2018 ANNUAL REPORT

SHAN SHAN

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

CONTENTS

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, PRC. The overseas-listed-foreign-invested shares of the Company (the “**H Shares**”) have been listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 27 June 2018 (the “**Listing Date**”).

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

Corporate Information

CORPORATE NAME

Shanshan Brand Management Co., Ltd.

LISTING INFORMATION

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

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

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

SUPERVISORS

Ms. Zhou Danna
Ms. Wang Cheng
Ms. Yang Yi

JOINT COMPANY SECRETARIES

Ms. Yan Jingfen
Mr. Kwok Siu Man, *FCIS, FCS*

AUTHORIZED REPRESENTATIVES

Ms. Yan Jingfen
Mr. Kwok Siu Man

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

REGISTERED OFFICE AND HEADQUARTERS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

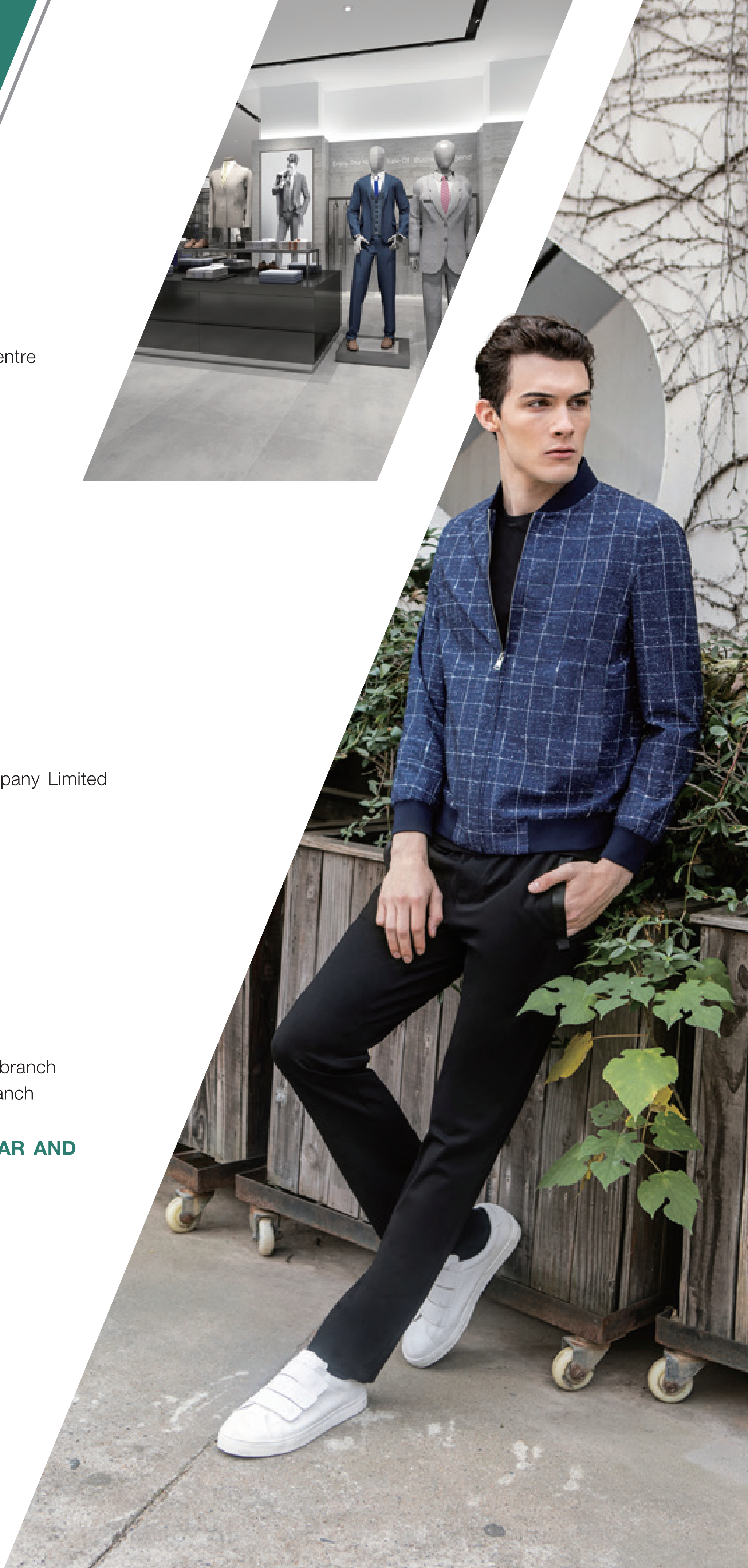
COMPANY'S WEBSITE

http://www.chinafirs.com

INDEPENDENT AUDITOR

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

Corporate Information



LEGAL ADVISERS

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

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

COMPLIANCE ADVISER

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

PRINCIPAL BANKERS

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

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Financial Summary

		Year ended 31 December			
		2018	2017	2016	2015
Revenue	*RMB'000*	**1,025,286**	797,888	592,083	526,082
Operating profit	*RMB'000*	**35,668**	36,961	33,814	52,903
Profit attributable to owners of the Company	*RMB'000*	**36,210**	44,970	35,244	52,829
Gross profit margin	*%*	**58.1%**	54.1%	48.7%	48.0%
Operating profit margin	*%*	**3.5%**	4.6%	5.7%	10.1%
Profit margin attributable to owners of the Company	*%*	**3.5%**	5.6%	6.0%	10.0%
Earnings per Share — basic and diluted	*RMB cents*	**31**	45	35	53
Final dividend per Share	*RMB cents*	**6**	—	—	—

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I am pleased to present the first annual report following the listing of the the Company and its subsidiaries (collectively, the "**Group**") comprising the consolidated results of the Group for the year ended 31 December 2018 (the "**Year**") following the successful listing of the H Shares on Main Board of the Stock Exchange on 27 June 2018 (the "**Listing**").

Looking back at 2018, the apparel industry where the Group operates was significantly affected by the macro-economy. With the slowdown of domestic economic growth in recent years, which imposed greater pressure of short-term sustainable growth of the Chinese economy, the development and profitability of the Group's principal business were subject to the adverse impacts caused by macro-economic adjustments. China's apparel market is huge in size but is fragmented with many players. The Group is facing increasing competitive pressure from competitive brands both at home and abroad although it currently takes up certain market shares of formal and casual business menswear in China. The above situations, under certain circumstances, may exert certain impacts on the financial position and operational performance of the Group.

Exposed to macro-economic headwinds and various market challenges, the Group had forged ahead in adverse economic environment and responded actively while implementing various measures to enhance performance during the Year, including, but not limited to the followings:

I. IMPLEMENTING DIVERSIFIED DISTRIBUTION THROUGH SALES CHANNELS OPTIMISATION

(1) actively adjusting channels of sales and distribution, reorganising or closing certain underperforming outlets and stepping up efforts to establish new large-scale outlets in suitable locations and renovating the existing outlets; and

(2) further developing its existing markets in eastern, northern and central China and further expanding its markets in northeastern and northwestern China through establishing more outlets.

II. CONDUCTING A DATA-DRIVEN REFINED RETAIL OPERATION

With "Retail Cube" ("零售魔方") big data structure as its core, the Group identified and analyzed consumers' spending habits and predicted the trends of consumption by utilizing the Internet, Internet of Things technology and Artificial Intelligence equipment. It also completely transformed traditional retail to smart retail to provide consumers with diversified and personalized products and services, which not only met the demand of consumers, but also played a positive role in sales promotion.

III. PROACTIVELY PROMOTING THE INNOVATION AND APPLICATION OF SUPPLY CHAINS

(1) establishing a new warehousing and logistics center in Suqian, Jiangsu, which will help improve and enhance the efficiency of logistics and promptly respond to the changes in market;

(2) upgrading the existing information management system; and

(3) introducing an advanced warehouse management system, upgrading the existing inventory sharing and allocation system and the existing technology facilities for information consulting.

IV. STEPPING UP EFFORTS IN ESTABLISHING AND UPGRADING BRAND IMAGE AND THE OUTLETS

During the Year, the Group further increased investment in advertising and new media promotion, which had exerted a positive influence on the Group's brand image and the market competitiveness of its products. In addition, the Group transformed and upgraded relevant outlets to create a more comfortable and pleasant shopping environment for consumers in order to upgrade its brand image.

With a series of measures implemented, the Group had maintained steady and healthy development with favourable growth momentum for its business operation in 2018. During the period from the Listing Date to 31 December 2018 (the "**Period**"), there was no significant change in the Group's principal business and its structure, and the Group's operating revenue reached RMB1,025.3 million, representing an increase of 28.5% compared with last year.

Next year, the Group will continue to pursue the development of its two own-branded business as its highest priority and actively explore its new business breakthrough point, so as to further expand the existing business, generate synergies between the new business and the existing business in the industry adjustment, maintain healthy and steady business development, and create more value for the shareholders of the Company (the "**Shareholders**").

Zhuang Wei
Chairman of the Board

Ningbo, the PRC, 19 March 2019

BUSINESS REVIEW

For the Year, the Group continued to leverage the advantages in the combination of its two core brands (i.e. FIRS and SHANSHAN) to drive the steady growth of its financial results. During the Year, the Group followed its strategic plan where it further optimised and expanded its sales and distribution network, further elevated its brand recognition and awareness by increasing its brand promotion and marketing efforts, and enhanced the efficiency of its research and development, design and logistics by taking advantage of the innovation and application of the supply chain.

As a leading player in the PRC formal and casual business menswear market, the Group has an extensive distribution network and a strong sales team across most areas in China. The number of retail outlets of the Group increased to 1,226 as at 31 December 2018 from 1,027 (excluding MARCO AZZALI) as at 31 December 2017, including 702 retail outlets under FIRS, 506 retail outlets under SHANSHAN and 18 retail outlets under LUBIAM, representing an increase of approximately 19.4% in the total number of retail outlets under these three brands.

During the Year, faced with various challenges such as the adverse impact from the economic downturn and the structural adjustments of the formal and casual business menswear industry in the PRC, the Group formulated new strategies for and implemented adjustments to certain retail outlets based on their operational performances in order to improve their operational efficiency and to promote the Group's outlet image. Moreover, the Group closed or re-adjusted certain outlets with unsatisfactory performances as part of its efforts to proactively make adjustments to its sales and distribution channels. Furthermore, the Group continued to enhance its brand image and brand awareness by putting through more efforts on promotional activities such as putting up media advertisements and engaging celebrity endorsements. The Board believes that such initiatives taken by the Group had helped improve and exerted positive influence on the Group's financial results and performance for the Year.

FINANCIAL REVIEW

Revenue

The Group generated revenue primarily from sales to distributors, direct sales and franchisee sales. For the Year, the Group's total revenue increased by approximately 28.5% to RMB1,025.3 million from RMB797.9 million for the year ended 31 December 2017 (the "**FY2017**"), primarily attributable to a significant increase of revenue generated from the brand franchisee cooperation arrangement of the SHANSHAN brand. Please refer 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:

	31 December			
	2018		2017	
	RMB'000	%	RMB'000	%
Sales to distributors	**173,282**	**16.9**	200,973	25.2
Direct sales				
E-commerce platforms	**127,157**	**12.4**	158,950	19.9
Self-operated retail outlets	**155,024**	**15.1**	135,122	16.9
Franchisee sales				
Cooperative arrangements and franchising arrangements in relation to LUBIAM and MARCO AZZALI	**495,019**	**48.3**	223,219	28.1
Work uniforms	**61,659**	**6.0**	64,907	8.1
Trademark sub-licensing income	**13,145**	**1.3**	14,717	1.8
Total	**1,025,286**	**100.0**	797,888	100.0

Revenue by brands

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

	31 December			
	2018		2017	
	RMB'000	%	RMB'000	%
FIRS	453,387	44.2	494,948	62.0
SHANSHAN	521,916	50.9	234,890	29.4
MARCO AZZALI	8,564	0.8	22,575	2.8
LUBIAM	28,274	2.8	30,758	3.9
Others	13,145	1.3	14,717	1.9
Total	1,025,286	100.0	797,888	100.0

Gross profit

For the Year, the Group's gross profit increased by approximately 38.1% to RMB595.8 million from RMB431.3 million for the FY2017, primarily attributable to the increase in its sales revenue as a result of the expansion of the retail networks of its SHANSHAN brand.

