMB582.4 million for the FY2019, primarily attributable to (i) the decrease in revenue of the Group due to the impact of the Pandemic; (ii) the decrease in gross profit margin as a result of more discounts on the sales of Group due to the impact of the Pandemic and the increasingly fierce competition in the industry; and (iii) the write-down of inventories of RMB17.1 million among which RMB11.7 million was related to Lubiam (Ningbo) Apparel Co., Ltd.*（寧波魯彼昂姆服飾有限公司）("**Lubiam Apparel**"), a subsidiary of the Company in liquidation.

Other revenue

Other revenue mainly comprises the Group's income derived from the sale of raw materials and interest income from banks. For the Year, the Group's other revenue decreased by approximately 63.3% to RMB1.8 million from RMB4.9 million for the FY2019, primarily attributable to the decrease in the sale of raw materials to distributors and suppliers by RMB3.1 million during the Year.

* *for identification purpose only*

Other gains and losses

For the Year, other gains increased to net gains of RMB13.9 million which mainly represented (i) the gain of RMB16.9 million on disposal of 20% equity interest of Le Coq Sportif (Ningbo) Co., Ltd. ("**Le Coq**"), an associate of the Company; and (ii) aggregate exchange gain of RMB5.7 million recorded from the borrowings in United States dollars ("**USD**").

Net other losses for the FY2019 of RMB4.7 million mainly represented the Group's write-down of inventories of approximately 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.

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 decreased by approximately 13.2% to RMB452.0 million from RMB520.7 million for the FY2019, mainly attributable to (i) decrease in sales revenue which led to a decrease in store expenses; (ii) lower advertising expenses; and (iii) lower salary and remuneration expenses due to the reduction of personnel, and partial reduction of pension expenses amid the epidemic in China.

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 remained relatively stable, decreased by approximately 2.2% to RMB49.6 million from RMB50.7 million for the FY2019.

Impairment loss on trade receivables, net

For the Year, the Group's impairment loss on trade receivables substantially decreased to RMB1.9 million from RMB13.6 million for the FY2019, mainly attributable to expedite collections of receivables.

Finance costs

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

For the Year, the Group's finance costs decreased by approximately 34.6% to RMB11.9 million from RMB18.2 million for the FY2019. The decrease was mainly attributable to the reduction in loan interest rates.

Income tax credit/(expense)

Income tax credit/(expense) mainly represents the income tax payable by the Group according to the relevant PRC income tax laws and regulations. For the Year, there was an income tax credit of RMB2.4 million compared with income tax expense of RMB4.0 million for the FY2019. The income tax credit for the Year is mainly attributable to the recognition of deferred tax arising from impairment losses on inventories, trade receivables and property, plant and equipment.

Loss for the year

As a result of the foregoing, the Group recorded net loss for the Year of RMB75.9 million compared with net loss of RMB23.2 million for the FY2019, which was primarily attributable to the decreases in (i) the revenue of the Group due to the Pandemic; and (ii) the gross profit margin as a result of higher sales discounts for the purpose of reducing inventory.

WORKING CAPITAL MANAGEMENT

	31 December	
	2020	2019
Average inventory turnover days	**357**	388
Average trade receivables turnover days	**71**	65
Average trade payables turnover days	**153**	180

The Group's average inventory turnover days decreased from 388 days as at 31 December 2019 to 357 days as at 31 December 2020, which was primarily attribute to the Group's strengthening of the linkage between headquarters and terminals and improving the matching ability between products and the market and the ability to respond to market demand, resulting in a faster inventory turnover days for the Year.

The Group's average trade receivables turnover days remained relatively stable, increasing from 65 days as at 31 December 2019 to 71 days as at 31 December 2020.

The Group's average trade payables turnover days decreased from 180 days as at 31 December 2019 to 153 days as at 31 December 2020, which was primarily attributable to the reduction in the average trade payables turnover days as a result of the Group's implementation of the demand-oriented replenishment of commodities, and the rapid return mechanism of hot style, which accelerated the linkage with suppliers.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a solid financial position for the Year. The Group's cash and cash equivalents decreased from RMB137.5 million as at 31 December 2019 to RMB111.3 million as at 31 December 2020, and its pledged deposits decreased to RMB22.0 million as at 31 December 2020 from RMB33.6 million as at 31 December 2019. The decrease in the cash and cash equivalents was primarily attributable to the loan repayment of RMB100.0 million made to Ningbo Shanshan Co., Ltd. ("**Shanshan**"), the former holding company of the Company. The cash and cash equivalents were mainly denominated in Renminbi ("**RMB**").

As at 31 December 2020 and 31 December 2019, the Group's total bank borrowings amounted to approximately RMB202.2 million and RMB180.0 million, respectively. The bank borrowings as at 31 December 2020 carried fixed interest rate for RMB loans at 5.0% per annum and variable rates of USD LIBOR +1.00% and 3-month EURO LIBOR +0.28% for USD and EURO bank borrowings, respectively (31 December 2019: fixed interest rates range from 5% to 5.7% per annum). All bank borrowings were denominated in RMB, EURO and USD 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 22.8% and 15.8% as at 31 December 2020 and 31 December 2019, respectively.

TREASURY POLICIES

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

FOREIGN EXCHANGE RISK AND HEDGING

Most of the Group's transactions are denominated in RMB while the net proceeds from the share offer in connection with the Listing ("**Share Offer**") and any payment of dividends to the holders of H Shares were or will be made in Hong Kong dollars, which exposes the Group to market risks arising from changes in foreign exchange rates. In addition, the Group also exposes to the foreign exchange risks arising from the bank loan denominated in USD. Currently, the Group does not implement any foreign currency hedging policy, but the management of the Group will closely monitor the exposure to any exchange rates and consider the use of hedging instruments if necessary.

USE OF PROCEEDS FROM THE SHARE OFFER

The H Shares were listed on the Main Board of the Stock Exchange on 27 June 2018. The total net proceeds from the Share Offer amounted to approximately HK$66.4 million (equivalent to approximately RMB55.2 million). As at 31 December 2020, a total of RMB50.8 million of the proceeds from the Share Offer had been utilised for the following purposes which are consistent with that disclosed in the prospectus of the Company dated 12 June 2018 (the "**Prospectus**"):

	Planned amount RMB (million)	Unutilised balance as at 1 January 2020 RMB (million)	Actual utilised amount during the Year RMB (million)	Unutilised amount as at 31 December 2020 RMB (million)
Retail network	20.9	—	—	—
Brand promotion and marketing	13.6	—	—	—
Information technology system	10.7	8.9	4.5	4.4 (Note)
Warehouses and logistics center	4.5	—	—	—
General working capital	5.5	—	—	—
Total	55.2	8.9	4.5	4.4

Note: Due to delay in project progress during the Pandemic period, the Group expects to utilise the proceeds in the fourth quarter of 2021 in upgrading its information technology system.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2020, the Group had 523 employees (31 December 2019: 669 employees). Employee costs, including Directors' emoluments, amounted to approximately RMB83.3 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 Directors and individual senior management. The Group provides and arranges on-the-job training for the employees.

The remuneration committee of the Board (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, responsibilities of the Directors and the senior management as well as the Group's financial performance.

ENVIRONMENTAL MANAGEMENT

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

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

Except for the material transactions in terms of the acquisition of right-of-use assets which were recognised under Hong Kong Financial Reporting Standard 16 in connection with the operating leases of office premises, warehouses and retail stores entered by the Group, and the disposal of the 20% equity interest of Le Coq, an associate of the Company, the Group did not have any significant investments, material acquisitions or disposals of assets, subsidiaries, associates or joint ventures during the Year.

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 2020. The Company's expected source of funding for the coming year will tentatively come from the Group's existing internal resources and from bank borrowings.

CAPITAL STRUCTURE

There was no change in the capital structure of the Company as at 31 December 2020 as compared with that as at 31 December 2019.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2020 (31 December 2019: Nil).

PLEDGE OF ASSET

As at 31 December 2020, the Group pledged deposits of RMB10,000,000 (31 December 2019: RMB33,556,150) to secure outstanding bills payables. RMB12,000,000 was placed as securities for the EURO bank borrowing. Save for the pledged deposits, the Group did not pledge any of its assets as securities for outstanding bills payables and bank borrowings.

OUTLOOK AND STRATEGIES

Looking into 2021, amid the business environment under the continuous macro-economic pressure and surrounded by the existing uncertainties, the Group will still adhere to its aspiration to focus on creating excellent products favoured by consumers and enhancing the core competitiveness of the Group. The Group will actively uphold new technologies, new platforms, new models and other changes, which enable the Group to bridge online and offline sales scenarios and build new consumption experience scenarios by the construction of smart stores based on the application of customer data so as to promote the innovative development of the Group's business.

Meanwhile, the Group will continue the intensive development of traditional businesses while developing new businesses in an innovative manner around the theme of Innovation Development & Connotation Development by implementing the following measures: (1) continue to increase investment in new retail business and develop a business model of integrating e-commerce operation, cooperative live broadcasting and self-operated live broadcasting based on the offline business so as to create new business growth points; (2) improve channel management, strengthen the expansion of dealers, optimise and improve direct sales system, as well as focus on the performance targets of stores; (3) enhance the synergy between commodity, product and supply chain to improve the response efficiency of supply chain; (4) take multiple measures to raise the turnover efficiency of goods, reasonably control the inventory, and improve the production and sales rate of goods; and (5) sort out business flow and management process as well as the relevant system construction, including salary and incentive mechanism, performance appraisal mechanism, etc., with a view to boost the motivation of personnel.

Benefiting from the excellent brand portfolio and good operation management, the Group is still optimistic about the future prospects. The Group will use its brand edges to carry out multi-brand cooperation and fully capitalise the value of brand resources. While improving the existing business, the Group actively explores business cooperation opportunities to continuously boost the Group's profitability.

Biographies of Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. Luo Yefei (駱葉飛), aged 46, was appointed as an executive Director on 18 May 2016 and a chairman of the Board as well as a member and chairman of the nomination committee of the Board (the "**Nomination Committee**") on 26 June 2020. 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* (寧波杉杉時尚服裝品牌管理有限公司) ("**Fashion Brand**") and Lubiam Apparel, subsidiaries of the Company. 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.* (陝西茂葉工貿有限公司) ("**Shaanxi Maoye**"), a substantial shareholder of the Company, 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) ("**Shaanxi Tuoda**"), 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. On 31 July 2020, Mr. Luo obtained a junior college diploma (專升本文憑) in Business Administration through online learning from Southwest University (西南大學). Mr. Luo is the husband of Ms. Zhou Yumei, a non-executive Director. Mr. Luo is interested in approximately 80% of the registered capital of Shaanxi Maoye and is deemed to be interested in approximately 20% of the registered capital of Shaanxi Maoye held by Ms. Zhou under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("**SFO**"). Mr. Luo is interested in approximately 45% of the registered capital of Ningbo Liankangcai Brand Management Co., Ltd.* (寧波聯康財品牌管理有限責任公司) ("**Ningbo Liankangcai**"), a substantial shareholder of the Company.

Mr. Cao Yang (曹陽), aged 49, 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 was responsible for strategic planning of the Group. He is also an executive director and the general manager of Ningbo Shanshan E-Commerce Co., Ltd.* (寧波杉杉電子商務有限公司) ("**Shanshan E-Commerce**"), a subsidiary of the Company. 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 served as the planning director of Shanshan Holding Co., Ltd.* (杉杉控股有限公司) ("**Shanshan Holding**"), a company primarily engaging in industrial investment, investment management and research, development and sales of garments, and was responsible for strategic planning and brand management, public communication and corporate culture communication. From June 2009 to December 2013, he acted as an assistant president and the vice president of Shanshan Group Co., Ltd.* (杉杉集團有限公司) ("**Shanshan Group**"), a company primarily engaging in property management, trading of nonferrous metals and chemical products, assets management and investment consultancy, and was 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.

* *for identification purpose only*

Ms. Yan Jingfen (嚴靜芬), previously known as Yan Xuefang (嚴雪舫), aged 47, 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 a joint company secretary of the Company and responsible for financial management, company secretarial matters and the compliance matters of the Group. Meanwhile, Ms. Yan is a director of (i) Fashion Brand and Lubiam Apparel, subsidiaries of the Company; (ii) Ningbo Shanjing Apparel Co., Ltd.* (寧波杉京服飾有限公司) ("**Ningbo Shanjing**"), an associate of the Company; and (iii) Hangzhou Shanxi E-Commerce Co., Ltd.* (杭州杉喜電子商務有限公司), a joint venture of the Group. She is also a supervisor of Shanshan E-Commerce, a subsidiary of the Company. 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.* (寧波杉杉博萊進出口有限公司), 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. Ms. Yan is interested in approximately 21% of the registered capital of Ningbo Liankangcai, a substantial shareholder of the Company.

NON-EXECUTIVE DIRECTORS

Ms. Zhao Chunxiang (趙春香), aged 40, was appointed as a non-executive Director on 21 August 2020. Ms. Zhao has been the merchandising manager of Shanghai Qunguan Building Technology Co., Ltd.* (上海群冠建築科技有限公司) since March 2018. She served as the merchandising manager of Shanghai Kangnuo International Trading Co., Ltd.* (上海康諾國際貿易有限公司) from January 2010 to February 2018, where she was responsible for the procurement of apparel, textile, hotel supplies and other items. From July 2003 to December 2009, she served as a merchandiser of Harbin Yixin Import and Export Trade Co., Ltd.* (哈爾濱億鑫進出口有限公司), where she was responsible for the procurement for the company's various exported products. Ms. Zhao obtained a college diploma (專科文憑) in e-commerce from Harbin Vocational & Technical College in the PRC in June 2003, and obtained a bachelor's degree in procurement and supply management from Shanghai University of Finance and Economics in the PRC in 2018.