Other revenue

Other revenue mainly comprises income derived from the sale of raw materials and interest income from banks. For the Year, the Group's other revenue decreased by approximately 22.6% to RMB4.1 million from RMB5.3 million for the FY2017, primarily attributable to the one-off service revenue generated from the provision of supporting service by the Group to the franchisees of the SHANSHAN brand to help them establish franchisee retail networks in the FY2017.

Other gains and losses

Other gains and losses mainly include the Group's impairment loss on trade receivables and the write-down of inventories. For the Year, the Group's other gains and losses decreased by approximately 71.2% to other losses of RMB3.0 million from other losses of RMB10.4 million for the FY2017, primarily due to a loss of RMB7.0 million on held-for-sale assets in the FY2017.

Selling and distribution expenses

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

For the Year, the Group's selling and distribution expenses increased by approximately 55.7% to RMB479.6 million from RMB308.1 million for the FY2017, mainly attributable to the increases in (i) revenue sharing fees paid to the franchisees as a result of the increased sales of the SHANSHAN branded products; and (ii) advertising expenses.

Administrative expenses

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

For the Year, the Group's administrative expenses remained relatively stable, decreasing by approximately 2.9% to RMB46.1 million from RMB47.5 million for the FY2017.

Finance costs

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

For the Year, the Group's finance costs increased by approximately 7.8% to RMB15.2 million from RMB14.1 million for the FY2017, primarily due to an increase in bank interest rate.

Income tax expense

Income tax expense mainly represents the income tax payable by the Group according to the relevant PRC tax laws and regulations. For the Year, the Group's income tax expense decreased by approximately 36.2% to RMB12.0 million from RMB18.8 million for the FY2017, primarily due to the increase in impairment losses on inventories and trade receivables which resulted in an increase in deferred tax.

Profit for the Year

As a result of the foregoing, the Group's net profit for the Year decreased by approximately 3.5% to RMB35.7 million from RMB37.0 million for the FY2017, whereas it increased by approximately 6.7% compared with that for the FY2017 without taking into account of listing expenses.

WORKING CAPITAL MANAGEMENT

	31 December	
	2018	2017
Average inventory turnover days	**339**	284
Average trade receivables turnover days	**62**	83
Average trade payables turnover days	**171**	178

The Group's average inventory turnover days increased from 284 days as at 31 December 2017 to 339 days as at 31 December 2018, primarily attributable to the purchase of SHANSHAN branded products from the Group's OEM Suppliers in order to support the expansion of the retail outlets of the SHANSHAN brand and to meet the strong market demand for the SHANSHAN branded products.

The Group's average trade receivables turnover days decreased from 83 days as at 31 December 2017 to 62 days as at 31 December 2018, primarily attributable to an increase in the sales of SHANSHAN branded products and a decrease in the credit extended by the Group to its customers.

The Group's average trade payables turnover days remained relatively stable, decreasing from 178 days as at 31 December 2017 to 171 days as at 31 December 2018.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a solid statement of financial position for the Year. As at 31 December 2018, the Group's cash and cash equivalents increased to RMB145.4 million from RMB102.1 million as at 31 December 2017, and its pledged deposits increased to RMB31.5 million from RMB13.8 million as at 31 December 2017. The increase in the cash and cash equivalents was primarily attributable to (i) proceeds from the share offer; and (ii) the increase in pledged deposits and bills payables from the Group's suppliers.

As at 31 December 2018 and 31 December 2017, the Group's total bank borrowings amounted to approximately RMB260.0 million and RMB285.0 million, respectively. All bank borrowings were denominated in RMB. Details of the bank borrowings of the Group are set out in note 27 to the consolidated financial statements. The Group's gearing ratios (total borrowings over total assets of the Group) were approximately 24.6% and 32.8% as at 31 December 2018 and 31 December 2017, respectively.

TREASURY POLICIES

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

FOREIGN EXCHANGE RISK AND HEDGING

The Group's exposure to currency risk is minimal, as most of the Group's transactions are denominated in renminbi ("**RMB**"). Thus, the Group does not implement any foreign currency hedging policy.

USE OF PROCEEDS FROM THE SHARE OFFER

On the Listing Date, the Company's H Shares were listed on the Main Board of the Stock Exchange. The total net proceeds from the share offer amounted to approximately HK$66.4 million (equivalent to approximately RMB55.2 million). As at 31 December 2018, a total of RMB19.0 million of the proceeds 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**").

Use of Share Offer Proceeds:

	Planned amount RMB (million)	Actual utilised amount as at 31 December 2018 RMB (million)	Actual balance as at 31 December 2018 RMB (million)
Retail network	20.9	3.9	17.0
Brand promotion and marketing efforts	13.6	5.9	7.7
Information technology system	10.7	0.3	10.4
Warehouses and logistics center	4.5	3.4	1.1
General working capital	5.5	5.5	—
Total	55.2	19.0	36.2

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 701 employees (31 December 2017: 650 employees). Employee costs, including Directors' emoluments, amounted to approximately RMB96.3 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 individual Directors and 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 and responsibilities of the Directors and the senior management as well as the Group's financial performance.

ENVIRONMENTAL MANAGEMENT

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

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the Prospectus, the Group did not have any significant investments, material acquisitions or disposals of assets, subsidiaries, associates or joint ventures during the Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus, there was no plan for material investments or capital assets as at 31 December 2018.

CAPITAL STRUCTURE

There was a change in the capital structure of the Company as at 31 December 2018 as compared with that as at 31 December 2017. Details are set out in note 30 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no material contingent liabilities (31 December 2017: Nil).

PLEDGE OF ASSET

As at 31 December 2018, the Group had no pledged asset.

OUTLOOK AND STRATEGIES

Looking into the year of 2019, despite the fact that various uncertainties still exist with respect to the macro-economy and the industry adjustments, the Group will adopt or continue to adopt measures and initiatives to enhance its core competitiveness, and to take further actions to improve and expand its businesses, so as to maintain a sustainable business development in the midst of a challenging business environment.

As to internal management, the Group will strive to enhance its employees' efficiency, expand its sales channels and reduce its costs and expenses. In addition, the Group will take active steps to seek suitable opportunities for mergers, acquisitions, share subscription and/or business cooperation, so as to further strengthen its existing businesses and explore new businesses that will create synergy effect with its existing businesses in the context of industry adjustments. The management is cautiously optimistic about the Group's future business development and is of the view that the implementation of the above measures and initiatives are expected to give rise to a gradually improving financial result for the year 2019. The implementation of such measures and initiatives are also expected to assist in increasing the Group's market penetration in the formal and casual business menswear industry in the PRC, strengthening and consolidating the Group's position in the industry, achieving sustainable growth as well as creating a maximum value for the interests of the Shareholders.

Biographies of Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. Cao Yang (曹陽), aged 47, was appointed as a Director and chairman of the board of directors of Shanshan Garment Brand, the predecessor of the Company on 30 June 2014. He was re-appointed as the vice chairman of the Company in May 2016 and has been responsible for strategic planning of the Group. Mr. Cao has extensive experience in strategic planning, brand management, public communication and corporate culture communication. He has over 13 years of experience in business management. From June 2010 to December 2014, Mr. Cao has served as the planning director of Shanshan Holding Co., Ltd. ("**Shanshan Holding**") and responsible for strategic planning and brand management, public communication and corporate culture communication. From June 2009 to December 2013, he was with Shanshan Group Co., Ltd ("**Shanshan Group**"), where he acted as an assistant to the president and the vice president and responsible for brand management and public communication. From May 2005 to January 2009, Mr. Cao served as the deputy head of the general management department and the head of the planning department of Shanshan Holding, a company primarily engaged in industrial investment, investment management and research, development and sales of garments, where he was responsible for brand management, public communication and corporate culture communication. In October 2004, Mr. Cao joined Shanshan Group, a company primarily engaged in property management, trading of nonferrous metals and chemical products, asset management and investment consultancy as the head of the planning department and was responsible for brand management, public communication and corporate culture communication. Mr. Cao obtained his graduation certificate in journalism from Nanjing Normal University (南京師範大學) in the PRC in December 2012 by self-study.

Mr. Luo Yefei (駱葉飛), aged 44, was appointed as an executive Director on 18 May 2016. Mr. Luo is also the general manager and responsible for the overall development planning and business operations of the Group. He is also a director of Ningbo Shanshan Fashion Brand Management Co., Ltd ("**Fashion Brand**"). He has over 15 years of experience in the apparel industry. Mr. Luo joined the Group on 1 June 2013 as the general manager of Shanshan Garment Brand, the predecessor of the Company. Prior to joining the Group, Mr. Luo was the general manager and the controlling shareholder of Shaanxi Maoye Gongmao Co., Ltd. ("**Shaanxi Maoye**"), a company primarily engaged in the production and sales of garments, where he was responsible for the production operation management from September 2009 to June 2013. From September 2002 to September 2009, Mr. Luo served as the deputy general manager of Shaanxi Tuoda Commercial Trading Company Limited (陝西拓達商貿有限公司), a company primarily engaged in the sales and production of garments, where he was responsible for the sales and marketing. Mr. Luo obtained a certificate for the CEO EMBA program from Xi'an Jiaotong University (西安交通大學) in the PRC and Zhejiang University (浙江大學) in the PRC in July 2009 and June 2015, respectively. Mr. Luo also obtained a college diploma (專科文憑) through online learning from University of Science and Technology Beijing (北京科技大學) in the PRC in July 2017.

Ms. Yan Jingfen (嚴靜芬), previously known as Yan Xuefang (嚴雪舫), aged 45, was appointed as a Director on 18 May 2016 and the member of Remuneration Committee on 28 May 2018. Ms. Yan is also the chief financial officer and joint company secretary and a director of Fashion Brand and responsible for financial management, company secretarial matters and the compliance matters of the Group. Ms. Yan has over 11 years of experience in financial management. Ms. Yan joined the Group on 2 August 2010. Since June 2013, she has been serving as the chief financial officer of Shanshan Garment Brand, the predecessor of the Company, and of the Company. From August 2010 to June 2013, Ms. Yan served successively as the head of the financial department and the chief financial director of Fashion Brand. From September 2009 to August 2010, she was the head of the financial department of Ningbo Shanshan Bolai Import and Export Co., Ltd. ("**Shanshan Bolai**"), a company primarily engaged in import and export business, where she was responsible for auditing and budgeting of this company. From July 2007 to September 2009, Ms. Yan served as the head of the financial department in Ningbo Shanshan Yongjiang Real Estate Company Limited (寧波杉杉甬江置業有限公司), a property developer, where she was responsible for financial budgeting and preparing financial statements. Ms. Yan obtained her bachelor's degree in financial management from the Ningbo Dahongying University (寧波大紅鷹學院) in the PRC in June 2014. Ms. Yan was qualified as an intermediate accountant (中級會計) by Ningbo Personnel Bureau (寧波市人事局) in May 2009.

NON-EXECUTIVE DIRECTORS

Mr. Zhuang Wei (莊巍), aged 52, was appointed as a Director and the chairman of the nomination committee of the Board (the "**Nomination Committee**") on 23 August 2011 and 28 May 2018 respectively. He is responsible for the overall corporate strategies and management directions of the Group. Mr. Zhuang is the chairman of our Board and joined the Group as a director of Shanshan Garment Brand on 23 August 2011. He has over 25 years of experience in business management. Since September 2012, Mr. Zhuang has served as a chairman and a general manager of Shanshan. Since September 2012, Mr. Zhuang has been a director and the chairman of FY Financial (Shenzhen) Co., Ltd., a company which is owned as to approximately 41.60% by Shanshan and whose overseas foreign listed shares are listed on GEM of the Stock Exchange (stock code: 08452). From March 2009 to September 2012, Mr. Zhuang served as the chairman of Shanshan. From April 2008 to March 2009, Mr. Zhuang served as a director and general manager of Shanshan. From March 2007 to March 2008, Mr. Zhuang served as the general manager of Ningbo Shanshan Venture Capital Co., Ltd. (寧波杉杉創業投資有限公司), an investment company, where he was responsible for the general management of this company. From July 1993 to March 2007, Mr. Zhuang was responsible for investment management in a PRC conglomerate and general management in two other companies. Since October 2013, he has been serving as a vice president of China National Garment Association (中國服裝協會). Mr. Zhuang obtained his doctor's degree in political economics from Peking University (北京大學) in the PRC in July 2000.

Mr. Yang Feng (楊峰), aged 35, was appointed as a Director on 2 January 2018. He is responsible for providing guidance and advice to the Group from finance and accounting perspectives. Since May 2017, Mr. Yang has been serving as the director, deputy general manager and chief financial officer of Shanshan and was responsible for overseeing financial, accounting and internal control matters. From September 2010 to February 2017, he served successively as the intermediate business manager of the operation department (經營部) and the deputy head of division one for the corporate business (公司業務一處) of the Ningbo Branch of The Export-Import Bank of China (中國進出口銀行寧波分行), where he was responsible for accounting and financial management and loan business development. Mr. Yang obtained his bachelor's degree in finance from Nanjing University of Science and Technology (南京理工大學) in the PRC in June 2006 and his master's degree in management from Zhejiang University in the PRC in June 2008. He was qualified as an intermediate economist in finance (中級經濟師（金融）) by Ningbo Personnel Bureau (寧波市人事局) in January 2011 and an intermediate accountant (中級會計師) by Ningbo Human Resources and Social Security Bureau (寧波市人力資源和社會保障局) in January 2015.

Ms. Hui Ying (惠穎), aged 38, was appointed as a Director on 2 January 2018. She is responsible for providing guidance and advice to the Group from legal perspectives. From June 2016 to March 2018, Ms. Hui served as a non-executive director of FY Financial (Shenzhen) Co., Ltd. (富銀融資租賃（深圳）股份有限公司), a company which is principally engaged in financial services business with a focus on providing equipment-based finance leasing, commercial factory and advisory services to its customers in the PRC, and is owned as to approximately 41.60% by Shanshan and whose overseas foreign listed shares are listed on GEM of the Stock Exchange (stock code: 08452). She has served as the head of legal department, supervisor, and assistant to general manager of Shanshan since November 2010, May 2014 and January 2015, respectively. She is mainly responsible for daily legal work and investment projects for Shanshan and a number of its subsidiaries. Moreover, she also serves as the director and/or general manager of a number of subsidiaries of Shanshan. From December 2007 to September 2010, she was a legal consultant in Herbert Smith, where she focused on foreign direct investment and mergers and acquisitions. From March 2005 to September 2007, Ms. Hui was a legal assistant in Global Law Office (環球律師事務所), where she focused on initial public offering, foreign direct investment and mergers & acquisitions. Ms. Hui obtained her lawyer's practicing certificate issued by the Ministry of Justice of the PRC in February 2008. She obtained her bachelor's degree in law and master's degree in commercial and corporate laws from Ningbo University (寧波大學) in the PRC and University College of London in the United Kingdom in June 2003 and November 2004, respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Au Yeung Po Fung (歐陽寶豐), aged 51, 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 judgment to our Board. Mr. Au Yeung has extensive experience in the PRC real estate industry and other industries, and is currently the chief financial officer of a company focusing on property project development and agricultural infrastructure establishments. He serves or had served various senior management positions, details of which are set out as follows:

Period of services	Name of company	Principal business	Position(s)	Responsibilities
June 2018 to present	eBroker Group Limited 電子交易集團有限公司 (stock code: 8036), listed on GEM of the Stock Exchange	Development and supply of financial software solutions	Independent non-executive Director	Providing independent advice and judgment to the company
June 2018 to present	Redsun Properties Group Limited 弘陽地產集團有限公司 (stock code: 1996), listed on the Main Board of the Stock Exchange	Property development, property leasing, commercial property investment and operation, and hotel operation	Independent non-executive Director	Providing independent advice and judgment to the company

Period of services	Name of company	Principal business	Position(s)	Responsibilities
July 2017 to present	GR Properties Limited (國銳地產有限公司) (stock code: 108), listed on the Main Board of the Stock Exchange	Property development and management	Independent non-executive director	Providing independent advice and judgment to the company
July 2016 to present	China LNG Group Limited (中國天然氣集團有限公司) (stock code: 931), listed on the Main Board of the Stock Exchange	Natural gas-related businesses, property investment, money lending and the trading of securities	Independent non-executive director	Providing independent advice and judgment to the company
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 2016 to September 2017	South China Holdings Company Limited (stock code: 413) and South China Assets Holdings Limited (stock code: 8155), listed on GEM, respectively	Property development and investment	Chief financial officer of the PRC property division of the company	Assisting the group chief financial officer in the overall financial management
May 2016 to September 2016	Kiu Hung International Holdings Limited (僑雄國際控股有限公司) (stock code: 381), listed on the Main Board of the Stock Exchange	Toys, resources and leisure-related businesses	Independent non-executive director	Providing independent advice and judgment to the company

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

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

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

Biographies of Directors, Supervisors and Senior Management

Mr. Wang Yashan (王亞山), aged 57, was appointed as an independent non-executive Director, chairman of the Remuneration Committee, a member of Audit Committee and a member of Nomination Committee on 28 May 2018. He is responsible for providing independent advice and judgment to the Board. Mr. Wang was the legal representative of Beijing Zhonghuang Guoxin Management Consulting Company Limited (北京中璜國信管理諮詢有限責任公司), a company primarily engaged in providing corporate management consulting services from August 2010 to May 2016. He was also an independent director of Zhongke Yinghua High-tech Company Limited (中科英華高技術有限公司) (now known as Nuode Investment Company Limited (諾德投資股份有限公司)), a company listed on the Shanghai Stock Exchange (stock code: 600110), from June 2009 to July 2015. Mr. Wang obtained his lawyer's qualification certificate issued by the Ministry of Justice of the PRC in April 1989. He obtained his bachelor's degree in law from Peking University in the PRC in July 1984.

Mr. Wu Xuekai (武學凱), aged 48, was appointed as an independent non-executive Director, a member of Audit Committee, a member of Remuneration Committee and a member of Nomination Committee on 28 May 2018. He is responsible for providing independent advice and judgment to our Board. Mr. Wu has over 23 years of experience in apparel industry. Mr. Wu has been serving as the chief creative director of Biaoding Apparel Co., Ltd. (上海標頂服飾有限公司), a company primarily engaged in providing designing services, where he has been responsible for product design since June 2002. Mr. Wu was also the design director of Shanshan Group, where he was responsible for the product design and the management of the design department from January 1999 to April 2003. From October 1996 to January 1999, Mr. Wu was a deputy general manager of the design center of Shanshan, where he was responsible for the design of products. From January 1995 to September 1996, Mr. Wu was a workshop manager of one of Shanshan's factories, where he was responsible for daily operation of this workshop. He has also been an independent director of Hunan Huasheng Company Limited (湖南華升股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600156), where he has been supervising and providing independent advice to the board of directors of that company since January 2014. Mr. Wu was qualified as a senior craftsmanship designer (高級工藝美術師) in July 2010 by Shanghai Human Resources and Social Security Bureau (上海市人力資源和社會保障局). Mr. Wu obtained his graduation certificate in fashion design from Tianjin Polytechnic University (天津工業大學) (formerly known as Tianjin Textile Engineering Institute (天津紡織工學院)) in the PRC in July 1994.

SUPERVISORY COMMITTEE

Ms. Zhou Danna (周丹娜), aged 37, was appointed as the chairperson of the supervisory committee of the Company (the "**Supervisory Committee**") on 18 May 2016. She joined the Group on 15 July 2013. She has over 12 years of experience in the apparel industry. Since July 2013, she was employed by our predecessor, Shanshan Garment Brand as an assistant to the head of the general management department, and now by the Company, as the manager of administration office, where she is responsible for administrative matters. From July 2013 to September 2014, she successively served as an assistant to the head of the general management department and the deputy department head in Fashion Brand, where she was responsible for assisting the head of general management department in administrative matters. From March 2006 to July 2013, Ms. Zhou successively served as the secretary to the general manager, administration assistant and the head of the department in Ningbo Shanshan Modun Garments Co., Ltd., a company primarily engaged in the sales of garments, where she was responsible for assisting the general manager in daily administrative matters. Ms. Zhou obtained her bachelor's degree in art design from Tianjin Polytechnic University (天津工業大學) in the PRC in July 2006.

Ms. Wang Cheng (王鋮), aged 30, was appointed as a supervisor of the Company (a "**Supervisor**") on 4 August 2016. She has over 6 years of experience in financial management. Ms. Wang joined the Group as an assistant to financial manager of Shanshan Garment Brand on 11 January 2016 and has since been responsible for assisting with the financial management. Prior to joining the Group, she was an audit assistant in Ningbo Jizhi Technology Company Limited (寧波激智科技股份有限公司), a company primarily engaged in the research, development and production of optical film, where she was responsible for auditing from September 2014 to December 2015. From August 2013 to April 2014, Ms. Wang was an accounting clerk in financial management department (計劃財務部) of Shanshan, where she was responsible for financial auditing. From October 2011 to May 2013, Ms. Wang was an assistant auditor in Nantong Xinjianghai United CPAS (南通新江海聯合會計師事務所), where she was responsible for auditing annual reports, project auditing and liquidation management. Ms. Wang was qualified as an accountant by Nantong Chongchuan Finance Bureau (南通市崇川區財務局) in January 2013. Ms. Wang obtained her bachelor's degree in accounting from the college of Humanities and Sciences of Northeast Normal University (東北師範大學人文學院) in the PRC in June 2011.

Ms. Yang Yi (楊依), aged 28, was appointed as a Supervisor on 18 May 2016. She has over 6 years of experience in managing internal control operations. She joined the Group on 8 October 2011, and has since then been serving as the deputy head of the department of internal control of Shanshan Garment Brand, the predecessor of our Company, and now our 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 54, has been the executive deputy general manager of the Group since November 2011 and is responsible for production and procurement of the Group. He has more than 33 years of experience in the apparel industry. Mr. Wang joined the Group on 21 June 2009 and has since then been the deputy general manager of Fashion Brand. From May 2005 to August 2011, Mr. Wang was with Ningbo Shanshan Garments Co., Ltd. (寧波杉杉服裝有限公司), a company primarily engaged in the sale of garments, where he successively served as the assistant to the general manager and deputy general manager. During that period, he was responsible for production and supply matters as well as assisting the general manager in corporate management. From June 2003 to May 2005, he served as the head of the production department of Shanshan, where he was responsible for the general management of the factories. From July 2000 to May 2003, he was with 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 50, has been a deputy general manager and design director of the Group since November 2011. He is responsible for research and development and design of the Group. He has more than 25 years of experience in apparel industry. Mr. Yang joined the Group on 21 June 2009 as the deputy general manager and chief designer of Fashion Brand. Prior to joining the Group, Mr. Yang had worked for more than 16 years, from June 1989 to May 2006, in Beijing Shunmei Garment Company Limited (北京順美服裝有限公司), a company primarily engaged in the production and sale of menswear, where he successively served as, among others, a manager and the product director of that company. Mr. Yang completed the diploma program of executive business administration from Zhejiang University (浙江大學) in the PRC in June 2015.

Mr. Zheng Shijie (鄭世傑), aged 48, has been a deputy general manager of the Group and planning director since June 2013 and is responsible for the brand building of the Group. Mr. Zheng joined the Group as the planning director of Fashion Brand in June 2013. He has over 21 years of experience in apparel industry. From June 2012 to June 2013, Mr. Zheng was an assistant to the general manager of Shaanxi Maoye, where he was responsible for assisting the general manager in the day-to-day operations of Shaanxi Maoye. From January 2009 to June 2012, Mr. Zheng was the general manager of the business division of Romon Group Co., Ltd. (羅蒙集團股份有限公司), a company primarily engaged in the design, production and sale of garments, where he was responsible for the operation of Xili Meishi (喜麗美獅) brand. From January 1996 to October 2002, he was the manager of the business division of women swear in Peace Bird Group Co., Ltd. (太平鳥集團有限公司), a company primarily engaged in the production and sale of garments, where he was responsible for women swear establishment and development. Mr. Zheng completed the diploma program of executive business administration offered by Zhejiang University (浙江大學) in the PRC in June 2015.