Ms. Zhou Yumei (周玉梅), aged 50, was appointed as a non-executive Director on 21 August 2020. Ms. Zhou has been successively the deputy general manager and the general manager and executive director of Shaanxi Maoye, a substantial shareholder of the Company, since September 2009, a company primarily engaged in the production and sale of garments, where she is responsible for business management. From September 2002 to September 2009, Ms. Zhou served as the deputy general manager of Shaanxi Tuoda, a company primarily engaged in the sales and production of garments, where she was responsible for the sales and management. Ms. Zhou is the wife of Mr. Luo Yefei, the chairman of the Board and an executive Director. Ms. Zhou is interested in approximately 20% of the registered capital of Shaanxi Maoye and is deemed to be interested in approximately 80% of the registered capital of Shaanxi Maoye held by Mr. Luo under the SFO; in addition, Ms. Zhou is deemed to be interested in approximately 45% of the registered capital of Ningbo Liankangcai held by Mr. Luo under the SFO.

* *for identification purpose only*

Mr. Zheng Shijie (鄭世傑), aged 50, was appointed as a non-executive Director on 21 August 2020. Mr. Zheng has been a deputy general manager and planning director of the Group since June 2013 and is responsible for the brand building of the Group. He joined the Group as the planning director of Fashion Brand in June 2013. He has over 21 years of experience in the apparel industry. From June 2012 to June 2013, Mr. Zheng was an assistant to the general manager of Shaanxi Maoye, a substantial shareholder of the Company which primarily engaged in the sale and production of garments, 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's fashion 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 the establishment and development of women's fashion business. He obtained the college diploma (專科文憑) from Beijing Institute of Technology in the PRC in January 2019. Mr. Zheng is interested in approximately 3% of the registered capital of Ningbo Liankangcai.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Au Yeung Po Fung (歐陽寶豐), aged 53, was appointed as an independent non-executive Director and the chairman of audit committee of the Board (the "**Audit Committee**") on 28 May 2018. He is responsible for providing independent advice and judgement to the 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
June 2020 to present	Zhenro Services Group Limited (正榮服務集團有限公司) (stock code: 6958), listed on the Main Board of the Stock Exchange on 10 July 2020	Property management services	Independent non-executive director	Providing independent advice on the operations and management to the group
October 2020 to present	Sunkwan Properties Group Limited (上坤地產集團有限公司) (stock code: 6900), listed on the Main Board of the Stock Exchange on 17 November 2020	Property development	Independent non-executive director	Providing independent advice on the operations and management to the group
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	Property development and property leasing	Independent non-executive director	Providing independent advice on the operations and management to the group

* *for identification purpose only*

Period of services	Name of company	Principal business	Position(s)	Responsibilities
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	Property development, property management, property leasing and management consulting	Independent non-executive director	Providing independent advice on the operations and management to the group
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 judgement 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 judgement 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 judgement 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 judgement to the company

Period of services	Name of company	Principal business	Position(s)	Responsibilities
July 2016 to September 2017	South China Holdings Company Limited (南華集團控股有限公司) (stock code: 413) and South China Assets Holdings Limited (南華資產控股有限公司) (stock code: 8155), listed on the Main Board and GEM of the Stock Exchange, respectively	Property development and investment	Chief financial officer of the PRC property division of the company	Assisting the group's chief financial officer in the overall financial management
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 judgement to the company
February 2014 to August 2014	Fosun International Limited (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 Limited (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 of the business department of the company in Mainland China	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 59, 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 judgement 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 50, was appointed as an independent non-executive Director, a member of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee on 28 May 2018. He is responsible for providing independent advice and judgement to the Board. Mr. Wu has over 23 years of experience in apparel industry. Mr. Wu has been serving as the chief creative director of Biaoding Apparels 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 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 product design. 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 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.

Biographies of Directors, Supervisors and Senior Management

SUPERVISORY COMMITTEE

Ms. Zhou Danna (周丹娜), aged 39, 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. Ms. Zhou is also a supervisor of Fashion Brand, a subsidiary of the Company. She has over 12 years of experience in the apparel industry. Since July 2013, she was employed by the predecessor of the Company, 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 43, was appointed as a supervisor of the Company (the "**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 30, was appointed as the 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.

SENIOR MANAGEMENT

Mr. Wang Jun (王軍), aged 56, has been the executive deputy general manager of the Group since November 2011 and is responsible for production and procurement of the Group. He is also (i) a director of Fashion Brand, a subsidiary of the Company, and Ningbo Shanjing, an associate of the Company; and (ii) a supervisor of Ningbo Liankangcai, a substantial shareholder of the Company. 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 an 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 52, 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.

Corporate Governance Report

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 complying with good corporate governance practices serve its long-term interests and those of the Shareholders. Various measures have been adopted to enhance the management efficiency of the Company and thus to protect the interest of the Shareholders.

The Company has adopted the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to 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.2.1 of the CG Code that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

On 26 June 2020, Mr. Zhuang Wei ("**Mr. Zhuang**") resigned as a non-executive Director due to change of working arrangement of the Company's former controlling shareholder, Shanshan and ceased to be the chairman of the Board (the "**Chairman**"). Following the resignation of Mr. Zhuang, Mr. Luo Yefei ("**Mr. Luo**"), an executive Director and the general manager of the Company, has been appointed as the Chairman on the same day. Presently, the Company does not have a position of the title "chief executive officer". However, Mr. Luo has been carrying out the duties of the chief executive officer. The Board considers that the current structure facilitates the execution of the Group's business strategies and maximises the effectiveness of its operation. The Board shall nevertheless review the structure from time to time to ensure that appropriate action is being taken as and when appropriate.

Pursuant to code provision E.1.2 of the CG Code, the Chairman should attend the annual general meeting (the "**AGM**"). However, Mr. Zhuang, the former Chairman, was unable to attend the AGM held on 5 June 2020 (the "**2020 AGM**") due to other business engagements. In the absence of the former Chairman, Mr. Cao Yang ("**Mr. Cao**"), the vice Chairman and an executive Director, acted as chairman of the 2020 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 2020 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 as set out in the Model Code. Following a specific enquiry made by the Company with each of the Directors and the Supervisors, all the Directors and the Supervisors have confirmed that they had complied with the Model Code during the Year.

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 committees 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 the 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 judgement.

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.

Corporate Governance Report

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

Executive Directors
Mr. Luo Yefei (Chairman) (Appointed as the Chairman on 26 June 2020)
Mr. Cao Yang (Vice Chairman)
Ms. Yan Jingfen (Chief Financial Officer and Joint Company Secretary)

Non-executive Directors
Mr. Zhuang Wei (Chairman) (Resigned on 26 June 2020)
Mr. Yang Feng (Resigned on 26 June 2020)
Ms. Hui Ying (Resigned on 26 June 2020)
Ms. Zhao Chunxiang (Appointed on 21 August 2020)
Ms. Zhou Yumei (Appointed on 21 August 2020)
Mr. Zheng Shijie (Appointed on 21 August 2020)

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 "Biographies of Directors, Supervisors and Senior Management" of this annual report. Save for such relationship disclosed in the section headed "Biographies of Directors, Supervisors and Senior Management", as at 31 December 2020, 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 judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts and scrutinise 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 judgement on the corporate actions of the Company so as to protect Shareholders' interests and the overall interests of the Group.

The Board delegates the authority and responsibilities to the senior management for the day-to-day management and operations of the Group. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management.

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 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.

In October 2020, the Company's legal advisers delivered a training seminar on the responsibilities of directors of listed companies as to Hong Kong laws and an update on the Listing Rules to all the Directors and senior management of the Company, and provided a comprehensive training program covering a wide range of topics including but not limited to the responsibilities of directors of listed companies as to Hong Kong laws, corporate governance and continuing obligations of a listed company to the newly appointed directors.

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 organised 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 current Directors during the Year is summarised as follows:

Name of Directors	Type of Training
Executive Directors	
Mr. Luo Yefei	A and C
Mr. Cao Yang	A and C
Ms. Yan Jingfen	A and C
Non-executive Directors	
Ms. Zhao Chunxiang	A and C
Ms. Zhou Yumei	A and C
Mr. Zheng Shijie	A and C
INEDs	
Mr. Au Yeung Po Fung	A, 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 authorisation. The proxy shall exercise the rights of the Director within the scope of the authorisation. 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 meetings.

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, six (6) Board meetings and three (3) general meetings were held, including one (1) AGM and two (2) extraordinary general meetings (the "**EGM**"). Details of the attendance of each Director is set out below:

Name of Directors	No. of Attendance/ No. of Meetings Eligible to Attend: Board Meetings	General Meetings
Executive Directors		
Mr. Luo Yefei	6/6	3/3
Mr. Cao Yang	6/6	3/3
Ms. Yan Jingfen	6/6	3/3
Non-executive Directors		
Mr. Zhuang Wei (Chairman) (resigned on 26 June 2020)	2/2	1/2
Mr. Yang Feng (resigned on 26 June 2020)	2/2	2/2
Ms. Hui Ying (resigned on 26 June 2020)	2/2	2/2
Ms. Zhao Chunxiang (appointed on 21 August 2020)	3/3	1/1
Ms. Zhou Yumei (appointed on 21 August 2020)	3/3	1/1
Mr. Zheng Shijie (appointed on 21 August 2020)	3/3	1/1
INEDs		
Mr. Au Yeung Po Fung	6/6	3/3
Mr. Wang Yashan	6/6	3/3
Mr. Wu Xuekai	6/6	3/3

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.

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, re-appointment 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 two (2) 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 and audited the final results of the Group for the year ended 31 December 2019 and the unaudited interim results of the Group for the six months ended 30 June 2020 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	2/2
Mr. Wang Yashan	2/2
Mr. Wu Xuekai	2/2

The Audit Committee met on 29 March 2021 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 4 June 2021.

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
- making recommendations to the Board on the remuneration packages of each executive Director and senior management.

During the Year, the Remuneration Committee held a meeting 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 29 March 2021 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) executive Director, Mr. Luo Yefei. Mr. Luo Yefei 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 two (2) meetings and, among other matters, (i) reviewing the structure, size and composition of the Board; (ii) assessing the independence of the INEDs; and (iii) reviewing and making recommendations on the appointment of the Company's directors at the 2020 second EGM held on 21 August 2020 (the "**2020 Second EGM**") upon the resignation of Mr. Zhuang Wei, Mr. Yang Feng and Ms. Hui Ying, taking into account the existing composition and size of the Board and in accordance with the criteria of meritocracy, and based on the proposal of the Shareholders and objective selection criteria, which include, but are not limited to the diversity of the Board members in terms of gender, age, culture and accomplishment, experience and reputation in relation to the business of the Company and other related industries, etc..

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 (Resigned on 26 June 2020)	1/1
Mr. Luo Yefei (Appointed on 26 June 2020)	1/1
Mr. Wang Yashan	2/2
Mr. Wu Xuekai	2/2

The Nomination Committee met on 29 March 2021 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
- Any 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 processes:

(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 candidates 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 making recommendations to the Board;

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

- 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, analysing, categorising, mitigating and monitoring risks, and safeguarding assets against unauthorised 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, review the effectiveness of these systems and to resolve material deficiencies to safeguard the Group's assets. Once the Company identifies a material or a potential material deficiency, the Company will immediately form a working team to analyse and resolve the problem and improve the Company's internal control system while pursuing accountability, and may engage independent consulting firms as and when necessary.

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 or an appointment letter with the Company for a term commencing from the date of the AGM held on 5 June 2019 (the "**2019 AGM**") or the date of the 2020 Second EGM 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 or the appointment letter.

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.

Except for Ms. Zhao Chunxiang, Ms. Zhou Yumei and Mr. Zheng Shijie who were elected at the 2020 Second EGM, all other members of the current Board were 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 "Biographies 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	2

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	767
Non-audit services	
— Review of interim condensed consolidated financial statements	287
— Other professional services	145
Total	1,199

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 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 unauthorised 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 authorised 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 Ms. Cheng Lucy ("**Ms. Cheng**") as its Joint Company Secretary to assist Ms. Yan to discharge her duties as a company secretary of the Company. For the purpose of code provision 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 into between the Company and Boardroom. Ms. Cheng is a senior corporate secretarial manager of Boardroom.

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 the 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 duly signed written request 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, for the attention of the Directors/Joint Company Secretaries.

Procedures for Shareholders to Convene an EGM

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 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, 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, 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 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 meeting appointed for such Director 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

During the Year, the amendments to the Articles of Association in relation to procedures for the notice of convening the general meeting and other internal matters were approved by the Shareholders at the 2020 Second EGM, details of which are set out in the circular of the Company dated 6 July 2020. Save as the aforementioned articles, there was no material change to the Articles of Association during the Year. An updated version of the Articles and Association is available on the respective websites of the Company and the Stock Exchange.

Report of the Directors

The Board is pleased to present 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 (2019：Nil).

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 17 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 17 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 40 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 17 of this annual report, respectively.

Since January 2020, the Pandemic has had a significant adverse impact on the Group's business and operating performance. As at the date of this report, the Pandemic continues to expand globally. In view of the duration of the Pandemic and the extent of the impact on the industry, the management of the Group anticipates that the Pandemic may have further negative impact on the Group in 2021, the extent of which is subject to further assessment based on the actual situation. The management of the Group will also continue to monitor the development of the Pandemic and take proactive measures to reduce the negative impact of the Pandemic and the related preventive and control measures on the financial position and operating results of the Group.