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

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. As the H Shares were initially listed on the Stock Exchange on the Listing Date, the CG Code was not applicable to the Company for the period from 1 January 2018 to 26 June 2018, being the date immediately before the Listing Date. However, the Company has complied with all the applicable code provisions as set out in the CG Code during the Period, save for the deviation from code provision A.1.8 of the CG Code as disclosed in this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct governing the securities transactions by the Directors and the Supervisors on terms no less exacting than the required standard set out in the Model Code. Following a specific enquiry made by the Company on 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 Period.

BOARD OF DIRECTORS

Responsibilities

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

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

Composition

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

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

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

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

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

Independent non-executive Directors
Mr. Au Yeung Po Fung
Mr. Wang Yashan
Mr. Wu Xuekai

The biographical details of each of the Directors are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report.

There was no financial, business, family or other material relationship among the Directors and the Supervisors.

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

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

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

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

During the Period, the chairman of the Board, being a Non-executive Director, held a meeting with the non-executive Directors (including the INEDs) without the presence of executive Directors.

Directors' Liabilities Insurance and Indemnity

As the Company was sourcing and waiting for various quotations for the directors and officers liabilities' insurance after the Listing, the insurance cover in respect of legal actions against the Directors and Supervisors were not in place. However, as there were regular and timely communications among the Directors, Supervisors and the senior management of the Group, the Board was of the opinion that sound and effective corporate governance within the Group would suffice in monitoring and mitigating legal and compliance risks.

The Company had arranged for appropriate and adequate insurance cover to protect the Directors from legal action arising from the performance of their duties as a Director and Supervisor in August 2018 and since then the Company has complied with code provision A.1.8 of the CG Code. Such insurance coverage is reviewed and renewed on an annual basis.

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

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

A training seminar on the responsibilities of directors of listed companies was delivered by the Company's legal advisers as to Hong Kong laws to all the Directors and senior management of the Company in May 2018.

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

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

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

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

Notes:

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

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

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

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

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

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

During the Period, the Board held two (2) meetings, amongst other matters, considered and approved the unaudited consolidated financial statements of the Group for the six months ended 30 June 2018.

During the Period, the Company did not hold any general meeting of Shareholders.

The attendance of each Director at the Board meeting for the Period is set out below:

Name of Directors	Attendance of Board Meetings
Executive Directors	
Mr. Cao Yang	2/2
Mr. Luo Yefei	2/2
Ms. Yan Jingfen	2/2
Non-executive Directors	
Mr. Zhuang Wei *(Chairman)*	2/2
Mr. Yang Feng	2/2
Ms. Hui Ying	2/2
Independent Non-executive Directors	
Mr. Au Yeung Po Fung	2/2
Mr. Wang Yashan	2/2
Mr. Wu Xuekai	2/2

BOARD DIVERSITY POLICY

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Pursuant to the Articles of Association, the primary duties and responsibilities of the chairman of the Board includes:—

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

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

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

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

The primary duties and responsibilities of the vice chairman of the Board, amongst others, includes:—

(a) strategic planning of the Group;

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

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

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

BOARD COMMITTEES

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

Audit Committee

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

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

- making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- reviewing and monitoring on the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with the applicable standards;
- monitoring the integrity of the Company's financial statements and annual report, interim report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them;
- reviewing the Company's financial controls, risk management and internal control systems 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 Period, 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 the Group's unaudited interim results for the six months ended 30 June 2018 and recommended the same to the Board for their consideration and approval. The Audit Committee was of the opinion that the preparation of such 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 Period 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 19 March 2019 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 annual general meeting of the Company (the "**AGM**") to be held on 5 June 2019.

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;
- either: (i) to determine, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management; or (ii) to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management.

During the Period, no meeting of the Remuneration Committee was held.

The Remuneration Committee held a meeting on 19 March 2019 and, among other things, reviewed and recommended to the Board for consideration certain remuneration-related matters of the Directors and senior management.

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, one (1) Non-executive Director, Mr. Zhuang Wei, Mr. Zhuang Wei is the chairman of the Nomination Committee.

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

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

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

- assessing the independence of the INEDs;

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

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

During the Period, no meeting of the Nomination Committee was held.

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

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 Company and other relevant industries;
- Independence;
- Potential contributions to the Board; and
- Other relevant factors determined by the committee or the Board from time to time.

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

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

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

(c) to interview with individual candidates and preform 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 candidates;

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

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

BOARD'S CORPORATE GOVERNANCE FUNCTIONS

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

- developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management of the Company and its subsidiaries;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the directors of the Company and its subsidiaries; and
- reviewing the Company's compliance with the CG Code in Appendix 14 to the Listing Rules and disclosure in this report.

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

In order to maintain sound and effective risk management and internal control systems, the Company has established and maintained stringent internal control procedures including the adoption of a corporate governance manual. Internal reporting guidelines have been developed at all department levels of the Company for identifying potential events of non-compliance, and all employees have been encouraged by management to report promptly 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 Period, the Board, through the Audit Committee, had conducted a review of the effectiveness of the risk management and internal control systems of the Group covering all material controls, including financial, operational and compliance controls. The Board considers that the Group's risk management and internal control are adequate and effective. The Board expects that a review of the risk management and internal control systems will be performed annually.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors and non-executive Directors has entered into a service agreement with the Company for a term commencing from the date of the general meeting at which the respective executive Directors or non-executive Directors were appointment until the end of the term of first session of the Board and may be terminated in accordance with the respective terms of the service agreement.

Each of the INEDs has entered into a letter of appointment with the Company for a term commencing from the date of the general meeting at which the respective INEDs were appointed until the end of the term of first session of the Board.

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 Shareholders' 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.

In accordance with the code provision A.4.2 of the Code, all Directors are subject to retirement by rotation at least once every three years at each annual general meeting. Hence, all Directors shall retire the office by rotation on 14 May 2019 due to the last re-election and appointment of the Directors for the current session of the Board in May 2016, January and May 2018, respectively. In view that the term of the current session of the Board will be expired on 14 May 2019 and as it matters to the whole Board, various factors shall be considered to ensure the senior management of the Company well continues. Therefore, the current session of the Board will continue to perform their duties until the next session of Board has been elected by the Shareholders at the forthcoming AGM.

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

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

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

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

INDEPENDENT AUDITOR'S RESPONSIBILITY AND REMUNERATION

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

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

Services	Fee paid/payable RMB'000
Audit services	632
Non-audit services	—
Review of interim condensed consolidated financial statements	343
Other professional services	60
Total	1,035

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "**SFO**") and the Listing Rules and the overriding 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, public announcements and the Company's website;

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

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

JOINT COMPANY SECRETARIES

Ms. Yan Jingfen ("**Ms. Yan**"), one of the Joint Company Secretaries of the Company, 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 engages Mr. Kwok Siu Man ("**Mr. Kwok**") as its Joint Company Secretary to assist Ms. Yan to discharge her duties as company secretary of the Company. For the purpose of Code F.1.1 of the CG Code, Mr. Kwok keeps close contact with Ms. Yan, being the person with sufficient seniority at the Company.

Mr. Kwok was nominated by Boardroom Corporate Services (HK) Limited ("**Boardroom**") to be the Company Secretary on 10 November 2017 and since then, Boardroom has been providing certain corporate secretarial services to the Company pursuant to an engagement letter entered between the Company and Boardroom. Mr. Kwok is an executive director and the head, corporate secretarial of Boardroom and a director of Boardroom Share Registrars (HK) Limited. He a fellow member of each of The Institute of Chartered Secretaries and Administrators and The Institute of Financial Accountants in England, the Institute of Public Accountants in Australia, The Hong Kong Institute of Chartered Secretaries, The Association of Hong Kong Accountants and The Hong Kong Institute of Directors. As Mr. Kwok was first appointed as the company secretary of a Hong Kong Hang Seng Index constituent stock company in 1991 and has been acting in such capacity for a number of other reputable companies listed on the Stock Exchange at a substantial amount of time since then, he was not required to have at least 15 hours of relevant continuous professional development training under the Listing Rules for each of the five (5) consecutive years from 2012.

For the Year, Ms. Yan and Mr. Kwok have undertaken relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

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

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

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

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

- the accumulated losses in previous years;
- appropriations are required to make to the statutory reserve, which is currently 10% of the unconsolidated net profit of the Company as determined under PRC GAAP, until such reserve reaches an amount equal to 50% of the registered capital of the Company; and
- 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

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

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

Procedures for Shareholders to Convene an Extraordinary General Meeting

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

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) for convening an EGM and the proposed agenda.

Detailed procedures are set out in the Articles of Association which is available on the respective websites of the Stock Exchange and the Company.

Procedures for Shareholders to Send Enquiries to the Board

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

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

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

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

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

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

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

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), AGMs 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 Period, the Company has not made any change to its constitutional documents. Pursuant to Rule 13.90 of the Listing Rules, the consolidated version of the Company's constitutional documents has been made available on the Company's website and the website of the Stock Exchange.

Environmental, Social and Governance Report

INTRODUCTION

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

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

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

Finally, as to the policies and performance of the Group in relation to the four major aspects, including environmental protection, employment and labour practices, operating practices and community investment from 1 January 2018 to 31 December 2018, the Board is hereby pleased to present the 2018 ESG Report of the Group.

Environmental, Social and Governance Report

ABOUT THE ESG REPORT

About the Report

This ESG Report introduces the significant ESG performance of the Group in the 2018 financial year, and the long-term commitments to ESG. This ESG Report mainly focuses on the main business of the Group, i.e. the property management business of the Group in Mainland China, and describes the progress of Shanshan in creating sustainable values for its shareholders and other stakeholders.

Scope of the Report

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

In addition to internal factors, such as the Group's corporate value, strategy and core competence, the Group has also communicated with the internal and external stakeholders on a regular basis, and considered the ESG strategies of other competitors in the industry, so as to achieve sustainable development. The Group has also identified the following categories that have or may have a significant impact on the Group's ESG performance:

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

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

This Report has covered the critical issues concerned by different stakeholder groups through continuous communication with the stakeholders. We welcome opinions and suggestions for ESG performance of the Group, which can be sent to the Group's Email: ssfz@shanshan.com.

Environmental, Social and Governance Report

ABOUT SHANSHAN BRAND MANAGEMENT CO., LTD.

The Business of the Group

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

Vision

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

Mission

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

Objective

Continuing to provide consumers with quality menswear.

Board of Directors

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

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

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

Independent non-executive Directors
Mr. Au Yeung Po Fung
Mr. Wang Yashan
Mr. Wu Xuekai

PARTICIPATION OF STAKEHOLDERS

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

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

ENVIRONMENTAL ASPECTS

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

During the Year, the Group did not find any crucial illegal behaviour relating to environmental problems. Since the Group did not collect information in relation to the environment before Year, we will, in the next financial year, start to compile, compare and analyze the data of emissions and resource usage and take further follow-up actions based on the results. The Group firmly believes that we will be able to present the outcomes of our energy-conservation policies in the ESG report for the next financial year.

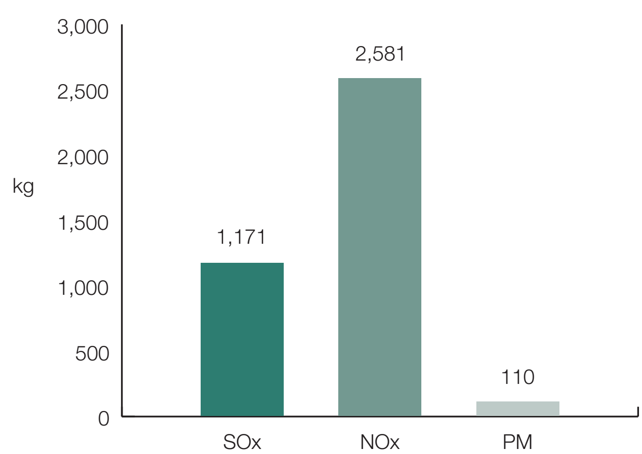
EMISSIONS

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

Air Pollution Emissions

In view of the Group's business focusing on the design, promotion and sales of menswear, which are services in nature, our business activities do not involve any fuel gas or fossil fuels in the production process. The mainly air pollution emissions are derived from the fuels used for the Group's eight automobiles which are used to pick up employees and customers in the daily course, and the resulting air pollution emissions include SOx, NOx and PM. During the Year, the Group had discharged an aggregate of 3,862 kg of air pollutant arising from its operation with an emission density of about 483 kg per automobile. To reduce fuel consumption of automobiles, the Group conducts regular maintenances and inspection for its automobiles to ensure that they are in good condition, so as to avoid additional fuel consumption resulting from the low fuel efficiency.