On 23 December 2020, the Company announced the procedures for the voluntary liquidation of Lubiam Apparel. As at the date of this report, the liquidation committee of Lubiam Apparel is still carrying out the liquidation work related to store closure, inventory disposal, debt restructuring and staff arrangement, and will prepare a liquidation report and deregister the company after all liquidation work is completed. Depending on the actual results of the liquidation process, it may have a negative impact on the Group's operating performance in 2021. Details for the voluntary liquidation of Lubiam Apparel are set out in the announcement of the Company dated 23 December 2020.

Save as disclosed above, since 31 December 2020, being the end of the financial year under review, there were no significant events having an impact on the Group.

ENVIRONMENT, HEALTH AND SAFETY

The Group's business complies with applicable environmental laws and regulations of the PRC in any material respects. 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. Discussion on the Group's environmental policies are contained in the section headed "Management Discussion and Analysis" on pages 9 to 17 of this annual report. For details, please refer to the Environmental, Social and Governance Report expected to be published by the Company in due course.

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 employees 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 2020 are set out in note 28 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 31 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

DONATION

During the Year, the Group made charitable and other kinds of donations totaling approximately RMB586,252 (2019: Nil).

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

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

RESERVES AND DISTRIBUTABLE RESERVES

As at 31 December 2020, the distributable reserves of the Company, calculated in accordance with the provisions of the PRC Companies Law, amounted to approximately RMB23,409,997 (2019: RMB91,719,787). The movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 71 of this annual report and in note 42 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 148 of this annual report.

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 4.4% and 9.3% (2019: 2.6% and 9.0%) 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 10.0% and 20.0% (2019: 4.7% and 17.3%) respectively.

During the Year, none of the Directors or any of their close associates or any Shareholders (which to the knowledge of the Directors, owned more than 5% of the number of issued shares) had any interest in any of the 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. Luo Yefei
Mr. Cao Yang
Ms. Yan Jingfen

Non-executive Directors
Mr. Zhuang Wei (resigned on 26 June 2020)
Mr. Yang Feng (resigned on 26 June 2020)
Ms. Hui Ying (resigned on 26 June 2020)
Ms. Zhao Chunxiang (appointed on 21 August 2020)
Ms. Zhou Yumei (appointed on 21 August 2020)
Mr. Zheng Shijie (appointed on 21 August 2020)

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

The profiles of the current Directors of the Company are set out on pages 18 to 23 of this annual report.

CHANGE IN INFORMATION OF DIRECTOR

Subsequent to the date of the 2020 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 Sunkwan Properties Group Limited, (a company listed on the Main Board of the Stock Exchange on 17 November 2020, stock code: 6900) on 27 October 2020

SERVICE CONTRACT OF DIRECTORS AND SUPERVISORS

Except for Ms. Zhao Chunxiang, Ms. Zhou Yumei and Mr. Zheng Shijie whose service period commenced from 21 August 2020, the service period of other members of the Board and the Supervisory Committee commenced from 5 June 2019, and shall all end on 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.

During 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 other officers 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 EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the interests and short positions of the Directors, the 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), as recorded in the register required to be kept by the Company under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, which shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors, respectively, were as follows:

Long positions

(a) The domestic shares of the Company (the "Domestic Shares")

Name of Directors/ Supervisors	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 1)	Domestic Shares	Interest of controlled corporations/ Corporate interest/ Interest of spouse/ Family interest	37,347,000	37.347%	27.996%
Ms. Zhou Yumei ("**Ms. Zhou YM**") (Note 2)	Domestic Shares	Interest of a controlled corporation/ Corporate interest/ Interest of spouse/ Family interest	37,347,000	37.347%	27.996%

Notes:

(1) Mr. Luo, the chairman of the Board (the "**Chairman**"), was deemed to be interested in 37,347,000 Domestic Shares within the meaning of Part XV of the SFO, which representing 37.347% of the total number of issued Domestic Shares and 27.996% of the total number of issued shares of the Company and comprising (i) 24,012,000 Domestic Shares beneficially owned by Ningbo Liankangcai, a company owned as to 45% by Mr. Luo; and (ii) 13,335,000 Domestic Shares beneficially owned by Shaanxi Maoye, a company owned as to 80% by Mr. Luo and 20% by Ms. Zhou YM (the wife of Mr. Luo), respectively.

(2) Ms. Zhou YM is a non-executive Director and the wife of Mr. Luo. By virtue of the SFO, Ms. Zhou YM is deemed to be interested in the same number of Domestic Shares in which Mr. Luo is interested in.

Save as disclosed above and so far as is known to the Directors, as at 31 December 2020, none of the Directors, the Supervisors or the chief executive 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), as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise 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

As at 31 December 2020, so far as was known to or otherwise notified to any Directors or the chief executive of the Company, the particulars of the corporations or persons (other than the Directors, Supervisors or chief executive of the Company) which or who had interests in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long 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, 9 & 10)	Domestic Shares	Beneficial owner/ Personal interest	25,834,600	35.835%	26.863%
	Domestic Shares	Person having security interest/other interest	10,000,000		
Shanshan Group (Notes 2, 9 & 10)	Domestic Shares	Interest of a controlled corporation/ Corporate interest	25,834,600	35.835%	26.863%
	Domestic Shares	Interest of a controlled corporation/ Corporate interest	10,000,000		
Ningbo Yonggang Clothing Investment Co., Ltd. ("**Ningbo Yonggang**") (Notes 3, 9 & 10)	Domestic Shares	Interest of a controlled corporation/ Corporate interest	25,834,600	35.835%	26.863%
	Domestic Shares	Interest of a controlled corporation/ Corporate interest	10,000,000		
Shanshan Holding (Notes 4, 9 & 10)	Domestic Shares	Interest of a controlled corporation/ Corporate interest	25,834,600	35.835%	26.863%
	Domestic Shares	Interest of a controlled corporation/ Corporate interest	10,000,000		

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
Ningbo Qinggang Investment Co., Ltd. ("**Qinggang Investment**") (Notes 5, 9 & 10)	Domestic Shares	Interest of a controlled corporation/ Corporate interest	25,834,600	35.835%	26.863%
	Domestic Shares	Interest of a controlled corporation/ Corporate interest	10,000,000		
Mr. Zheng Yonggang ("**Mr. Zheng**") (Notes 6, 9 & 10)	Domestic Shares	Interest of a controlled corporation/ Corporate interest	25,834,600	35.835%	26.863%
	Domestic Shares	Interest of a controlled corporation/ Corporate interest	10,000,000		
Ms. Zhou Jiqing ("**Ms. Zhou**") (Notes 6, 9 & 10)	Domestic Shares	Interest of a controlled corporation/ Corporate interest	25,834,600	35.835%	26.863%
	Domestic Shares	Interest of a controlled corporation/ Corporate interest	10,000,000		
Ms. Li Xinghua	Domestic Shares	Beneficial owner/ Personal interest	30,815,400	30.815%	23.100%
Ningbo Liankangcai (Note 7)	Domestic Shares	Beneficial owner/ Personal interest	24,012,000	24.012%	18.000%
Shaanxi Maoye (Note 8)	Domestic Shares	Beneficial owner/ Personal interest	13,335,000	13.335%	9.996%

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 10.44% of the registered capital of Shanshan Group, and (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 54.08% and indirectly interested in approximately 10.44% 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. On 9 March 2021, the shareholding interests of Qinggang Investment in Shanshan Holding has been changed to 53.32%.

(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) Ningbo Liankangcai is owned as to 45% by Mr. Luo, 21% by Ms. Yan Jingfen, both are the executive Directors and 3% by Ms. Zheng Shijie, a non-executive Director. By virtue of the SFO, Mr. Luo is deemed to be interested in the Domestic Shares held by Ningbo Liankangcai. Ms. Zhou YM is a non-executive Director and the wife of Mr. Luo. By virtue of the SFO, she is deemed to be interested in the same number of Domestic Shares in which Mr. Luo is interested in.

(8) Shaanxi Maoye is owned as to 80% by Mr. Luo, an executive Director and 20% by Ms. Zhou YM, a non-executive Director. 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.

(9) On 30 March 2020, Shaanxi Maoye provided a guarantee by 10,000,000 Domestic Shares in favour of Shanshan for its obligations to the guarantee on the bank loans granted to the Group. By virtue of the SFO, each of Shanshan Group, Ningbo Yonggang, Shanshan Holding, Qinggang Investment, Mr. Zheng and Ms. Zhou (either through direct or indirect interest) is therefore deemed to be interested in the 10,000,000 Domestic Shares of security interest held by Shanshan.

(10) On 18 March 2021, each of Ms. Li Xinghua, Ningbo Liankangcai and Shaanxi Maoye provided guarantee by 30,815,400, 24,012,000 and 3,335,000 Domestic Shares respectively in favour of Shanshan for its obligations to the guarantee on the bank loans granted to the Group. By virtue of the SFO, each of Shanshan Group, Ningbo Yonggang, Shanshan Holding, Qinggang Investment, Mr. Zheng and Ms. Zhou (either through direct or indirect interest) is therefore deemed to be interested in the above mentioned Domestic Shares of security interest held by Shanshan.

Save as disclosed above, as at 31 December 2020, 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 the Directors, Supervisors or chief executive of the Company) which or who had interests in the shares or underlying shares of the Company 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 "**Former 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 Former 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 Former 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 undertaking parties. On the basis that: (i) the Company has received the confirmations from the undertaking parties regarding the Non-Competition Agreement; (ii) there was no competing business reported by the undertaking parties; 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.

On 3 July 2020, the Former Controlling Shareholders ceased to be controlling shareholders of the Company.

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 of the Company, 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 entity related to a Director or a Supervisor had a material interest, whether directly or indirectly, at anytime 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 "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 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 "Continuing Connected Transactions" and those described below, all other related party transactions as disclosed in note 33 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 disclosed in this report in accordance with Chapter 14A of the Listing Rules and all such transactions were conducted in the ordinary and usual course of business.

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 20 May 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 "**Licenced Trademarks**") under the category of garments, accessories, luggages and bags, shoes and hats and for the Company to sub-licence any members of the Group and third parties to use the Licenced 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 of the Company and hence, a connected person of the Company under the Listing Rules.

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

On 11 November 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.

Given that Lubiam Apparel has voluntarily started the winding-up proceedings, Lubiam Trademark Licence Agreement was terminated by both parties on 22 December 2020. In the meantime, Lubiam Moda per L'Uomo authorised Lubiam Apparel with the right to use LUBIAM trademark during the winding-up period to dispose of the inventories.

Lubiam Moda per L'Uomo is a controlling 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 entered into cooperative agreements (the "**Cooperative Agreements**") with 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 Management (Ningbo) Co., Ltd. (杉井商業管理（寧波）有限公司) ("**Shanjing Business**") and Zhengzhou Shanshan Outlets Shopping Plaza Co., Ltd. (鄭州杉杉奧特萊斯購物廣場有限公司) ("**Zhengzhou Shanshan**").

It is estimated that, by each of the years ended 31 December 2019 and 2020 and the year ending 31 December 2021, the maximum amount of revenue sharing under the Cooperative Agreements was not more than RMB0.5 million, RMB0.5 million and RMB0.5 million respectively.

Respectively 60%, 54% and 51% equities of Harbin Shanshan, Shanjing Business and Zhengzhou Shanshan were owned by Shanshan Group, one of substantial shareholders of the Company. So according to the Listing Rules, Harbin Shanshan, Shanjing Business, Zhengzhou Shanshan are associated persons of the Company. For further details, please refer to the "Connected Transaction" of Prospectus.

As at the date of this report, all the equities of Harbin Shanshan, Shanjing Business and Zhengzhou Shanshan held by Shanshan Group have been sold to an independent party. So far, Harbin Shanshan, Shanjing Business and Zhengzhou Shanshan are no longer connected persons of the Company and the Cooperative Agreements will no longer constitute connected transactions under the Listing Rules.

Upon the Listing, the Exempted Trademark Licence Agreements, the Lubiam Trademark Licence Agreement, the Cooperative Agreements and the transactions contemplated thereunder constitute de minimis continuing connected transactions that are exempted from compliance with the reporting, annual review, announcement and independent Shareholders' approval provisions 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 offices, 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 one of 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 ended 31 December 2019. Further details of the Previous Lease Agreements and the Supplemental Lease Agreement are set out in "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, in relation to the leasing of certain properties in Suqian, the PRC by the Company for warehouse and dormitory use, for a term of three years commencing on 1 September 2018 and ending on 31 August 2021. The maximum annual rent payable by the Company to Shanshan under the New Lease Agreement I and the New Lease Agreement II was 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 ended on 31 August 2019. The maximum annual rent payable by the Group to Shanshan under the New Lease Agreement III was 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 office and warehouse use 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 to 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.

The transactions contemplated under 2018 New Lease Agreements and the Previous Lease Agreements (as amended by the Supplemental Lease Agreement) 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 to 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
Luo Yefei
Chairman

Ningbo, the PRC, 29 March 2021

Report of the Supervisory Committee

Looking back to the year of 2020, 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 2020, 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 annual report for 2019 and the interim report for 2020;

b. Review of the plan of final financial accounts for 2019, the resolution on profit distribution plan for 2019 and the financial budget proposal for 2020;

c. Considering and approving the work report of the Supervisory Committee for 2019.

As at 31 December 2020, 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 2020 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 2020 and the operating results and cash flow in 2020.

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 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 2020. 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

29 March 2021

Independent Auditor's Report

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

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

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

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 68 to 147, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 "HKFRSs") 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 Property, Plant and Equipment and Right-of-use Assets
(Refer to Notes 5(b), 16 and 30 to the consolidated financial statements)

The Group had property, plant and equipment of RMB37,812,175 and right-of-use assets of RMB42,263,598 as at 31 December 2020. An impairment assessment was conducted for property, plant and equipment and right-of-use assets for loss-making retail stores for which RMB4,819,915 and RMB1,337,379 respectively, were provided during the year.

The management considers each retail store as an individual cash-generating unit as each store generates independent cash flows, which are largely independent of the cash flows generated by other assets. The Group determines the impairment provision based on the cash flow forecasts of loss-making retail stores. The evaluation process is inherently subjective, and dependent on a number of estimates including the sale growth rate the budgeted gross profit margin of each store and the discount rate.

Given the level of significant management judgements and estimates involved, this is considered to be a key audit matter.

Our Response

Our key procedures in relation to management's impairment assessment of property, plant and equipment and right-of-use assets included:

- Evaluating the Group's policies and procedures in identifying impairment indicators;
- Evaluating the reasonableness of the key assumptions including budgeted sales, gross profit margin and discount rate with reference to the historical financial data, available industry and market data and future business direction and business plan of management;
- Comparing historical actual results to those budgeted to assess the qualify of management's forecasting; and
- Reviewing the disclosure requirement applicable to the Group's financial statements.

KEY AUDIT MATTERS (CONTINUED)

Impairment Assessment of Inventories

(Refer to Notes 5(c) and 21 to the consolidated financial statements)

As at 31 December 2020, the carrying amount of inventories was approximately RMB428,466,391. The accumulated provision for impairment of inventories for the year ended 31 December 2020 was approximately RMB47,045,720. 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 impairment of 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 for impairment of 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 provision for impairment carried against inventory is 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 for impairment 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 ageing analysis and analysing the level of aged inventory and their associated provision for impairment;

— Testing the purchase cost and selling price on a sample basis with reference to the purchase invoices and subsequent sales records; and

— Recalculating the provision for impairment.

Impairment Assessment of Trade Receivables

(Refer to Notes 5(d) and 22 to the consolidated financial statements)

As at 31 December 2020, the Group had gross trade receivables of RMB233,524,516 and provision for impairment of trade receivables of RMB71,260,169. 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.

KEY AUDIT MATTERS (CONTINUED)

Impairment Assessment of Trade Receivables (Continued)

After management's impairment assessment, impairment losses on trade receivables of RMB1,947,306 have been recognised in profit or loss for the year.

Our Response

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

- Understanding and evaluating the Group's provision for impairment policy on trade receivables and basis of the assessment;
- 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;
- 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 the accuracy and the relevance of the input data being used in the ECL model; and
- Inspecting cash receipts from customers subsequent to the financial year end relating to trade receivables balances as at 31 December 2020, on a sample basis.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors of the Company 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 of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the HKFRSs 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.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, actions taken to eliminate threats or safeguards applied.

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, 29 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 RMB	2019 RMB
Revenue	6	**899,686,220**	1,036,439,097
Cost of sales		**(476,414,093)**	(454,013,907)
Gross profit		**423,272,127**	582,425,190
Other revenue	7	**1,767,007**	4,874,917
Other gains and losses	8	**13,945,904**	(4,706,603)
Selling and distribution expenses		**(451,989,188)**	(520,685,505)
Administrative expenses		**(49,589,993)**	(50,652,842)
Impairment loss on trade receivables, net		**(1,947,306)**	(13,593,529)
Impairment loss on other receivables, net		**(784,250)**	(956,426)
Finance costs	9	**(11,926,395)**	(18,199,298)
Share of results of associates		**(1,072,068)**	2,283,711
Share of result of a joint venture		**(55,830)**	—
Loss before income tax	10	**(78,379,992)**	(19,210,385)
Income tax credit/(expense)	11	**2,436,421**	(3,967,997)
Loss and total comprehensive income for the year		**(75,943,571)**	(23,178,382)
Loss and total comprehensive income for the year attributable to:			
— Owners of the Company		**(68,309,790)**	(16,312,171)
— Non-controlling interests		**(7,633,781)**	(6,866,211)
		(75,943,571)	(23,178,382)
Loss per share attributable to the owners of the Company			
— Basic and dilutive	13	**(0.51)**	(0.12)

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 RMB	2019 RMB
Non-current assets			
Property, plant and equipment	16	**37,812,175**	57,877,771
Right-of-use assets	30	**42,263,598**	67,432,907
Intangible assets	17	**5,777,271**	3,803,852
Interests in associates	18	**10,905,176**	51,157,988
Interest in a joint venture	19	**1,694,170**	—
Prepayments, deposits and other receivables	23	**10,321,602**	13,816,840
Deferred tax assets	20	**21,411,916**	18,599,089
Total non-current assets		**130,185,908**	212,688,447
Current assets			
Inventories	21	**428,466,391**	503,447,118
Trade and bills receivables	22	**162,834,347**	188,092,076
Prepayments, deposits and other receivables	23	**32,713,930**	60,602,046
Amount due from immediate holding company	33(a)	**—**	433,200
Amounts due from fellow subsidiaries	33(a)	**—**	156,541
Amount due from a related company	33(a)	**39,161**	—
Income tax recoverable		**1,047,487**	2,455,174
Pledged deposits	24	**22,000,000**	33,556,150
Cash and cash equivalents	24	**111,326,251**	137,475,542
Total current assets		**758,427,567**	926,217,847
Current liabilities			
Trade and bills payables	25	**168,666,155**	229,871,356
Contract liabilities	26	**43,166,717**	29,326,585
Other payables and accruals	27	**224,082,402**	241,361,254
Interest-bearing bank borrowings	28	**202,244,422**	180,000,000
Amount due to immediate holding company	33(a)	**—**	100,000,000
Amount due to an associate	18	**—**	83,648
Amount due to a joint venture	19	**927,380**	—
Amount due to a non-controlling shareholder of a subsidiary	29	**—**	9,812,410
Lease liabilities	30	**19,345,617**	23,362,334
Total current liabilities		**658,432,693**	813,817,587

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 RMB	2019 RMB
Net current assets		**99,994,874**	112,400,260
Total assets less current liabilities		**230,180,782**	325,088,707
Non-current liabilities			
Deferred tax liabilities	20	**–**	533,688
Lease liabilities	30	**23,505,153**	41,935,819
Total non-current liabilities		**23,505,153**	42,469,507
Net assets		**206,675,629**	282,619,200
Capital and reserves			
Share capital	31	**133,400,000**	133,400,000
Reserves	32	**65,727,351**	134,037,141
		199,127,351	267,437,141
Non-controlling interests	41	**7,548,278**	15,182,059
Total equity		**206,675,629**	282,619,200

On behalf of the directors

Luo Yefei
Director

Yan Jingfen
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital RMB (Note 31)	Capital reserve RMB (Note 32(a))	Statutory surplus reserve RMB (Note 32(b))	Merger reserve RMB (Note 32(c))	Accumulated profits RMB	Attributable to ordinary equity holders of the Company RMB	Non-controlling interests RMB	Total equity RMB
Balance at 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
Loss and total comprehensive income for the year	**–**	**–**	**–**	**–**	**(68,309,790)**	**(68,309,790)**	**(7,633,781)**	**(75,943,571)**
Balance at 31 December 2020	**133,400,000**	**73,109,956**	**10,434,068**	**(41,226,670)**	**23,409,997**	**199,127,351**	**7,548,278**	**206,675,629**

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 RMB	2019 RMB
Cash flows from operating activities			
Loss before income tax		**(78,379,992)**	(19,210,385)
Adjustments for:			
Interest income		**(1,408,520)**	(1,417,720)
Interest expenses		**9,372,496**	15,298,100
Interest expenses on lease liabilities		**2,553,899**	2,901,198
Impairment loss on trade receivables, net		**1,947,306**	13,593,529
Impairment loss on other receivables, net		**784,250**	956,426
Write down on inventories, net		**17,103,820**	8,276,806
Impairment loss on property, plant and equipment		**4,819,915**	—
Impairment loss on right-of-use assets		**1,337,379**	—
Depreciation of right-of-use assets		**25,823,584**	30,168,797
Depreciation of property, plant and equipment		**45,308,124**	43,610,146
Amortisation of intangible assets		**547,031**	410,490
Gain on disposal of property, plant and equipment		**(89,407)**	(17,390)
Provision for litigation and related expenses		**—**	6,612,410
Gain on disposal of an associate		**(16,861,595)**	—
Gain on lease modification		**(969,517)**	—
COVID-19-related rent concession		**(861,453)**	—
Share of results of associates		**1,072,068**	(2,283,711)
Share of result of a joint venture		**55,830**	—
Operating cash flows before working capital changes		**12,155,218**	98,898,696
Decrease/(increase) in inventories		**57,876,907**	(49,945,557)
Decrease/(increase) trade and bills receivables		**23,310,423**	(18,439,096)
Decrease in prepayments and other receivables		**30,599,104**	18,767,413
Decrease in amount due from immediate holding company		**433,200**	2,436,987
Increase in amount due from a related company		**(39,161)**	—
(Decrease)/increase in trade and bills payables		**(61,205,201)**	11,750,619
Increase in contract liabilities		**13,840,132**	10,049,876
Decrease in other payables and accruals		**(17,278,852)**	(5,232,157)
Decrease in amount due to a non-controlling interest of a subsidiary		**(9,733,545)**	—
Decrease in amount due to an associate		**(83,648)**	(7,540)
Increase in amount due to a joint venture		**52,380**	—
Cash generated from operations		**49,769,227**	68,279,241
Income taxes refunded/(paid)		**497,593**	(12,732,071)
Net cash generated from operating activities		**50,266,820**	55,547,170

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 RMB	2019 RMB
Cash flows from investing activities			
Interest received		**1,408,520**	1,417,720
Decrease/(increase) in pledged deposits		**11,556,150**	(2,016,150)
Capital reduction of an associate		**3,742,339**	4,760,586
Dividend received from associates		**2,300,000**	1,146,198
Capital contribution to a joint venture		**(875,000)**	—
Proceeds from disposal of property, plant and equipment		**131,000**	27,640
Proceeds from disposal of an associate, net		**50,000,000**	—
Purchase of property, plant and equipment		**(30,104,036)**	(40,439,223)
Purchase of intangible assets		**(2,520,450)**	(1,484,651)
Decrease in amounts due from fellow subsidiaries		**156,541**	1,857,959
Net cash generated from/(used in) investing activities		**35,795,064**	(34,729,921)
Cash flows from financing activities			
Interest paid	37	**(9,293,631)**	(15,298,100)
Interest elements of lease rentals paid	37	**(2,553,899)**	(2,901,198)
Capital elements of lease rentals paid	37	**(22,608,067)**	(22,536,903)
Dividend paid	37	**—**	(8,004,000)
Cash advance from immediate holding company	37	**—**	100,000,000
Repayment of loan to a related company	37	**(100,000,000)**	—
Proceeds from borrowings	37	**308,244,422**	400,000,000
Repayment of borrowings	37	**(286,000,000)**	(480,000,000)
Net cash used in financing activities		**(112,211,175)**	(28,740,201)
Net decrease in cash and cash equivalents		**(26,149,291)**	(7,922,952)
Cash and cash equivalents at beginning of year		**137,475,542**	145,398,494
Cash and cash equivalents at end of year		**111,326,251**	137,475,542

1. GENERAL INFORMATION

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

As at 31 December 2019, the Company's immediate and ultimate holding companies were Ningbo Shanshan Co., Ltd. ("Shanshan") and Shanshan Holding Co., Ltd. ("Shanshan Holding") respectively, both of which were established in the PRC. Shanshan disposed of 25% and 23.1% equity interests in the Company on 24 June 2020 and 3 July 2020 respectively to five acquirers, and its shareholding decreased from 67.47% to 19.37%. Since then, the Directors considered that Shanshan and Shanshan Holding were no longer the Company's immediate holding company and ultimate holding company respectively.

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
				2020		2019		
				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 ("Lubiam Apparel") (Note a)	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
Ningbo Shanshan E-commerce Co., Ltd.	The PRC/27 August 2020/Limited liability company	The PRC	RMB10 million	**100%**	**N/A**	N/A	N/A	Distribution of causal and business menswear through e-commerce
Shanghai Haimeng Apparel Co., Ltd.	The PRC/14 October 2011/Limited liability company	The PRC	RMB10 million	**N/A**	**60%**	N/A	60%	Inactive

Note (a) The board of the directors of Lubiam Apparel resolved to wind up Lubiam Apparel by way of voluntary liquidation which had been commenced. Details were set out in the announcement dated 23 December 2020.

* The English name is for identification only

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

(a) Adoption of new/revised HKFRSs

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

- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKAS 1 and HKAS 8, Definition of Material
- Amendments to HKAS 39, HKFRS 7 and HKFRS 9, Interest Rate Benchmark Reform
- Amendments to HKFRS 16, COVID-19-Related Rent Concessions

Amendments to HKFRS 3, Definition of a Business

The amendments change the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

Amendments to HKFRS 16, COVID-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concessions.

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

(a) Adoption of new/revised HKFRSs (Continued)

Amendments to HKFRS 16, COVID-19-Related Rent Concessions (Continued)

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2020 on initial application of the amendment.

The application of the practical expedient has resulted in the reduction of total lease liabilities of RMB861,453. The effect of this reduction has been recorded in profit or loss in the period in which the event or condition that triggers those payments occurs.