Air Pollution Emissions



Greenhouse Gas (GHG) Emission

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

The total GHG emissions generated by the Group in the Year were approximately 1,186 tonnes, of which 38% was direct emissions for the use of vehicles, 59% was indirectly emissions for electricity consumption of headquarter in Ningbo, and the remaining 3% was indirect emissions from other sources. Given that more than half of the GHG emissions were derived from electricity consumption, the Group posted slogans in the Company to remind the employees to unplug electrical appliances which are not in use and encourage them to adopt natural light to reduce electricity consumption.

Scope	Source of GHG emission	GHG emissions (ton)	Percentage
Scope 1	Direct GHG emission from the use of vehicles	**451.22**	**38%**
Scope 2	Indirect GHG emissions from the electricity purchased by our headquarter in Ningbo[1]	**693.95**	**59%**
Scope 3	Wasted pages discarded at the landfill	**10.12**	**<1%**
	Electricity consumed for treatment of drinking water and sewage[2]	**3.56**	**<1%**
	Employees taking planes for business trips	**27.19**	**2%**
Data of GHG emissions			
The GHG emissions in total		**1,186.04**	
GHG emissions per capita (tonnes/number of staff)[3]		**1.69**	

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

2 The per unit electrical consumption for treatment of drinking water and sewage in the PRC was set at 0.575 and 0.2886 kwh, respectively, while the preset emission factor for purchased electricity in the PRC is set at 0.7 kg/kWh. The above data was consistent with that of Hong Kong.

3 The GHG emission intensity was calculated by per capita emission. The Group's total number of staff was 701 as at 31 December 2018.

Waste Management

The Group's business activities involved no hazardous wastes. The Group's non-hazardous wastes mainly produced from the papers used by its ordinary business. During the Year, the total waste papers discarded by the Group at the landfill was about 2,100 kg, and the per capita waste paper disposal was about 3 kg. In order to reduce the use of paper, the Group encouraged staffs to process daily documents by using perfect printing and to collect recyclable waste papers for reuse.

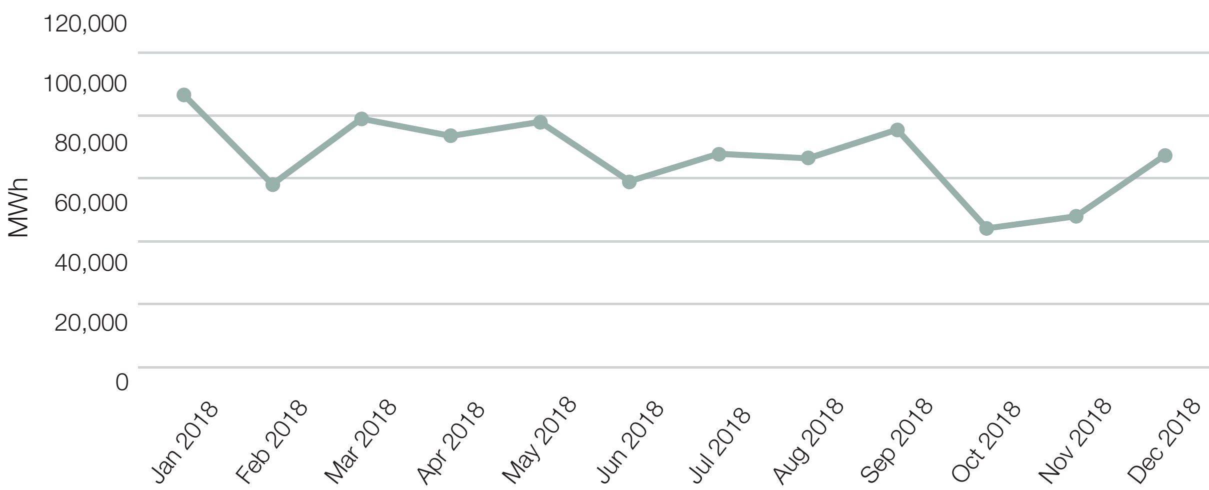
USE OF RESOURCES

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

Electric Energy Consumption

The major carbon footprints of the Group came from the electric energy consumption, the electric energy consumption of Ningbo headquarter in the Year was approximately 1,044 MWh, and per capita electricity energy consumption was approximately 1.5 MWh.

Electric Energy Consumption



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

Water Resource Consumption

The consumption of water resource has always been a global concern of environmental issues. While the Group is actively building an internationally well-known brand, saving water is one of the important goals for the Group. Total water consumption in FY2018 was 5,899 m^3, and per capita water consumption was 8.4 m^3. In order to reduce water consumption, the Group encourages employees to save water consumption while using the washrooms, which will not only reduce water consumption but also simultaneously to reduce electricity consumption generated from water supply, thereby reducing the Group's carbon footprints.

Energy-saving measures for staff canteen

Packaging Materials

The packaging materials of the Group are mainly plastic bags used in sales of apparels in shops. We will report on the use of packaging materials in next financial year as the Group did not collect data on packaging materials for this financial year.

THE ENVIRONMENT AND NATURAL RESOURCES

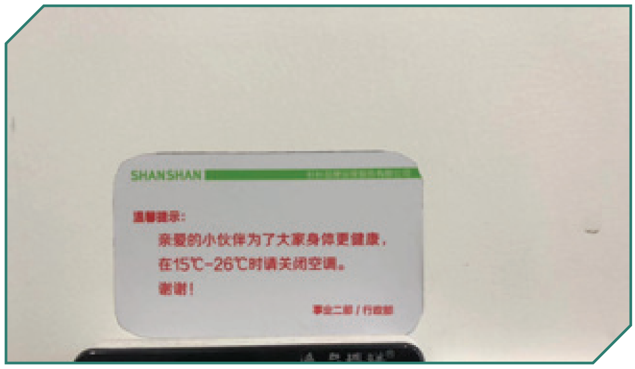
In addition to the above electricity reduction and water saving plans, the Group has also implemented various environmental protection measures in its headquarter in Ningbo to achieve the goals of emission reduction from the source in all directions.

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

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

In addition, in order to promote the reduction of gas emissions caused by the use of vehicle fuels, the Group has set up a new energy vehicle charging station at our headquarter to provide charging services for electric vehicles of our employees.

Natural lighting design of office



Energy-saving posters of air conditioning

Internal landscape of the base in Ningbo headquarter

new energy vehicle charging station

Garden design concept of the headquarter

Green strap

SOCIAL

Employment and Labour Standards

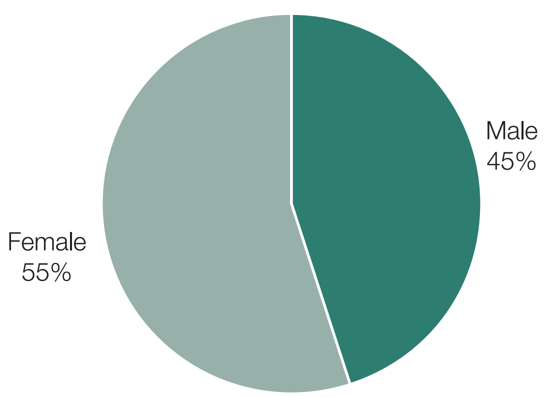
Employees are one of the most important assets of the Group. The Group provided the best treatment for employee in terms of generous employee benefits, development and training plans, and a harmonious and healthy work environment. Therefore, while the employees are contributing to the Group's success,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

Employment

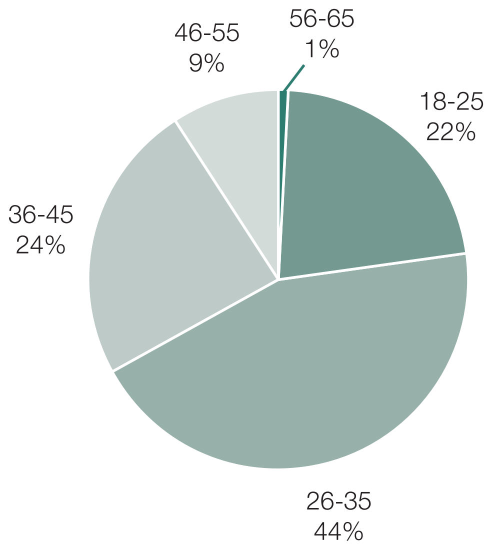
Our Staff

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

Employees by gender



Employees by age



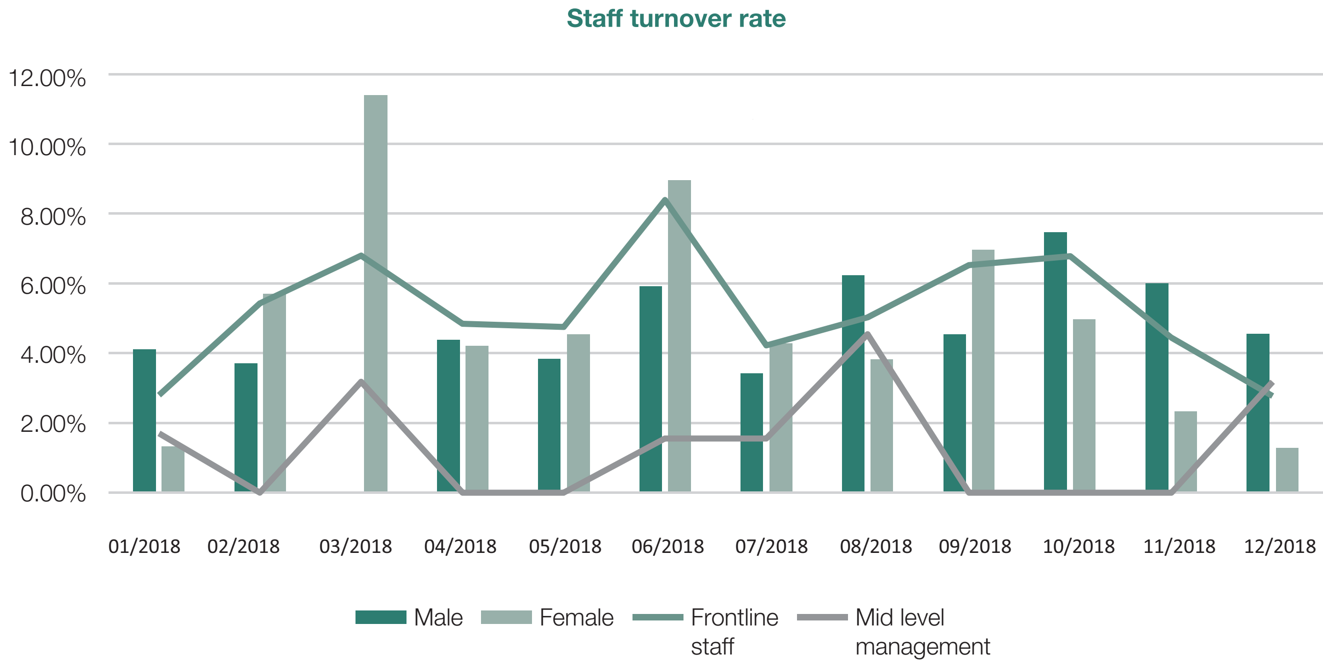
Staff Compensation and Welfare

In order to achieve simultaneous development of the Group and its employees, the Group had offered employees competitive remuneration packages, including but not limited to on-the-job training, bonus and travelling allowance. The Group would also carry out performance appraisals based on the individual performances of the employees on a quarterly and semi-annually basis to encourage them to set up their own clearly defined goal. Based on the evaluation results, employees would be awarded the titles of “commendation”, “reward” or “promotion or conferring honorary title” to motivate them to continuously improve and to ensure their performance meet the expectation and requirements of the Group. The Group had purchased various social insurance and made contributions to housing provident funds for all employees.

The Group strictly followed the Labour Law of the People’s Republic of China (《中華人民共和國勞動法》), the Social Insurance Law of the People’s Republic of China (《中華人民共和國社會保險法》), Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) and other relevant regulations in an effort to guarantee the due benefits entitled to the employees and offer them the best remuneration package.

Work-life Balance

In order to ensure our employees achieve a balance between work and life, and maintain a balanced and healthy lifestyle, the Group had implemented a standard labor time system, which stipulated that the working hours of employees per day shall not exceed eight hours and the average working time per week shall not exceed 40 hours. Apart from weekly rest days and the statutory holidays, employees were also entitled to the maternity leave, funeral leave, marital leave and family planning leave. Our vacation system was also established based on the actual circumstances to ensure sufficient break time of our employees. In addition, the Group offered various amenities facilities for our employees, including staff canteens and a variety of staff events, to increase their sense of belonging to the Group. Given the series of measures taken by the Group, the average turnover rate of the Group was controlled at only about 4.79%, and even without any loss in any senior management occurring during the financial year of 2018.



Health and Safety

The Group is committed to providing a safe working environment for its employees and has implemented the following measures. The Group has formulated "Fire Emergency Plan" which sets out the emergency plan for fire accidents. It also regularly organizes fire safety training seminars with the Fire Safety Education and Training Center of Ningbo (寧波居安防火教育培訓中心) to ensure that all employees can safely respond to fire accidents. Moreover, the Group is equipped with a number of fire protection equipment in the office building, such as fire extinguishers and fire hydrants, and conducts regular inspections to ensure that they are in good condition.

Any employee suffering from work-related injuries is entitled to indemnification treatment in accordance with relevant national regulations, and the Group will also provide sufficient work-related injury leave to enable employees to have sufficient rest. During the Year, the Group did not experience any work injury, and the Group is committed to providing employees with a healthy and safe working environment.

Development and Training

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

During the Year, the number of employees trained of the Group was 701, accounting for 100% of the total number, while the total training hours was 38,620 hours, with the averaged training hours per trainee amounting to approximately 55 hours.

Labour Standard

The Group strictly abides by the *Labor Law of the People's Republic of China* and provides employees with remunerations no lower than the local statutory minimum wage and does not employ child labor. The Group is pleased that there were no labor disputes or cases of forced labor during the Year. The Group undertakes to maintain strict compliance with laws and regulations in the future. Any employee facing or discovering violations can report to the management through the reporting mechanism.

OPERATING PRACTICES

Supply Chain Management

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

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

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

Product Responsibility

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

Quality Control

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

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

Customer Complaint and Return Process

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

Membership System

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

Anti-Corruption

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

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

The Group strictly abides by the Prevention of Bribery Ordinance (Chapter 201 of the laws of Hong Kong), and requires suppliers sign the Sunshine Agreement, making the commitments as follows: While engaged in business practices, an supplier must not directly or indirectly provide, undertake, require or accept any illegitimate benefits, or carry out other dishonest acts in breach of good faith, law or national regulations, including criminal offences such as corruption, bribery, extortion, fraud or money laundering, and other acts such as providing improper charitable donations or sponsorships, providing or accepting unreasonable gifts, entertainments or other illegitimate benefits, infringing business secrets, trademark rights, patent rights, copyrights and other intellectual property rights, engaging in unfair competition, etc. Employees of the Group must report any benefits received, for which the Group will make the final decision on disposal.

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

Anti-Corruption Course

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

Whistle-Blowing Channel and Policy

The Group has established written systematized whistleblowing monitoring procedure, encouraging employees to report and file complaints relating to fraud and immorality which they discovered or were informed about. The whistleblower shall truthfully report the situation to the Administration Center. Upon receipt of the whistleblowing matter, the Administration Center will investigate the complaint. The Administration Center will keep the whistleblower's personal information confidential, and will submit the case to the competent external agency for handling when necessary. The whistleblower will undertake corresponding legal liability for fabricating facts, falsifying evidence, or conducting false charge or frame-up by whistleblowing.

COMMUNITY INVESTMENT

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

As at 31 December 2018, the Group has donate materials amounted to RMB456,531 to China Foundation for Poverty Alleviation for doing its humble part to help alleviate poverty.

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

The Board is pleased to present its report together with the audited consolidated financial statements of the 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 quality menswear products.

FINAL DIVIDEND

The Board has resolved to recommend the distribution of a final dividend of RMB0.06 per share (pre-tax) for 133,400,000 shares for the Year, representing a total amount of RMB8,004,000 (pre-tax).

The proposed final dividend is subject to the approval of the Shareholders at the forthcoming AGM to be held on Wednesday, 5 June 2019 and is expected to be distributed on or before Wednesday, 31 July 2019 to the holders of domestic shares and H Shares whose names appear in the register of members of the Company (the "**Register of Members**") on Tuesday, 18 June 2019.

In accordance with the tax law and relevant requirements under taxation regulatory institutions of the PRC, the Company is required to withhold 10% enterprise income tax when it distributes the final dividend for the Year to all non-resident enterprise shareholders (including HKSCC Nominees Limited, other nominees, trustees or other entities and organizations, who will be deemed as non-resident enterprise shareholders) whose names appear on the Register of Members of H Shares on Tuesday, 18 June 2019.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Law of the People's Republic of China on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法》) and other relevant laws and regulations and based on the Company's consultation with the relevant PRC tax authorities, the Company is required to withhold and pay 20% individual income tax for the Company's individual H shareholders whose names appear on the Register of Members of H Shares (the "**Individual H Shareholders**"). Pursuant to the Notice on Matters concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa 1993 No.045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the State Administration of Tax of the PRC and the letter titled "Tax arrangements on dividends paid to Hong Kong residents by Mainland companies" issued by the Stock Exchange, the overseas resident individual shareholders of the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax arrangements between the countries where they reside and China and the tax arrangements between China mainland and Hong Kong (Macau). The Company will identify the country of domicile of the Individual H Shares Shareholders according to their registered address on the Register of Members of H Shares on Tuesday, 18 June 2019 (the "**Registered Address**"). The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the Individual H Shares Shareholders and for any claims arising from or in connection with any delay in or inaccurate determination of the tax status or tax treatment of the Individual H Shares Shareholders or any disputes over the withholding mechanism or arrangements. Details of arrangements are as follows:

- For Individual H Shares Shareholders who are Hong Kong or Macau residents or those whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the Individual H Shares Shareholders.

- For Individual H Shares Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the Individual H Shares Shareholders. If relevant Individual H Shares Shareholders would like to apply for a refund of the additional amount of tax withheld and paid, the Company can assist the relevant shareholder to handle the application for the underlying preferential tax benefits pursuant to the tax treaties, provided that the relevant shareholder shall submit to the Company the information required under the "Notice of the State Administration of Taxation on issuing the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties" (Notice of the State Administration of Taxation, 2015 No.60) (《國家稅務總局關於發佈<非居民納稅人享受稅收協定待遇管理辦法>的公告》(國家稅務總局公告2015年第60號)) (the "**Tax Treaties Notice**") on or before Tuesday, 11 June 2019. Upon examination and approval by competent tax authorities, the Company will assist in refunding the additional amount of tax withheld and paid.

- For Individual H Shares Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will finally withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty.

- For Individual H Shares Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 20%, or a country which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will finally withhold and pay individual income tax at the rate of 20% on behalf of the Individual H Shares Shareholders.

If the domicile of an Individual H Shares Shareholder is not the same as the Registered Address or if the Individual H Shares Shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the Individual H Shares Shareholder shall notify and provide relevant supporting documents to the Company on or before Tuesday, 11 June 2019. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding and payment provisions and arrangements. Individual H Shares Shareholders may either personally or appoint a representative to attend to the procedures in accordance with the requirements under the Tax Treaties Notices if they do not provide the relevant supporting documents to the Company within the time period stated above. Shareholders are recommended to consult their tax advisers regarding the PRC, Hong Kong and other tax implications arising from or in connection with their holding and disposal of the H Shares.

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", respectively on pages 7 to 8 and on pages 9 to 16 of this annual report.

A description of the principal risks and uncertainties that the Company may be facing and the key financial performance indicators are set out in the sections headed "Management Discussion and Analysis" on pages 9 to 16 of this annual report and "Risk Factors" contained on pages 34 to 56 of the Prospectus. Additionally, the financial risk management objectives and policies of the Company can be found 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 to 8 and on pages 9 to 16 of this annual report, respectively.

ENVIRONMENT, HEALTH AND SAFETY

The Group's business did not violate applicable environmental laws and regulations of the PRC in any significant respect. The Group also made every effort to ensure the health and safety of its employees. The Group is equipped with emergency medications to handle certain daily medical matters of the employees. Should there be any critical and urgent medical situations, the Group will send its employees to local hospitals for treatment promptly. The Group also employed qualified property management companies to provide property security services for the Group's park in the premise of its office. As far as the Board and the management of the Company are concerned, the Group has complied with the relevant laws and regulations that have a significant impact on the Group's business and operations in all major respects. There was no serious violation against or non-compliance with applicable laws and regulations by the Group during the Year. For details, please refer to the ESG Report in this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIP WITH KEY STAKEHOLDERS

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

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

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

BORROWINGS

Details of the borrowings of the Group as at 31 December 2018 are set out in note 27 to the consolidated financial statements.

SHARE CAPITAL

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

PROPERTY, PLANT AND EQUIPMENT

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

DONATIONS

For the Year, the charitable and other donations made by the Group amounted to approximately RMB456,531.

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

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

RESERVES AND DISTRIBUTABLE RESERVES

As at 31 December 2018, the distributable reserves of the Company, calculated in accordance with the provisions of the PRC Companies Law, amounted to approximately RMB116,035,958 (2017: RMB81,951,886). The movements in the reserves of the Group and the Company during the Year are set out on page 84 to the consolidated statement of changes in equity and in note 42 to the consolidated financial statements, respectively.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and financial position of the Group for the preceding four financial years is set out on page 161.

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 1.9% and 6.7% (2017: 2.5% and 10.1%) respectively.

During the Year, the percentage of the Group's purchases attributable to the Group's largest suppliers and the five largest suppliers in aggregate were approximately 5.6% and 22.7% (2017: 5.7% and 21.8%) respectively.

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

DIRECTORS

The Directors of the Company during the Year and up to the date of this report are:

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

Non-executive Directors
Mr. Zhuang Wei
Mr. Yang Feng (appointed on 2 January 2018)
Ms. Hui Ying (appointed on 2 January 2018)

Independent Non-executive Directors
Mr. Au Yeung Po Fung (appointed on 28 May 2018)
Mr. Wang Yashan (appointed on 28 May 2018)
Mr. Wu Xuekai (appointed on 28 May 2018)

The profiles of the existing Directors of the Company are shown on pages 17 to 22.

SERVICE CONTRACT OF DIRECTORS AND SUPERVISORS

The service period of this session of the Board and the Supervisory Committee (being the first session of the Board and the Supervisory Committee) is from 15 May 2016 to 14 May 2019 or on the date when the second session of the Board and the Supervisory Committee are elected by the Shareholders. Due to the expiry of the service period, it is recommended that all the members of the first session of the Board and the Supervisory Committee be re-elected and/or elected at the forthcoming AGM.

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 Period and up to the date of this report.

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

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

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

As at 31 December 2018, the interests 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 SFO), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register as referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions

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

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

Note:

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

(b) Shares in associated corporations of the Company

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

Notes:

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

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

Save as disclosed above and so far as is known to the Directors, as at 31 December 2018, none of the Directors, supervisor nor the chief executives of the Company had or was deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

As at 31 December 2018, 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 which had 5% or more interests in the shares and the underlying shares as recorded in the register required to be kept under section 336 of the SFO were as follows:

LONG POSITIONS AND SHORT POSITIONS IN THE SHARES

Name of Shareholders	Class of Shares	Capacity/Nature of Interest	Number of Shares held	Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Shareholding in the Total Shares
Shanshan (Note 1)	Domestic Shares	Beneficial owner/ Personal interest	90,000,000	90%	67.466%
Shanshan Group (Note 2)	Domestic Shares	Interest of a controlled corporation/ Corporate interest	90,000,000	90%	67.466%
Ningbo Yonggang Clothing Investment Co., Ltd. ("**Ningbo Yonggang**") (Note 3)	Domestic Shares	Interest of controlled corporations/ Corporate interest	90,000,000	90%	67.466%
Shanshan Holding (Note 4)	Domestic Shares	Interest of controlled corporations/ Corporate interest	90,000,000	90%	67.466%
Ningbo Qinggang Investment Co., Ltd. ("**Qinggang Investment**") (Note 5)	Domestic Shares	Interest of a controlled corporation/ Corporate interest	90,000,000	90%	67.466%
Mr. Zheng Yonggang ("**Mr. Zheng**") (Note 6)	Domestic Shares	Interest of controlled corporations/ Corporate interest	90,000,000	90%	67.466%
Ms. Zhou Jiqing ("**Ms. Zhou**") (Note 6)	Domestic Shares	Interest of controlled corporations/ Corporate interest	90,000,000	90%	67.466%
Shaanxi Maoye (Note 7)	Domestic Shares	Beneficial owner/ Personal interest	10,000,000	10%	7.496%
Ms. Zhou YM (Note 8)	Domestic Shares	Interest of spouse/ Family interest	10,000,000	10%	7.496%

Notes:

(1) Shanshan is a joint stock company with limited liability established in the PRC, whose issued shares are listed on the Shanghai Stock Exchange (stock code: 600884). Shanshan is owned as to approximately 23.79% by Shanshan Group, approximately 16.09% by Shanshan Holding, approximately 0.04% by Mr. Zheng and approximately 60.08% by other public shareholders.