(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 HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
Amendments to HKAS 16	Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
HKFRS 17	Insurance Contracts[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[1]
Annual Improvements to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

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

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

[1] Effective for annual periods beginning on or after 1 January 2021
[2] Effective for annual periods beginning on or after 1 January 2022
[3] Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022
[4] Effective for annual periods beginning on or after 1 January 2023
[5] The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments require that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Interpretation 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

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

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

HKFRS 17, Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a 'General Model', which is modified for insurance contracts with direct participation features, described as the 'Variable Fee Approach'. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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 HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

Annual Improvements to HKFRSs 2018–2020

The annual improvements amend a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The Directors do not anticipate that the application of the above new/revised HKFRSs will have an impact on the financial statements in future periods should such transaction arise.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement and going concern assumption

The consolidated financial statements have been prepared under the historical cost basis except for bills receivables which are measured at fair value as explained in the accounting policies set out in Note 4.

During the year ended 31 December 2020, the Group recorded consolidated net loss of RMB75,943,571. As at 31 December 2020, the Group had outstanding interest bearing borrowings of RMB202,244,422, all of which were due for repayment or renewal within the next twelve months after 31 December 2020.

In preparing the consolidated financial statements, the Directors have carefully considered to the current and anticipated future liquidity of the Group after taking into account of the following measure:

The Group will actively negotiate with the banks for the renewal of the Group's borrowings when they fall due in order to secure necessary funds to meet the Group's working capital and financial requirements in the foreseeable future. As at the date of this report, over 80% of the bank borrowings have been renewed successfully and extended for one year.

Based on the above measure, the Directors of the Group are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing the consolidated financial statements.

(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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 42, 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- *Joint ventures:* where the Group has rights to only the net assets of the joint arrangement; or
- *Joint operations:* where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- the structure of the joint arrangement;
- the legal form of joint arrangements structured through a separate vehicle;
- the contractual terms of the joint arrangement agreement; and
- any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method — see Note 4(c)).

The Group accounts for its interests joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

The Company's interests in joint ventures are stated at cost less impairment losses, if any. Results of joint ventures are accounted for by the Company on the basis of dividends received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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	1–5 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.

(f) 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. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leasing

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)

(g) Leasing (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 in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(h) 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.

(i) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Intangible assets (other than goodwill)

(i) Intangible assets acquired separately and in a business combination

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

(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(p)).

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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.

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 ("FVTOCI")

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial Instruments (Continued)

(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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial Instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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 is 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)

(k) 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)

(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) 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)

(m) 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 has applied 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)

(n) 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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

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 not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries, associates and joint ventures 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, 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, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. 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, and reflects any uncertainty related to income taxes.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment, intangible assets and right-of-use asses 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:

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 HKFRSs, in which case the impairment loss is treated as a revaluation decrease under that HKFRSs.

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 HKFRSs, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRSs.

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.

(q) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Related parties (Continued)

(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.

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, 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.

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

Management estimates the recoverable amount of property, plant and equipment and right-of-use assets when indication of impairment exists. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31 December 2020, the carrying amounts of property, plant and equipment was RMB37,812,175 and right-of-use assets was RMB42,263,598. An impairment assessment was conducted for property, plant and equipment and right-of-use assets for loss-making retail stores for which RMB4,819,915 (2019: Nil) and RMB1,337,379 (2019: Nil) respectively, were provided during the year for certain retail stores.

The impairment loss was estimated based on the recoverable amount of each individual retail store and determined based on value in use calculation using cash flow projection based on financial budgets covering a period of the remaining lease term.

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

(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 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.

(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.

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

(e) Determining the lease term (Continued)

As at 31 December 2020, potential future cash outflows of RMB6,556,100 (2019: 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 30. 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 31 December 2020, 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 31 December 2020, 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 31 December 2019 not reasonably certain to be exercised) was a decrease in recognised lease liabilities of RMB11,177,028 and right-of-use assets of RMB10,207,511 which is detailed in Note 30.

(f) Recognition of deferred tax assets

As at 31 December 2020, deferred tax assets of RMB21,411,916 (2019: RMB18,599,089) in relation to impairment of assets were recognised in the consolidated financial statements. Estimating the deferred tax asset to be recognised require a process that involves determining appropriate tax provisions, forecasting future years' taxable income and assessing the ability to utilise tax benefits through future earnings and tax structuring. In cases where the actual future profits generated are less than expected, a material reversal of the deferred tax asset may arise, which would be recognised in profit or loss for the period in which such a reversal takes place. The current financial models indicate that the tax losses can be utilised in the foreseeable future. Management believes that any reasonable changes in the model assumptions would not affect management's view. However, any unexpected changes in assumptions and estimates in tax regulations could affect the recoverability of these deferred tax assets in the future.

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

(g) Power to exercise joint control

According to the Articles of Association of Hangzhou Shanxi E-commerce Co., Ltd.# (杭州杉喜電子商務有限公司) ("Hangzhou Shanxi"), unanimous resolution of all shareholders of Hangzhou Shanxi for certain key business decisions is needed. Therefore, Hangzhou Shanxi is determined as a joint venture of the Group, and its financial results were accounted for using equity method.

The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

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.

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

Revenue from contracts with customer within the scope of HKFRS 15:	2020 RMB	2019 RMB
Trading of garments	886,648,092	1,022,288,154
Trademark sub-licensing income	13,038,128	14,150,943
	899,686,220	1,036,439,097

6. SEGMENT INFORMATION AND REVENUE (CONTINUED)

(a) Reportable segment (Continued)

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

Disaggregation of revenue from contracts with customers

	Trading of garments	
	2020	2019
	RMB	RMB
Primary geographical market		
PRC	**899,686,220**	1,036,439,097
Major product/service		
Standard garment products	**886,648,092**	1,022,288,154
Trademark sub-licensing income	**13,038,128**	14,150,943
	899,686,220	1,036,439,097
Revenue by brands		
FIRS	**375,621,400**	442,342,137
Shanshan	**498,813,465**	560,760,915
Lubiam	**12,213,227**	19,185,102
Others	**13,038,128**	14,150,943
	899,686,220	1,036,439,097
Timing of revenue recognition		
At a point in time	**886,648,092**	1,022,288,154
Transferred over time	**13,038,128**	14,150,943
	899,686,220	1,036,439,097

(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.

6. SEGMENT INFORMATION AND REVENUE (CONTINUED)

(c) Information about major customer (Continued)

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

	2020 RMB	2019 RMB
Trade and bills receivables (Note 22)	**162,834,347**	188,092,076
Contract liabilities (Note 26)	**43,166,717**	29,326,585

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 mainly comprise receipt in advance from customers.

As at 31 December 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB43,166,717 (2019: RMB29,326,585). 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 then expected to be settled in its normal operating cycle within 12 months after end of reporting period.

7. OTHER REVENUE

	2020 RMB	2019 RMB
Interest income	**1,408,520**	1,417,720
Sale of raw materials	**295,400**	3,438,042
Sundry income	**63,087**	19,155
	1,767,007	4,874,917

8. OTHER GAINS AND LOSSES

	2020 RMB	2019 RMB
Donation	(586,252)	—
Exchange gains/(losses), net	5,711,602	(936)
Government grant	1,060,136	8,013,124
Gain on disposal/write off of property, plant and equipment, net	89,407	17,390
Impairment loss on property, plant and equipment	(4,819,915)	—
Impairment loss on right-of-use assets	(1,337,379)	—
Write down of inventories, net	—	(8,276,806)
Gain on disposal of an associate (Note 18(a))	16,861,595	—
Provision for litigation and related expenses (Note i)	—	(6,612,410)
Gain on lease modification	969,517	—
COVID-19-related rent concessions	861,453	—
Rent subsidies to franchisees	(7,009,488)	—
Others	2,145,228	2,153,035
	13,945,904	(4,706,603)

Note i: 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 into 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. The provision was fully settled in November 2020.

9. FINANCE COSTS

	2020 RMB	2019 RMB
Imputed interest on amount due to a non-controlling shareholder of a subsidiary	78,865	—
Interest on amount due to a related company	1,174,017	—
Interest on amount due to immediate holding company	—	371,620
Interest expenses on bank borrowings wholly repayable within one year	8,119,614	14,926,480
Interest expenses on lease liabilities	2,553,899	2,901,198
	11,926,395	18,199,298

10. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2020	2019
	RMB	RMB
Auditor's remuneration	**767,045**	896,835
Advertising and promotional expenses	**22,639,440**	38,746,968
Amortisation of intangible assets	**547,031**	410,490
Depreciation of property, plant and equipment	**45,308,124**	43,610,146
Depreciation of right-of-use assets	**25,823,584**	30,168,797
Impairment loss on trade receivables, net	**1,947,306**	13,593,529
Impairment loss on other receivables, net	**784,250**	956,426
Impairment loss on property, plant and equipment	**4,819,915**	—
Impairment loss on right-of-use assets	**1,337,379**	—
Cost of inventories sold	**459,310,273**	454,013,907
Write down on inventories, net	**17,103,820**	8,276,806
Expenses relating to leases of low value assets	**13,835**	33,928
Expenses relating to short-term leases	**20,523,290**	26,471,721
Expenses relating to variable lease payment (Note i)	**6,997,699**	5,238,825
Trademark payments (Note ii)	**1,682,975**	1,176,744
Staff costs (including directors' remuneration as disclosed in Note 14)	**83,289,770**	99,549,579

(i) Expenses relating to variable lease payment represents the leases of retail stores contain variable lease payment that are based on 11% to 35% (2019: 11% to 35%) of sales amount.

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

11. INCOME TAX (CREDIT)/EXPENSE

	2020 RMB	2019 RMB
Income tax		
— for current year	**–**	5,456,021
— under provision in respect of prior years	**910,094**	1,111,710
	910,094	6,567,731
Deferred tax (Note 20)	**(3,346,515)**	(2,599,734)
	(2,436,421)	3,967,997

Enterprise income tax ("EIT") has been provided at the rate of 25% (2019: 25%) on the estimated assessable profit, if any, for the years arising from the PRC.

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

	2020 RMB	2019 RMB
Loss before income tax	**(78,379,992)**	(19,210,385)
Tax credit calculated at the domestic income tax rate of 25% (2019: 25%) (Note)	**(19,594,998)**	(4,802,596)
Tax effect of revenue not taxable for tax purposes	**(69,773)**	—
Tax effect of expenses not deductible for tax purposes	**1,801,887**	2,722,426
Tax effect of tax losses and deductible temporary differences not recognised	**14,248,352**	5,507,385
Under provision in prior years	**910,094**	1,111,710
Tax effect of share of results of associates and a joint venture	**268,017**	(570,928)
Income tax (credit)/expense	**(2,436,421)**	3,967,997

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

At 31 December 2020, the Group had estimated unused tax losses of approximately RMB100,906,518 (2019: RMB48,930,981) 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

No dividend was paid or proposed during the year of 2020, nor has any dividend been proposed since the end of reporting period.

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

13. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the year of RMB68,309,790 (2019: RMB16,312,171) and the weighted average of 133,400,000 shares (2019: 133,400,000 shares) in issue during the year.

Diluted loss per share

There were no potential dilutive ordinary shares outstanding during the years ended 31 December 2020 and 2019, and hence the diluted loss per share is the same as basic loss per share.

14. STAFF COSTS

	2020 **RMB**	2019 RMB
Staff costs (including directors) comprise:		
— Salaries and allowances	**76,347,427**	86,176,759
— Contributions to defined contribution retirement plan	**6,942,343**	13,372,820
	83,289,770	99,549,579

15. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emolument for each of the directors for the years ended 31 December 2020 and 2019 is set out below:

Year ended 31 December 2020

	Fee RMB	Salaries and allowance RMB	Discretionary bonus RMB	Contribution to defined contribution retirement plan RMB	Total RMB
Executive Directors					
Luo Ye Fei	53,211	430,950	–	25,799	509,960
Cao Yang	53,211	370,950	–	29,611	453,772
Yan Jing Fen	53,211	290,950	–	20,595	364,756
Non-Executive Directors					
Zhao Chun Xiang (Note i)	18,577	–	–	–	18,577
Zhou Yu Mei (Note i)	18,577	–	–	–	18,577
Zheng Shi Jie (Note i)	18,577	–	–	–	18,577
Zhuang Wei (Note ii)	25,214	–	–	–	25,214
Yang Feng (Note ii)	25,214	–	–	–	25,214
Hui Ying (Note ii)	25,214	–	–	–	25,214
Independent Non-Executive Directors					
Au Yeung Po Fung	106,649	–	–	–	106,649
Wang Ya Shan	106,649	–	–	–	106,649
Wu Xue Kai	106,649	–	–	–	106,649
	610,953	1,092,850	–	76,005	1,779,808

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

(a) Directors' emoluments (Continued)

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					
Luo Ye Fei	53,030	580,099	–	30,643	663,772
Cao Yang	53,030	389,000	–	44,568	486,598
Yan Jing Fen	53,030	337,600	75,000	23,105	488,735
Non-Executive Directors					
Zhuang Wei (Note ii)	53,030	–	–	–	53,030
Yang Feng (Note ii)	53,030	–	–	–	53,030
Hui Ying (Note ii)	53,030	–	–	–	53,030
Independent Non-Executive Directors					
Au Yeung Po Fung	105,722	–	–	–	105,722
Wang Ya Shan	105,722	–	–	–	105,722
Wu Xue Kai	105,722	–	–	–	105,722
	635,346	1,306,699	75,000	98,316	2,115,361

Note:

(i) Ms. Zhao Chun Xiang, Ms. Zhou Yu Mei and Mr. Zheng Shi Jie were appointed as non-executive directors on 21 August 2020.

(ii) Mr. Zhuang Wei, Mr. Yang Feng and Ms. Hui Ying were resigned as non-executive directors on 26 June 2020.

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 (2019: three) were directors of the Company whose emoluments are included in the disclosures in Note (a) above. The emoluments of the remaining two (2019: two) individuals were as follows:

	2020 RMB	2019 RMB
Wages, salaries and allowances	924,838	1,255,188
Contribution to defined contribution retirement plan	52,012	50,450
	976,850	1,305,638

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

	2020 No. of individuals	2019 No. of individuals
Nil to HK$1,000,000	2	2

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to the directors and the above higher 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 and the above higher paid individuals waived or agreed to waive any emoluments for the years ended 31 December 2020 and 2019.

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 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
Disposal/written-off	–	(6,644)	(80,936)	(114,425)	(202,005)
At 31 December 2019 and 1 January 2020	11,929,005	7,501,451	142,435,072	2,295,665	164,161,193
Additions	381,433	31,138	29,329,401	362,064	30,104,036
Disposal/write-off	–	–	(69,684,325)	(1,214,989)	(70,899,314)
At 31 December 2020	**12,310,438**	**7,532,589**	**102,080,148**	**1,442,740**	**123,365,915**
Depreciation and impairment					
At 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 and 1 January 2020	10,503,471	4,915,380	88,696,901	2,167,670	106,283,422
Charge for the year	1,678,681	824,678	42,764,569	40,196	45,308,124
Impairment	–	–	4,819,915	–	4,819,915
Eliminated on disposal/write-off	–	–	(69,684,325)	(1,173,396)	(70,857,721)
At 31 December 2020	**12,182,152**	**5,740,058**	**66,597,060**	**1,034,470**	**85,553,740**
Carrying amounts					
At 31 December 2020	**128,286**	**1,792,531**	**35,483,088**	**408,270**	**37,812,175**
At 31 December 2019	1,425,534	2,586,071	53,738,171	127,995	57,877,771

As at 31 December 2020, the Group's management identified certain retail stores which continued to underperform and estimated the corresponding recoverable amounts of their property, plant and equipment.

Based on these estimates, an impairment loss of RMB4,819,915 (2019: Nil) was recognised to write down the carrying amounts of these property, plant and equipment to their recoverable amounts. The recoverable amounts of these property, plant and equipment is determined based on a value in use calculation using cash flow projections based on financial budgets covering a period of the remaining lease term. The pre-tax discount rate applied for the cash flow projection was 14.32%.

17. INTANGIBLE ASSETS

	Trademark RMB	Software RMB	Total RMB
Cost			
At 1 January 2019	13,016,800	3,377,485	16,394,285
Addition	—	1,484,651	1,484,651
At 31 December 2019 and 1 January 2020	13,016,800	4,862,136	17,878,936
Addition	—	2,520,450	2,520,450
At 31 December 2020	**13,016,800**	**7,382,586**	**20,399,386**
Amortisation and impairment			
At 1 January 2019	13,016,800	647,794	13,664,594
Charge for the year	—	410,490	410,490
At 31 December 2019 and 1 January 2020	13,016,800	1,058,284	14,075,084
Charge for the year	—	547,031	547,031
At 31 December 2020	**13,016,800**	**1,605,315**	**14,622,115**
Carrying amounts			
At 31 December 2020	**—**	**5,777,271**	**5,777,271**
At 31 December 2019	—	3,803,852	3,803,852

18. INTERESTS IN ASSOCIATES

	2020 RMB	2019 RMB
Share of net assets of associates	**10,905,176**	51,157,988
Amount due to an associate	**—**	(83,648)

The amount due to an associate was 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 2020	2019	Principal activities
Ningbo Shanjing Apparel Co., Ltd.# ("Ningbo Shanjing")	Incorporated	The PRC	**46%**	46%	Manufacture of apparel products under sub-contracting
Le Coq Sportif (Ningbo) Co., Ltd. ("Le Coq Sportif")	Incorporated	The PRC	**– (Note (a))**	20%	Retailing, trading and distribution of sporting goods

The share capital of Ningbo Shanjing reduced by USD1,200,000 (2019: USD1,500,000). A cash proceed of RMB3,742,339 (2019: RMB4,760,586) was received from the capital reduction.

Summarised financial information of associates

	2020 RMB	2019 RMB
Ningbo Shanjing		
Current assets	**25,087,409**	34,552,909
Non-current assets	**13,027,420**	15,300,390
Current liabilities	**(14,407,925)**	(15,652,988)
Le Coq Sportif		
Current assets	**–**	347,962,468
Non-current assets	**–**	80,712,396
Current liabilities	**–**	(233,834,971)
Non-current liabilities	**–**	(17,710,667)

18. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of associates (Continued)

	2020 RMB	2019 RMB
Ningbo Shanjing		
Revenue	**65,509,029**	101,051,048
Profit and total comprehensive income for the year	**2,061,562**	2,116,361
Dividend received	**(2,300,000)**	–
Le Coq Sportif (Note (a))		
Revenue for the period/year	**233,849,153**	617,291,676
(Loss)/profit and total comprehensive income for the period/year	**(11,190,651)**	6,550,926
Dividend received during the period/year	**–**	(1,146,198)

Reconciliation of the above summarised financial information to the carrying amount of the interests in associates recognised in the consolidated financial statements:

	2020 RMB	2019 RMB
Ningbo Shanjing		
Net assets	**23,706,904**	34,200,311
Proportion of the Group's ownership interest	**46%**	46%
Carrying amount of the Group's interest in an associate	**10,905,176**	15,732,143
Le Coq Sportif		
Net assets	**–**	177,129,226
Proportion of the Group's ownership interest	**–**	20%
Carrying amount of the Group's interest in an associate	**–**	35,425,845

18. INTERESTS IN ASSOCIATES (CONTINUED)

(a) Disposal of the 20% equity interest in Le Coq Sportif

On 29 April 2020, the Group entered into an agreement with Ningbo Shanshan Rongguang Apparel Co., Ltd., an independent third party, to dispose of 20% equity interests of Le Coq Sportif, for a total consideration of RMB50,000,000. On 22 June 2020, the disposal was completed and Le Coq Sportif ceased to be an associate of the Company.

The details of the 20% equity interest in Le Coq Sportif at the date of the disposal were as follows:

	2020 **RMB**
Consideration received	**50,000,000**
Carrying amount of the Group's interest in an associate disposed of	**(33,138,405)**
Gain on disposal of an associate	**16,861,595**

19. INTEREST IN A JOINT VENTURE

	2020 **RMB**	2019 RMB
Share of net assets of a joint venture	**1,694,170**	—
Amount due to a joint venture	**(927,380)**	—

The Group set up a joint venture with 35% equity interest, Hangzhou Shanxi, a separate structured vehicle incorporated and operating in the PRC since September 2020. The primary activities of Hangzhou Shanxi are trading and distribution of apparel products through e-commerce, which is in line with the Group's strategy to expand the trading of formal and casual wear business on the e-commerce platforms.

Pursuant to a joint venture agreement entered into between a wholly-owned subsidiary of the Company and one joint venture partner on 9 September 2020 in relation to the establishment of a joint venture company, Hangzhou Shanxi, certain key business decisions of Hangzhou Shanxi require the consent and approval from all joint venture parties. The Directors are of the opinion that Hangzhou Shanxi is therefore classified as joint venture of the Group and is accounted for in the consolidated financial statements using the equity method.

The amount due to a joint venture is unsecured, interest-free and repayable on demand.

19. INTEREST IN A JOINT VENTURE (CONTINUED)

Summarised financial information of a joint venture, adjusted for any differences in accounting policies, is presented below:

	2020 RMB
Hangzhou Shanxi	
Current assets	**5,160,855**
Non-current assets	**503,841**
Current liabilities	**(824,210)**

	2020 RMB
Revenue	**689,008**
Loss and total comprehensive income for the period	**(159,514)**

Reconciliation of the above summarised financial information to the carrying amount of the interest in a joint venture recognised in the consolidated financial statements:

	2020 RMB
Hangzhou Shanxi	
Net assets	**4,840,486**
Proportion of the Group's ownership interest	**35%**
Carrying amount of the Group's interest in a joint venture	**1,694,170**

20. 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 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
As 31 December 2019 and 1 January 2020	16,565,864	2,033,225	(533,688)	18,065,401
Credit/(charge) to profit or loss	2,903,835	(237,803)	680,483	3,346,515
At 31 December 2020	**19,469,699**	**1,795,422**	**146,795**	**21,411,916**

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

	2020 RMB	2019 RMB
Deferred tax assets	**21,411,916**	18,599,089
Deferred tax liabilities	**—**	(533,688)
	21,411,916	18,065,401

21. INVENTORIES

	2020 RMB	2019 RMB
Raw materials	**11,080,404**	11,458,316
Work-in-progress	**9,531,250**	12,896,038
Finished goods	**454,900,457**	509,034,664
	475,512,111	533,389,018
Less: Provision for obsolete inventories	**(47,045,720)**	(29,941,900)
	428,466,391	503,447,118

22. TRADE AND BILLS RECEIVABLES

	2020 RMB	2019 RMB
Trade receivables	**233,524,516**	254,889,390
Bills receivables	**570,000**	2,878,940
	234,094,516	257,768,330
Less: Provision for impairment	**(71,260,169)**	(69,676,254)
	162,834,347	188,092,076

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.

	2020 RMB	2019 RMB
Within 3 months	**140,148,601**	119,371,094
Over 3 months but within 6 months	**15,962,437**	33,400,253
Over 6 months but within 1 year	**6,109,186**	33,844,556
Over 1 year	**614,123**	1,476,173
	162,834,347	188,092,076

The Group recognised impairment loss based on the accounting policy stated in Note 4(k)(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 receivables are set out in Note 40(a).

Bills receivables

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

As at 31 December 2020, bills receivables amounting to RMB570,000 (2019: RMB2,878,940) were measured as financial asset at FVTOCI.

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.

Further details on the Group's credit policy and credit risk arising from bills receivables are set out in Note 40(a).

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

Bills receivables (Continued)

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 RMB21,802,715 (2019: RMB40,136,741), with maturity within one (2019: 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 RMB11,197,267 (2019: RMB17,499,573) were not yet matured as at 31 December 2020. 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 2020 and 2019, 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 during the years or in cumulative years. The Endorsement has been made evenly throughout the years.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 **RMB**	2019 RMB
Prepayments (Note i)	**26,271,478**	56,077,763
Deposits and other receivables (Note ii)	**19,168,016**	19,960,835
	45,439,494	76,038,598
Less: Provision for impairment (Note iii)	**(2,403,962)**	(1,619,712)
	43,035,532	74,418,886
Less: Non-current portion included in prepayments, deposits and other receivables	**(10,321,602)**	(13,816,840)
	32,713,930	60,602,046

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Note i: Prepayments

The breakdown of prepayments is as follows:

	2020 RMB	2019 RMB
Prepayments to suppliers	**5,672,649**	8,648,059
Prepayments to original equipment manufacturer suppliers	**8,538,704**	16,244,121
Prepayments for rental expenses	**3,481,429**	10,922,467
Prepayments to advertising companies	**652,376**	6,147,978
Prepayments for renovation	**2,327,584**	6,615,656
Others	**5,598,736**	7,499,482
	26,271,478	56,077,763

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.

Note iii: Movements in provision for impairment are as follows:

	2020 RMB	2019 RMB
At beginning of year	**1,619,712**	663,286
Recognised for the year, net	**784,250**	956,426
At end of year	**2,403,962**	1,619,712

Details of impairment assessment of prepayments and other receivables are set out in Note 40(a).

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2020 RMB	2019 RMB
Cash and bank balances	**111,326,251**	137,475,542
Pledged deposits (Note (b))	**22,000,000**	33,556,150
	133,326,251	171,031,692

(a) As at 31 December 2020, the Group has cash and cash equivalents denominated in RMB amounted to RMB132,044,129 (2019: RMB155,667,063), which are deposited with banks in the 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) Out of the RMB22,000,000 (2019: RMB33,556,150) pledged deposits, RMB10,000,000 (2019: RMB33,556,150) were placed to secure the outstanding bank acceptance bills disclosed in Note 25, RMB12,000,000 (2019: Nil) were placed as securities for the EURO bank borrowing disclosed in Note 28.

25. TRADE AND BILLS PAYABLES

	2020 RMB	2019 RMB
Trade payables	**148,926,155**	149,171,356
Bills payables	**19,740,000**	80,700,000
	168,666,155	229,871,356

As at 31 December 2020, the ageing of the Group's bills payables were all within six months (2019: six months), and there were no overdue bills. The bills payables were secured by pledged deposits of RMB10,000,000 (2019: RMB33,556,150) as at 31 December 2020 as disclosed in Note 24.

25. TRADE AND BILLS PAYABLES (CONTINUED)

An ageing analysis of the Group's trade and bills payables as at the reporting date, based on the invoices dates, is as follows:

	2020	2019
	RMB	RMB
Within 3 months	**126,377,607**	112,360,646
Over 3 months but within 6 months	**17,170,466**	25,435,206
Over 6 months but within 1 year	**3,227,602**	8,560,070
Over 1 year	**2,150,480**	2,815,434
	148,926,155	149,171,356

26. CONTRACT LIABILITIES

	2020	2019
	RMB	RMB
Contract liabilities arising from:		
Sale of goods	**43,166,717**	29,326,585

Movements in contract liabilities

	2020	2019
	RMB	RMB
Balance as at 1 January	**29,326,585**	19,276,709
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at beginning of year	**(27,585,784)**	(17,252,053)
Increase in contract liabilities as a result of receipt in advance of sale of goods	**41,425,916**	27,301,929
Balance as at 31 December	**43,166,717**	29,326,585

The contract liabilities primarily relate to the advance consideration received from the customers for trading of garments. 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.