(2) Shanshan Group is interested in approximately 23.79% of the registered share capital of Shanshan, and (together with Shanshan Holding) controls the majority of the board of directors of Shanshan. By virtue of the SFO, Shanshan Group is deemed to be interested in the Domestic Shares held by Shanshan.

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

(4) Shanshan Holding is directly interested in approximately 16.09% of the registered share capital of Shanshan and indirectly interested in approximately 23.79% of the registered share capital of Shanshan through (i) Ningbo Yonggang (a corporation of which Shanshan Holding is interested in approximately 97.34% of its registered capital), and (ii) Shanshan Group (a corporation of which Shanshan Holding is directly interested in approximately 61.84% and indirectly interested in approximately 11.94% through Ningbo Yonggang). By virtue of the SFO, Shanshan Holding is deemed to be interested in the Domestic Shares held by Shanshan.

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

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

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

(8) 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 beneficially owned or deemed to be held by Mr. Luo.

Save as disclosed above, as at 31 December 2018, so far as it was known to or otherwise notified to the Directors or the chief executive of the Company, no other corporations or persons (other than a Director, a supervisor or the chief executive of the Company) had 5% or more interests in the shares and the underlying shares as recorded in the register required to be kept under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

EQUITY-LINKED AGREEMENTS

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

DEED OF NON-COMPETITION

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

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

Each of the Controlling Shareholders has made an annual written declaration as to the compliance with the terms of the Non-Competition Agreement. The INEDs have reviewed the compliance by each of the Controlling Shareholders with the Non-Competition Agreement and considered that, for the Year, the Controlling Shareholders have complied with the terms of the Non-Competition Agreement.

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 their respective close associates had engaged in or had any interest in any business that competed or might compete with the businesses of the Group.

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 its holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or a Supervisor or a connected entity of a Director or a Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Continuing Connected Transactions" below, there was no contract of significance (whether for the provision of services to the Company or any of its subsidiaries or not) to which the Company or any of its subsidiaries was a party and a controlling Shareholder is the other party during 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

Details of the related party transactions undertaken by the Group in its normal course of business are set out in note 32 to the consolidated financial statements. Those related party transactions as disclosed also constituted connected transactions/continuing connected transactions under Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules and the transactions were in the ordinary and usual course of business.

CONNECTED TRANSACTION

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

1. Trademark licence agreements with Shanshan and Shanshan Group

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

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

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

On November 11, 2005, Lubiam (Ningbo) Apparel Co., Ltd. (寧波魯彼昂姆服飾有限公司) ("**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 in connection with and for the manufacture and sale of "LUBIAM" branded garments and accessories by Lubiam Apparel in the territory of the PRC (excluding Taiwan, Hong Kong and Macau for the purpose of the Lubiam Trademark Licence Agreement). The term of the licence commenced on the date of the Lubiam Trademark Licence Agreement and shall end on the date on which the business licence of Lubiam Apparel becomes ineffective. For further details of the Lubiam Trademark Licence Agreement, please refer to the section headed "Connected Transactions" in the Prospectus.

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

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

3. Cooperative Agreements

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

It was estimated that the maximum amount of the revenue sharing fees under the Cooperative Agreements would not exceed RMB0.5 million, RMB0.5 million and RMB0.2 million for the year ended 31 December 2018 and each of the years ending 31 December 2019 and 2020, respectively.

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

All the above transactions constitute de minimis continuing connected transactions that are exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

On 17 November 2016, the Group and Shanshan entered into three lease agreements (the "**Previous Lease Agreements**") in relation to the leasing of certain properties in Shanghai and Ningbo, the PRC, with a total gross floor area of 32,996.69 sq.m., details of which are set out in the section headed "Connected Transactions — Continuing Connected Transactions — B. Continuing connected transactions which are subject to the reporting, annual review, announcement requirements but exempt from the independent Shareholders' approval requirement — 4. Lease Agreements with Shanshan" in the Prospectus.

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.

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 "**New Lease Agreements**") with Shanshan in relation to the leasing of certain properties in Ningbo, the PRC, by Lubiam Apparel for office use. A previous lease agreement, one of the three lease agreements constituting the Previous Lease Agreements entered into between Lubiam Apparel and Shanshan on 17 November 2016 in relation to the leasing of certain properties in Ningbo, the PRC, for office and showroom use, was also terminated and superseded by the New Lease Agreement III with effect from 31 August 2018.

In addition, on 23 August 2018, the Company entered into a supplemental lease agreement (the "**Supplemental Lease Agreement**") with Shanshan in relation to the adjustment of certain leased areas and termination of the leasing of certain properties under a previous lease agreement, one of the three lease agreements constituting the Previous Lease Agreements entered into between the Company and Shanshan on 17 November 2016 in relation to the leasing of certain properties in Ningbo, the PRC, for warehouse and storage use.

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 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 New Lease Agreements and the Previous Lease Agreements (as amended by the Supplemental Lease Agreement), calculated on an aggregated basis, for the year ended 31 December 2018 and for each of the three financial years ending 31 December 2019, 2020 and 2021 shall be RMB6,547,346, RMB6,243,080, RMB3,668,070 and RMB2,459,780, respectively. Details of the New Lease Agreements and the Supplemental Lease Agreement are set out in the announcement of the Company dated 23 August 2018.

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

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

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

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

b. on normal commercial terms or better; and

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

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged 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 containing their findings and conclusions in respect of the continuing connected transactions.

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(m) to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

INDEPENDENT AUDITOR

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

For and on behalf of the Board
Zhuang Wei
Chairman

Ningbo, 19 March 2019

Report of the Supervisory Committee

Looking back to the year of 2018, 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 Ms. Wang Cheng and Ms. Yang Yi.

I. MEETINGS OF THE SUPERVISORY COMMITTEE

As at 31 December 2018, 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 of the Company and with proper service of notice and quorum. Major matters considered and reviewed by the Supervisory Committee include:

a. Review of the interim report for 2018 and the third quarterly report for 2018;

b. Review of the plan of final financial accounts for 2017, the resolution on profit distribution plan for 2017 and the financial budget proposal for 2018.

c. Considering and approving the work report of the Supervisory Committee for 2017.

As at 31 December 2018, 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 2018 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 2018 and the financial performance and cash flow in 2018.

2. Related party transaction

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

3. Internal control

During the Year, the Company continued to strengthen and improve the construction of its internal control system. The comprehensiveness and effectiveness of the Company's internal control were continuously improved. The Supervisory Committee was not aware of any material defect in 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 2018. The Supervisory Committee supervised the implementation of the resolutions of general meetings and considered that the Board had prudently implemented the 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

19 March 2019

Independent Auditor's Report

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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 81 to 159, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards 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 Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Impairment assessment of inventories

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

As at 31 December 2018, the carrying amount of inventories was approximately RMB461,778,367. The provision for inventories as at 31 December 2018 was approximately RMB21,665,094. Management estimated the net realisable value of inventories. At the end of the reporting period, and made provision for write-down in value, if any.

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

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

Our response

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

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

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

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

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

— Recalculating the provision.

KEY AUDIT MATTERS (CONTINUED)

Impairment assessment of trade and bills receivables
(Refer to note 5(d) and 21 to the consolidated financial statements)

As at 31 December 2018, the Group had trade and bills receivables of RMB183,246,509. There is a risk that these receivables are not recoverable. The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated expected credit loss ("ECLs") based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

After management's impairment assessment, impairment losses on trade receivables of RMB2,500,774 have been recognised in profit or loss during the year.

Our response

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

— Reviewing the provision matrix and debtors repayment history to assess the reasonableness of the percentage of ECLs;

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

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

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants
Ng Wai Man
Practising Certificate Number P05309
Hong Kong, 19 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	**2018** **RMB**	2017 RMB
Revenue	6	**1,025,285,807**	797,888,217
Cost of sales		**(429,526,121)**	(366,627,910)
Gross profit		**595,759,686**	431,260,307
Other revenue	7	**4,055,635**	5,258,464
Other gains and losses	8	**(2,968,117)**	(10,385,255)
Selling and distribution expenses		**(479,552,238)**	(308,064,893)
Administrative expenses		**(46,088,081)**	(47,543,510)
Finance costs	9	**(15,241,007)**	(14,100,867)
Share of results of associates		**4,950,482**	8,271,295
Listing expenses		**(13,254,412)**	(8,888,633)
Profit before income tax	10	**47,661,948**	55,806,908
Income tax expense	11	**(11,994,103)**	(18,845,753)
Profit and total comprehensive income for the year		**35,667,845**	36,961,155
Profit and total comprehensive income for the year attributable to:			
— Owners of the Company		**36,210,435**	44,970,288
— Non-controlling interests		**(542,590)**	(8,009,133)
		35,667,845	36,961,155
Earnings per share attributable to the owners of the Company	13		
— Basic and dilutive		**0.31**	0.45

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 RMB	2017 RMB
Non-current assets			
Property, plant and equipment	16	**61,058,944**	39,269,999
Intangible assets	17	**2,729,691**	2,604,565
Interests in associates	18	**54,781,061**	66,370,459
Deferred tax assets	19	**15,465,667**	12,678,618
Total non-current assets		**134,035,363**	120,923,641
Current assets			
Inventories	20	**461,778,367**	336,423,934
Trade and bills receivables	21	**183,246,509**	163,328,060
Prepayments and other receivables	22	**94,142,725**	92,971,253
Amount due from immediate holding company	32(a)	**2,870,187**	14,917,385
Amount due from fellow subsidiaries	32(a)	**2,514,500**	1,501,844
Pledged deposits	23	**31,540,000**	13,800,000
Cash and cash equivalents	23	**145,398,494**	102,072,916
		921,490,782	725,015,392
Assets of a disposal group classified as held for sale	29	**—**	21,898,903
Total current assets		**921,490,782**	746,914,295
Current liabilities			
Trade and bills payables	24	**218,120,737**	184,153,651
Contract liabilities	25	**19,276,709**	—
Other payables and accruals	26	**236,826,765**	177,829,716
Interest-bearing bank borrowings	27	**260,000,000**	285,000,000
Amount due to an associate	18	**91,188**	4,216,683
Amount due to a fellow subsidiary	32(a)	**500,000**	—
Amount due to a non-controlling shareholder of a subsidiary	28	**3,200,000**	3,200,000
Income tax payables		**7,238,341**	10,291,218
		745,253,740	664,691,268
Liabilities of a disposal group classified as held for sale	29	**—**	19,747,139
Total current liabilities		**745,253,740**	684,438,407

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 RMB	2017 RMB
Net current assets		**176,237,042**	62,475,888
Total assets less current liabilities		**310,272,405**	183,399,529
Net assets		**310,272,405**	183,399,529
Capital and reserves			
Share capital	30	**133,400,000**	100,000,000
Reserves		**154,824,135**	60,808,669
		288,224,135	160,808,669
Non-controlling interests	41	**22,048,270**	22,590,860
Total equity		**310,272,405**	183,399,529