27. OTHER PAYABLES AND ACCRUALS

	2020 RMB	2019 RMB
Other payables and accruals (Note (i))	**196,215,128**	232,369,776
Other tax payables	**20,685,586**	858,577
Refund liabilities (Note (ii))	**7,181,688**	8,132,901
	224,082,402	241,361,254

Note (i): The breakdown of other payables and accruals is as follows:

	2020 RMB	2019 RMB
Deposits received from franchisees	**187,404,363**	208,248,105
Others	**8,810,765**	24,121,671
	196,215,128	232,369,776

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

28. INTEREST-BEARING BANK BORROWINGS

	2020 RMB	2019 RMB
Bank borrowings comprises:		
— United States dollars bank borrowing (“USD”) (Note (a))	**70,338,422**	—
— EURO bank borrowing (“EUR”) (Note (b))	**96,906,000**	—
— RMB bank borrowing (“RMB”) (Note (c))	**35,000,000**	180,000,000
	202,244,422	180,000,000

28. INTEREST-BEARING BANK BORROWINGS (CONTINUED)

(a) During the year ended 31 December 2020, the Group entered into a loan agreement with a bank for USD10,780,000, which is unsecured, interest-bearing at USD LIBOR +1.00% per annum and repayable within one year from the drawdown date.

(b) During the year ended 31 December 2020, the Group entered into a loan agreement with a bank for EUR12,400,000 which is secured, interest-bearing at 3-month LIBOR +0.28% per annum and repayable at a pre-determined amount of RMB96,906,000 within one year from the drawdown date. Since the latest EURO 3-month LIBOR is remained negative and hence the interest rate would only be 0.28% in this year. Bank deposits of RMB12,000,000 (2019: Nil) were pledged as securities for the bank borrowing.

(c) As at 31 December 2020, bank borrowings denominated in RMB were unsecured, arranged at fixed interest rate of 5.00% (2019: 5.00% to 5.66%) per annum and repayable within one year from the drawdown date.

(d) Non-controlling shareholders of the Company, Shaanxi Maoye Gongmao Co., Ltd. ("Shaanxi Maoye"), Ningbo Liankangcai Brand Management Co., Ltd., ("Ningbo Liankangcai") and Ms. Li Xinghua provided a further guarantee, by the Company's shares they held, in favour of Shanshan for its obligations to the guarantee given to the bank borrowings as disclosed in Note a, Note b and Note c above. Shaanxi Maoye and Ningbo Liankangcai are controlled by directors of the Company.

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

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

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

30. LEASES

Nature of leasing activities

The Group has obtained the right to use properties on 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.

30. LEASES (CONTINUED)

Variable lease payments

Leases of retail stores include fixed lease payments and variable lease payments that are based on 11% to 35% (2019: 11% to 35%) of 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 sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there was an uplift of 5% on the reporting date to monthly sales which affect the lease payments.

The amount of fixed and variable lease payments paid to relevant lessors for the year ended 31 December 2020 and 2019 were as follow:

	Lease contracts Number	Fixed payments RMB	Variable payments RMB	Sensitivity RMB
31 December 2020				
Property leases with payments linked to monthly sales	**50**	**12,990,006**	**6,997,699**	**349,885**
31 December 2019				
Property leases with payments linked to monthly sales	33	11,923,285	5,238,825	261,941

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

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.

30. LEASES (CONTINUED)

Variable lease payments (Continued)

The Group assesses 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:

	Lease contracts number	Lease liabilities RMB	Potential future lease payments not included in lease liabilities (undiscounted) RMB
31 December 2020			
Property leases with extension option	**16**	**2,580,215**	**6,556,100**
31 December 2019			
Property leases with extension option	18	2,663,761	7,465,200

The following table summarised the additional lease liabilities recognised during the year ended 31 December 2020 as a result of (i) exercising extension option that the Group was not reasonably certain to exercise as at 31 December 2019 and (ii) not exercising termination option that the Group was not reasonably certain not to exercise as at 31 December 2019:

	Extension option available to the Group during the year ended 31 December 2020 No. of leases	Extension option exercised for the year ended 31 December 2020 No. of leases	Termination option available to the Group during the year ended 31 December 2020 No. of leases	Termination option exercised during the year ended 31 December 2020 No. of leases
Warehouses — PRC	**—**	**—**	**4**	**2**
Retail stores — PRC	**18**	**16**	**77**	**6**
	18	**16**	**81**	**8**
Increase/(decrease) in lease liabilities during the year ended 31 December 2020	**—**	**4,906,529**	**—**	**(11,177,028)**

30. LEASES (CONTINUED)

Right-of-use assets

The analysis of the carrying amounts of right-of-use assets by class of underlying asset is as follows:

	2020 RMB	2019 RMB
Properties leased for own use, carried at depreciated cost	**42,263,598**	67,432,907

During the year, additions to right-of-use assets were RMB12,199,165. This amount related to the capitalised lease payments payables under new or renewed tenancy agreements.

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

	Properties leased for own use RMB
At 1 January 2019	**43,818,629**
Additions	**56,042,681**
Exercising termination option	**(2,259,606)**
Depreciation	**(30,168,797)**
At 31 December 2019 and 1 January 2020	**67,432,907**
Additions	**12,199,165**
Impairment	**(1,337,379)**
Effect of lease modification	**(10,207,511)**
Depreciation	**(25,823,584)**
At 31 December 2020	**42,263,598**

As at 31 December 2020, the Group's management identified certain retail stores which continued to underperform and estimated the corresponding recoverable amounts of their right-of-use assets.

Based on these estimates, an impairment loss of RMB1,337,379 (2019: Nil) was recognised to write down the carrying amounts of these right-of-use assets to their recoverable amounts. The recoverable amounts of these right-of-use assets is determined based on a value in use calculation using cash flow projections based on financial budgets covering a period of the remaining lease terms. The pre-tax discount rate applied for the cash flow projection was 14.32%.

30. LEASES (CONTINUED)

Lease liabilities

	Properties leased for own use RMB
At 1 January 2019	37,916,959
Addition of new leases	51,519,872
Effect of lease modification	(1,601,775)
Interest expenses	2,901,198
Interest element of lease payments	(2,901,198)
Capital element of lease payments	(22,536,903)
At 31 December 2019 and 1 January 2020	65,298,153
Addition of new leases	12,199,165
Effect of lease modification	(11,177,028)
Interest expenses	2,553,899
Interest element of lease payments	(2,553,899)
Capital element of lease payments	(22,608,067)
COVID-19-related rent concessions (Note)	(861,453)
At 31 December 2020	42,850,770

Note: As disclosed in Note 2(a), the Group has elected to apply the practical expedient introduced by the amendment to HKFRS 16 to all rent concessions that satisfy the criteria. All of the rent concessions entered into during the year ended 31 December 2020 satisfy the criteria to apply the practical expedient. The application of the practical expedient has resulted in the reduction of total lease liabilities of RMB861,453. The effect of this reduction has been recorded in profit or loss in the period in which the event or condition that triggers those payments occurs.

Future lease payments are due as follows:

	At 31 December 2020		
	Minimum lease payments RMB	Interest RMB	Present value RMB
Not later than one year	20,956,568	1,610,951	19,345,617
Later than one year and not later than two years	13,915,470	794,878	13,120,592
Later than two years and not later than five years	10,711,340	326,779	10,384,561
	45,583,378	2,732,608	42,850,770

30. LEASES (CONTINUED)

Lease liabilities (Continued)

	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

The present value of future lease payments is analysed as:

	31 December 2020 RMB	31 December 2019 RMB
Current liabilities	**19,345,617**	23,362,334
Non-current liabilities	**23,505,153**	41,935,819
	42,850,770	65,298,153

31. SHARE CAPITAL

	Number of shares	**RMB**
Registered domestic share capital and H Shares		
At 31 December 2019 and 31 December 2020	133,400,000	133,400,000

32. 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.

32. PURPOSE OF RESERVES (CONTINUED)

(b) 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.

33. RELATED PARTY DISCLOSURES

(a) Amounts due from/(to) immediate holding company/a related company/fellow subsidiaries

	2020 **RMB**	2019 RMB
Amount due from immediate holding company *(Note i)*	**–**	433,200
Amount due from a related company *(Note i)*	**39,161**	–
Amounts due from fellow subsidiaries	**–**	156,541
Amount due to immediate holding company *(Note ii)*	**–**	(100,000,000)

Notes:

(i) As disclosed in Note 1 to the consolidated financial statements, Shanshan is no longer the Group's immediate holding company as at year end date. Since then, Shanshan is considered as a substantial shareholder which has significant influence in the Company, therefore, the outstanding balance has been reclassified to amount due from a related company.

(ii) Amount due to immediate holding company was unsecured, interest-bearing at 4.35% per annum and repayable on demand.

(iii) Amounts due from immediate holding company, a related company and fellow subsidiaries are unsecured, interest-free and repayable on demand.

33. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Transactions with related parties

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

	2020 RMB	2019 RMB
Sale of goods to:		
— immediate holding company	**—**	2,103
— a related company	**335,468**	—
— fellow subsidiaries	**—**	2,636,454
— a joint venture	**226,415**	—
Sale of raw material to:		
— an associate	**81,093**	—
— a joint venture	**65,203**	—
Purchase from:		
— an associate	**—**	(347)
Product inspection expenses recharged on markup to:		
— an associate	**(59,140)**	(6,126)
Interest expense charged by:		
— immediate holding company	**—**	(371,620)
— a related company	**(1,174,017)**	—
— a non-controlling shareholder of a subsidiary	**(78,865)**	—
Sub-contracting expenses charged by:		
— an associate	**—**	(228,013)
Rental expenses charged by:		
— immediate holding company	**—**	(3,347,097)
— a fellow subsidiary	**—**	(2,682,046)
— related companies	**(3,376,073)**	—
Water and electricity expenses charged by:		
— immediate holding company	**—**	(1,600,647)
— a related company	**(779,832)**	—
Sales commission charged by:		
— fellow subsidiaries	**—**	(727,282)
Shopping mall expenses charged by:		
— fellow subsidiaries	**—**	(395,518)
— a related company	**(61,700)**	—
Trademark charged by:		
— a non-controlling shareholder of a subsidiary	**(1,682,975)**	(1,176,744)

33. 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:

	2020 RMB	2019 RMB
— Short-term benefits	**3,197,712**	3,886,534
— Contributions to defined contribution retirement plan	**194,589**	213,086
	3,392,301	4,099,620

The emoluments paid or payable to senior managements were within the following band:

	2020 No. of individuals	2019 No. of individuals
Nil to HK$1,000,000	**3**	3

34. FAIR VALUE MEASUREMENT

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.

34. 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 2020				
Financial asset at FVTOCI				
— Bills receivables	**—**	**570,000**	**—**	**570,000**
31 December 2019				
Financial asset at FVTOCI				
— Bills receivables	—	2,878,940	—	2,878,940

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.

There were no transfers among levels 1, 2 and 3 during the year ended 31 December 2020 and 2019.

35. COMMITMENTS

(a) Operating lease commitments

The operating leases commitments are all related to short-term leases which are exempted from recognising the related right-of-use assets and lease liabilities under HKFRS 16.

The operating leases of certain retail 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 at end of year, the relevant contingent rentals have not been included in the determination of the lease liabilities.

35. COMMITMENTS (CONTINUED)

(a) Operating lease commitments (Continued)

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

	2020 RMB	2019 RMB
Not later than one year	**8,543,473**	12,195,686

(b) Capital commitments

As at 31 December 2020 and 2019, the Group had no significant capital commitments.

36. CONTINGENT LIABILITIES

As at 31 December 2020 and 2019, the Group had no significant contingent liabilities.

37. 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.

37. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Reconciliation of liabilities arising from financing activities (Continued)

	Interest-bearing bank borrowings RMB (Note 28)	Dividend payable RMB (Note 12)	Lease liabilities RMB (Note 30)	Amount due to immediate holding company RMB (Note 33(a))
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
Effect of lease modification	—	—	(1,601,775)	—
New leases entered into during the year	—	—	51,519,872	—
At 31 December 2019 and 1 January 2020	180,000,000	—	65,298,153	100,000,000

37. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Reconciliation of liabilities arising from financing activities (Continued)

	Interest-bearing bank borrowings RMB (Note 28)	Dividend payable RMB (Note 12)	Lease liabilities RMB (Note 30)	Amount due to immediate holding company RMB (Note 33(a))
At 31 December 2019 and 1 January 2020	180,000,000	–	65,298,153	100,000,000
Changes from cash inflows/(outflow):				
Proceeds from bank borrowings	308,244,422	–	–	–
Repayment of bank borrowings	(286,000,000)	–	–	–
Repayment of loan	–	–	–	(100,000,000)
Interest paid	(8,119,614)	–	–	(1,174,017)
Repayment of principal portion of the lease liabilities	–	–	(22,608,067)	–
Repayment of interest portion of the lease liabilities	–	–	(2,553,899)	–
Other changes:				
Interest expense	8,119,614	–	2,553,899	1,174,017
Effect of lease modification	–	–	(11,177,028)	–
COVID-19-related rent concessions	–	–	(861,453)	–
New leases entered into during the year	–	–	12,199,165	–
At 31 December 2020	202,244,422	–	42,850,770	–

38. 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 28, cash and cash equivalents and equity of the Company, comprising share capital and reserves. 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 year was as follows:

	2020 **RMB**	2019 RMB
Debts	**202,244,422**	180,000,000
Cash and cash equivalents	**(111,326,251)**	(137,475,542)
Pledged deposit for bank borrowing	**(12,000,000)**	—
Net debts	**78,918,171**	42,524,458
Equity	**206,675,629**	282,619,200
Net debts to equity ratio	**38%**	15%

39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and liabilities:

	2020 RMB	2019 RMB
Financial assets at FVTOCI:		
Bills receivables	**570,000**	2,878,940
Financial assets at amortised cost:		
Trade receivables	**162,264,347**	185,213,136
Other receivables	**16,764,054**	18,341,123
Amount due from immediate holding company	**—**	433,200
Amounts due from fellow subsidiaries	**—**	156,541
Amount due from a related company	**39,161**	—
Pledged deposits	**22,000,000**	33,556,150
Cash and cash equivalents	**111,326,251**	137,475,542
	312,393,813	375,175,692
Financial liabilities measured at amortised cost:		
Trade and bills payables	**168,666,155**	229,871,356
Other payables and accruals	**196,215,128**	232,369,776
Interest-bearing bank borrowings	**202,244,422**	180,000,000
Amount due to immediate holding company	**—**	100,000,000
Amount due to an associate	**—**	83,648
Amount due to a joint venture	**927,380**	—
Amount due to non-controlling shareholder of a subsidiary	**—**	9,812,410
Lease liabilities	**42,850,770**	65,298,153
	610,903,855	817,435,343

40. 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, currency risk and fair value risk. These risks are limited by the Group's financial management policies and practices described below:

(a) Credit risk

At end of 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 amounts 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 the financial assets, credit limits and credit terms granted to customers/debtors 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 receivable at end of 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 2020 and 2019:

31 December 2020	Expected loss rate %	Gross carrying amount RMB	Loss allowance RMB
Not past due	1.5%	159,275,009	2,450,866
Less than 1 month past due	1.8%	974,086	17,935
1 to 3 months past due	6.6%	3,797,382	251,309
Over 3 months past due	98.6%	69,478,039	68,540,059
		233,524,516	71,260,169

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Trade receivables (Continued)

31 December 2019	Expected loss rate %	Gross carrying amount RMB	Loss allowance RMB
Not past due	2.8%	167,987,068	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
		254,889,390	69,676,254

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 historical 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:

	2020 RMB	2019 RMB
Balance at 1 January	**69,676,254**	56,082,725
Amounts written off during the year	**(363,391)**	—
Impairment losses recognised during the year	**1,947,306**	13,593,529
Balance at 31 December	**71,260,169**	69,676,254

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance during 2020 and 2019:

— Origination of new trade receivables net of those settled resulted in an increase in loss allowance of RMB1,947,306 (2019: RMB13,593,529); and

— A write-off of trade receivables with a gross carrying amount of RMB363,391 (2019: Nil) resulted in a decrease in loss allowance.

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Bills receivables

As at 31 December 2020 and 2019, bills receivables are classified as debt instruments at FVTOCI, which are matured within 12 months from the issuance date. 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 2020 and 2019, other receivables are classified as financial assets at amortised cost. The management of the Company 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 Company believes that generally there is no material credit risk inherent in the Group's outstanding balance of 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 in those specific case. The Group has assessed the expected credit loss rate for other receivables and concluded that the expected credit loss was material. Thus, RMB784,250 (2019: RMB956,426) for other receivables was recognised. As at 31 December 2020 and 2019, no collateral was held by the Group, the maximum exposure to loss of other receivables was RMB16,764,054 (2019: RMB18,341,123).

Amount due from a related company

As at 31 December 2020, amount due from a related company is classified as financial asset at amortised cost. The Group uses lifetime expected credit losses to assess this receivable. The measurement of loss allowance was therefore based on lifetime expected credit losses. Since the receivable is 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 the receivable.

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Cash and cash equivalents

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.

Concentration

The Group's concentration of credit risk on the trade and bills receivables as at 31 December 2020 and 2019 included five major counterparties accounting for 30% and 28% of the trade and bills receivables respectively. The Group has closely monitored the recoverability of the receivables from 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.

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

The following table details the remaining contractual maturities at end of 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 2020					
Trade and bills payables	**168,666,155**	**168,666,155**	**168,666,155**	**–**	**–**
Other payables and accruals	**196,215,128**	**196,215,128**	**196,215,128**	**–**	**–**
Interest-bearing bank borrowings	**202,244,422**	**203,098,313**	**203,098,313**	**–**	**–**
Amount due to a joint venture	**927,380**	**927,380**	**927,380**	**–**	**–**
Lease liabilities	**42,850,770**	**45,583,378**	**20,956,568**	**13,915,470**	**10,711,340**
	610,903,855	**614,490,354**	**589,863,544**	**13,915,470**	**10,711,340**
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

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk

Interest rate risk means the risk on the fluctuation of fair value on future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing the cash flow interest rate risk, and fixed interest rate instruments will result in the Group facing fair value interest rate risk.

Other than cash and cash equivalents (Note 24), pledged deposits (Note 24), trade and bills receivables (Note 22), interest-bearing bank borrowings (Note 28) and lease liabilities (Note 30), the Group does not have any other significant interest-bearing financial assets and liabilities. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

The Group's interest rate risk arises primarily from the floating rate of cash and cash equivalent and interest-bearing bank borrowings. Cash and cash equivalent and interest-bearing bank borrowings at floating rates expose the Group to cash flow interest rate risk. However, the Group is not exposed to fair value interest rate risk in relation to the bank borrowings at fixed rates as they carried at amortised cost.

At 31 December 2020, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would increase the Group's loss after tax for the year by approximately RMB209,693 (2019: decrease by RMB515,533). For a general decrease of 50 basis points in interest rates, with all other variables held constant, there would be an equal and opposite impact on the Group's result for the year. No impact would be on other components of consolidated equity in response to the general increase/decrease in interest rates.

The above sensitivity analysis has been determined assuming that the change in interest rates had occurred at each of reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis point increase or decrease represents the management's assessment of a reasonably possible change in interest rates over the period until the next reporting date.

The measures to manage interest rate risk have been followed by the Group for the year and are considered to be effective.

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Currency risk

The Group mainly operates and invests in the PRC with most of the transactions denominated and settled in RMB. Other than the interest-bearing bank borrowing of USD10,780,000, equivalent to RMB70,338,422, all the financial assets and financial liabilities are denominated in RMB, which is the functional currency of the Company and the subsidiaries in the PRC to which these transactions relate. The Group manages its currency risk by closely monitoring the movements of the currency exchange rates.

The following table indicates the approximate change in the Group's loss for the year in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. A positive number below indicates a decrease in loss where the RMB strengthens against the relevant currency. For a weakening of the RMB against the relevant currency, there would be an equal and opposite impact on the loss, and the balances below would be negative.

	2020 **RMB**	2019 RMB
RMB strengthens against USD	**1%**	1%
Effect on loss after tax for the year	**703,384**	—

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at end of reporting period and had been applied to each of the group entities.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' loss for the year measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of reporting period for presentation purposes.

(e) Fair value risk

The fair value of financial assets and financial liabilities in determined based on discounted cash flow analysis. The directors of the Company considered that, due to their short term nature, the carrying amount of the financial assets and financial liabilities at amortised cost in the consolidated statement of financial position approximates to their fair values.

41. 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:

	2020 RMB	2019 RMB
Lubiam Apparel		
Revenue	**12,213,227**	19,185,102
Loss for the year and total comprehensive income	**(19,084,450)**	(17,165,528)
Loss allocated to non-controlling interests	**(7,633,781)**	(6,866,211)
Cash used in operating activities	**(9,156,449)**	(4,462,369)
Cash generated from/(used in) investing activities	**222,559**	(1,276,667)
Net cash outflows	**(8,933,890)**	(5,739,036)
Current assets	**21,450,989**	50,798,154
Non-current assets	**900,644**	2,087,140
Current liabilities	**(3,445,615)**	(14,894,826)
Net assets	**18,906,018**	37,990,468
Accumulated non-controlling interest	**7,562,407**	15,196,187

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 RMB	2019 RMB
Non-current assets		
Investments in subsidiaries	**10,000,010**	10
Property, plant and equipment	**37,554,219**	56,306,159
Right-of-use assets	**42,263,598**	67,432,907
Intangible assets	**5,777,271**	3,803,852
Prepayments, deposits and other receivables	**9,646,061**	13,816,840
Deferred tax assets	**21,411,916**	18,599,089
Total non-current assets	**126,653,075**	159,958,857
Current assets		
Inventories	**423,697,313**	482,723,165
Trade and bills receivables	**155,991,334**	178,565,645
Prepayments, deposits and other receivables	**29,387,394**	54,914,530
Amount due from immediate holding company	**—**	433,200
Amount due from a related company	**37,161**	—
Amount due from subsidiaries	**8,472,025**	63,725,000
Income tax recoverable	**1,713,320**	3,121,007
Pledged deposits	**22,000,000**	33,556,150
Cash and cash equivalents	**86,421,930**	113,196,379
Total current assets	**727,720,477**	930,235,076
Current liabilities		
Trade and bills payables	**167,423,181**	226,249,424
Contract liabilities	**42,261,670**	29,117,339
Other payables and accruals	**218,173,684**	234,258,488
Interest-bearing bank borrowings	**202,244,422**	180,000,000
Amount due to an associate	**—**	83,648
Amount due to immediate holding company	**—**	100,000,000
Amount due to a subsidiary	**9,900,000**	—
Amount due to a joint venture	**52,380**	—
Lease liabilities	**19,345,617**	23,362,334
Total current liabilities	**659,400,954**	793,071,233
Net current assets	**68,319,523**	137,163,843
Total assets less current liabilities	**194,972,598**	297,122,700
Non-current liabilities		
Deferred tax liabilities	**—**	533,688
Lease liabilities	**23,505,153**	41,935,819
Total non-current liabilities	**23,505,153**	42,469,507
Net assets	**171,467,445**	254,653,193
Capital and reserves		
Share capital	**133,400,000**	133,400,000
Reserves	**38,067,445**	121,253,193
Total equity	**171,467,445**	254,653,193

On behalf of the directors

Luo Yefei
Director

Yan Jingfen
Director

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Reserves of the Company

	Statutory surplus reserve RMB	Capital reserve RMB	Accumulated profits/ (losses) RMB	Total RMB
At 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 and 1 January 2020	8,480,611	73,109,956	39,662,626	121,253,193
Loss and total comprehensive income for the year	—	—	(83,185,748)	(83,185,748)
At 31 December 2020	**8,480,611**	**73,109,956**	**(43,523,122)**	**38,067,445**

43. SIGNIFICANT EVENTS

COVID-19 pandemic

The World Health Organisation declared coronavirus and COVID-19 a global health emergency on 30 January 2020.

The directors of the Company are continuing to assess the implications of COVID-19 pandemic to the business in which the Group operates. Depending on the duration of the COVID-19 pandemic and continued negative impact on economic activity, the Group might experience further negative results, and liquidity restraints and incur additional impairments on its assets in 2021. However, the exact impact in the remainder of 2021 and thereafter cannot be predicted.

44. SUBSEQUENT EVENTS

Lubiam Apparel

On 23 December 2020, the Company announced the procedures for the voluntary liquidation of Lubiam Apparel. As at the date of this report, the liquidation committee of Lubiam Apparel is still carrying out the liquidation work related to store closure, inventory disposal, debt restructuring, and staff arrangement, and will prepare a liquidation report and deregister the company after all liquidation work is completed. Depending on the actual results of the liquidation process, it may have a negative impact on the Group's operating performance in 2021. Details for the voluntary liquidation of Lubiam Apparel are set out in the announcement of the Company dated 23 December 2020.

45. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 March 2021.

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				
	2020	2019	2018	2017	2016
	RMB	RMB	RMB	RMB	RMB
RESULTS					
Revenue	**899,686,220**	1,036,439,097	1,025,285,807	797,888,217	592,082,843
Gross profit	**423,272,127**	582,425,190	595,759,686	431,260,307	288,109,394
(Loss)/profit from operations	**(78,379,992)**	(19,210,385)	47,661,948	55,806,908	47,962,593
(Loss)/profit before income tax	**(78,379,992)**	(19,210,385)	47,661,948	55,806,908	47,962,593
Income tax credit/(expenses)	**2,436,421**	(3,967,997)	(11,994,103)	(18,845,753)	(14,148,111)
(Loss)/profit for the year	**(75,943,571)**	(23,178,382)	35,667,845	36,961,155	33,814,482

	As at 31 December				
	2020	2019	2018	2017	2016
	RMB	RMB	RMB	RMB	RMB
ASSETS AND LIABILITIES					
Non-current assets	**130,185,908**	212,688,447	145,901,776	120,923,641	102,014,469
Current assets	**758,427,567**	926,217,847	909,624,369	746,914,295	590,147,282
TOTAL ASSETS	**888,613,475**	1,138,906,294	1,055,526,145	67,837,936	692,161,751
Current liabilities	**658,432,693**	813,817,587	745,253,740	684,438,407	541,836,647
Non-current liabilities	**23,505,153**	42,469,507	—	—	6,353,017
TOTAL LIABILITIES	**681,937,846**	856,287,094	745,253,740	684,438,407	548,189,664
NET ASSETS	**206,675,629**	282,619,200	310,272,405	183,399,529	143,972,087