On behalf of the directors

Luo Yefei
Director

Yan Jingfen
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital RMB	Capital reserve RMB (Note 31(c))	Statutory reserve RMB (Note 31(a))	Merger reserve RMB (Note 31(b))	Accumulated profits RMB	Attributable to ordinary equity holders of the Company RMB	Non-controlling Interests RMB	Total equity RMB
Balance at 1 January 2017	100,000,000	15,304,925	4,380,059	(47,222,134)	40,909,244	113,372,094	30,599,993	143,972,087
Profit/(loss) and total comprehensive income for the year	–	–	–	–	44,970,288	44,970,288	(8,009,133)	36,961,155
Transfer to statutory surplus reserve	–	–	3,927,646	–	(3,927,646)	–	–	–
Utilisation of tax loss arising from the disposal of subsidiaries upon the Reorganisation	–	–	–	2,466,287	–	2,466,287	–	2,466,287
Balance at 31 December 2017 and 1 January 2018	100,000,000	15,304,925	8,307,705	(44,755,847)	81,951,886	160,808,669	22,590,860	183,399,529
Profit/(loss) and total comprehensive income for the year	**–**	**–**	**–**	**–**	**36,210,435**	**36,210,435**	**(542,590)**	**35,667,845**
Transfer to statutory surplus reserve	**–**	**–**	**2,126,363**	**–**	**(2,126,363)**	**–**	**–**	**–**
Share issue under public offer	**33,400,000**	**68,111,897**	**–**	**–**	**–**	**101,511,897**	**–**	**101,511,897**
Share issuance expenses	**–**	**(10,306,866)**	**–**	**–**	**–**	**(10,306,866)**	**–**	**(10,306,866)**
Balance at 31 December 2018	**133,400,000**	**73,109,956**	**10,434,068**	**(44,755,847)**	**116,035,958**	**288,224,135**	**22,048,270**	**310,272,405**

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 RMB	2017 RMB
Cash flows from operating activities		
Profit before income tax	**47,661,948**	55,806,908
Adjustments for:		
Interest income	**(1,529,429)**	(995,056)
Interest expenses	**15,241,007**	14,100,867
Impairment loss on trade receivables, net	**2,500,774**	1,030,443
Impairment loss on other receivables, net	**—**	157,328
Write down on inventories, net	**7,478,652**	3,795,249
Loss on reclassification in respect of property, plant and equipment and intangible assets held for sale	**—**	7,021,290
Depreciation on property, plant and equipment	**29,085,652**	15,380,714
Amortisation on intangible assets	**305,405**	1,393,777
Loss on disposal/written off of property, plant and equipment	**—**	128
Gain on disposal of a subsidiary	**(612,591)**	—
Share of result of associates	**(4,950,482)**	(8,271,295)
Operating cash flows before working capital changes	**95,180,936**	89,420,353
Increase in inventories	**(132,833,085)**	(120,503,858)
(Increase)/Decrease in trade and bills receivables	**(22,269,273)**	32,967,393
Decrease/(Increase) in prepayments and other receivables	**2,511,370**	(51,994,063)
Decrease/(Increase) in amount due from immediate holding company	**12,047,198**	(13,823,611)
Increase in trade and bills payables	**33,967,092**	15,141,524
Increase in contract liabilities	**19,276,709**	—
Increase in other payables and accruals	**58,997,049**	73,241,268
(Decrease)/Increase in amount due to an associate	**(4,125,495)**	2,384,803
Cash generated from operations	**62,752,501**	26,833,809
Income taxes paid	**(17,834,028)**	(8,171,187)
Cash generated from operating activities	**44,918,473**	18,662,622
Cash flows from investing activities		
Interest received	**1,529,429**	995,056
Increase in pledged deposits	**(17,740,000)**	(4,600,000)
Capital reduction of an associate	**14,159,675**	—
Dividend received from associates	**2,380,205**	1,826,040
Proceeds from disposal of property, plant and equipment	**—**	3,130
Proceeds from disposal of a subsidiary, net	**(1,691,540)**	—
Purchase of property, plant and equipment	**(50,874,597)**	(37,075,480)
Purchase of intangible assets	**(430,531)**	(1,063,022)
(Increase)/decrease in amounts due from fellow subsidiaries	**(512,656)**	3,434,928
Decrease in amounts due to non-controlling shareholders of subsidiaries	**—**	(2,496,033)
Net cash used in investing activities	**(53,180,015)**	(38,975,381)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 RMB	2017 RMB
Cash flows from financing activities		
Interest paid	**(15,241,007)**	(14,100,867)
Proceeds from issuance of H Shares, net	**91,205,031**	—
Proceeds from borrowings	**325,000,000**	406,000,000
Repayment of borrowings	**(350,000,000)**	(366,000,000)
Net cash generated from financing activities	**50,964,024**	25,899,133
Net increase in cash and cash equivalents	**42,702,482**	5,586,374
Cash and cash equivalents at beginning of the year	**102,696,012**	97,109,638
Cash and cash equivalents at end of the year	**145,398,494**	102,696,012

1. GENERAL INFORMATION AND REORGANISATION

(a) General information

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

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

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

Name of subsidiaries	Place and date of establishment and type of legal entity	Place of operation	Issued and paid-up capital	Proportion of effective equity interests held by the Company				Principal activities
				2018		2017		
				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
JIC Garments (Ningbo) Co., Ltd	The PRC/19 September 2001/Limited liability company	The PRC	US$4.67 million	**N/A**	**N/A**	N/A	55%	Design, develop and sales of men's apparel under MARCO AZZALI brand
Lubiam (Ningbo) Apparel Co., Ltd	The PRC/21 December 2005/Limited liability company	The PRC	US$5 million	**N/A**	**60%**	N/A	60%	Design, develop and sales of men's apparel under LUBIAM brand
Shanghai Haimeng Apparel Co., Ltd.	The PRC/14 October 2011/Limited liability company	The PRC	RMB10 million	**N/A**	**60%**	N/A	60%	Inactive and in the process of deregistration

(b) Reorganisation

Pursuant to a group reorganisation which was completed on 26 May 2016 as detailed in the section headed "History, Reorganisation and Corporate Structure" in the prospectus of the Company dated 12 June 2018 (the "Prospectus"), the Company became the holding company of the subsidiaries comprising the Group.

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2018

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)

Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

The adoption of these amendments has no impact on these financial statements as the periods to which the transition provision exemptions related have passed.

Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organisation.

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

Amendments to HKFRS 2 — Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

A HKFRS 9 — Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("FVTPL"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

A HKFRS 9 — Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

A HKFRS 9 — Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

Amortised costs

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.

FVOCI (debt instruments)

Debt investments at FVOCI 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.

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

A HKFRS 9 — Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

FVOCI (debt instruments) (Continued)

In managing the liquidity, the Group endorses part of the bills receivable before their maturity, and derecognises the endorsed bills receivable when the Group has transferred substantially all the risks and rewards to its supplier. The Group manages such bills receivable using the business model whose objective is achieved by both collecting contractual cash flows and selling such financial assets. Therefore, as at 1 January 2018, bills receivables with amount RMB11,809,173 were reclassified from loans and receivables to FVOCI upon the adoption of HKFRS 9, with fair value gains or losses accumulated in reserve and reclassified to profit or loss when they are derecognised. However, the Directors assessed that the fair value of bills receivable approximated their carrying amounts given all bills receivable have a short maturity, and therefore no adjustment was made to the carrying amounts as at 1 January 2018.

The following table summarizes the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39 RMB	Carrying amount as at 1 January 2018 under HKFRS 9 RMB
Trade receivables	Loans and receivables	Amortised cost	151,518,887	151,518,887
Bills receivable	Loans and receivables	Debt instruments at FVOCI	11,809,173	11,809,173
Prepayment and other receivables	Loans and receivables	Amortised cost	92,971,253	92,971,253
Amount due from immediate holding company	Loans and receivables	Amortised cost	14,917,385	14,917,385
Amounts due from fellow subsidiaries	Loans and receivables	Amortised cost	1,501,844	1,501,844
Pledged deposits	Loans and receivables	Amortised cost	13,800,000	13,800,000
Cash and cash equivalents	Loans and receivables	Amortised cost	102,072,916	102,072,916

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

A HKFRS 9 — Financial Instruments (Continued)

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognised ECL for trade receivables and financial assets at amortised costs earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances 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.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due 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. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. 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 and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's debt investment at FVOCI are considered to have low credit risk since the issuers' credit rating are high.

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

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

A HKFRS 9 — Financial Instruments (Continued)

(ii) Impairment of financial assets (Continued)

Measurement of ECLs (Continued)

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The carrying amount of debt investment at FVOCI is not reduced by a loss allowance and shall not present the loss allowance separately in the consolidated statement of financial position as a reduction of the carrying amount of the financial asset. An entity shall disclose the loss allowance in the notes to the financial statements.

Management has concluded that the new requirement related to impairment does not have any impact on the consolidated financial statements of the Company.

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

A HKFRS 9 — Financial Instruments (Continued)

(iii) Transition (Continued)

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

B HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

B HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (Continued)

The following tables summarised the impact of adopting HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and the Groups' consolidated statement of cash flows for the year ended 31 December 2018:

Impact on the consolidated statement of financial position as at 31 December 2018

	Amounts reported in accordance with HKFRS 15 RMB	Hypothetical amounts under HKASs 18 and 11 RMB
Liabilities		
Current liabilities		
Contract liabilities	19,276,709	—
Other payables and accruals	236,826,765	256,103,474

Impact on the consolidated statement of cash flows for the year ended 31 December 2018

	Amounts reported in accordance with HKFRS 15 RMB	Hypothetical amounts under HKASs 18 and 11 RMB
Cash generated from operations		
Increase in contract liabilities	19,276,709	—
Increase in other payables and accruals	58,997,049	78,273,758

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below:

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.

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2018 (Continued)

B HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (Continued)

Volume rebate

Some of the Group's contracts with customers from the sale of garment products provides customers a volume rebate if the customer purchase more than certain volume of garment product in a calendar year.

Under HKAS 18, the Group estimated the expected volume rebates using the probability-weighted amount of rebates approach and recognised as a reduction of revenue as the sales are recognised. A provision of rebate will be recognised in trade and other payable.

Under HKFRS 15, volume rebates give rise to variable consideration. The Group apply the expected value method to estimate the variable consideration. A refund liability would be recognised based on the estimate of the expected to be paid to customer's volume-based rebated.

Right of exchange goods

Some of the Group's contracts with customers from the sale of garment products provides customers with a right of exchange goods with same type and same price.

As at 1 January 2018, an increase in refund liabilities of RMB7,925,106 and a decrease in trade and other payables of RMB7,925,106 were recognised.

As at 31 December 2018, the adoption of HKFRS 15 resulted in an increase in refund liabilities of RMB1,909,728 and a decrease in allowance for rebates included in other payables and accruals of RMB1,909,728.

The adoption of HKFRS 15 did not result in significant impact on the consolidated financial statements of the Company.

Amendments HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

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

(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.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2019

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

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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

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

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

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 3 — Definition of a Business

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

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

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 1 and HKAS 8 — Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

Amendments to HKAS 28

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

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKFRS 3, Business Combinations

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

Annual Improvements to HKFRSs 2015–2017 Cycle — Amendments to HKAS 12, Income Taxes

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

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

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

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

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") 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.

(b) Basis of measurement and going concern assumption

The consolidated financial statements have been prepared under the historical cost basis.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

(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, 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) Property, plant and equipment

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

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

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

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

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

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

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

(e) Leasing

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

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (other than goodwill)

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

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

Software	5 years
Trademark	10 years

(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(n)).

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)

(g) Financial Instruments

(A) Financial Instruments (accounting policies applied from 1 January 2018)

(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 ("FVOCI")

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial Instruments (Continued)

(A) Financial Instruments (accounting policies applied from 1 January 2018) (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.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial Instruments (Continued)

(A) Financial Instruments (accounting policies applied from 1 January 2018) (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)

(g) Financial Instruments (Continued)

(B) Financial Instruments (accounting policies applied until 31 December 2017)

The group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial Instruments (Continued)

(B) Financial Instruments (accounting policies applied until 31 December 2017) (Continued)

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial Instruments (Continued)

(B) Financial Instruments (accounting policies applied until 31 December 2017) (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 HKAS 39.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

(i) Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Revenue recognition

Revenue recognition (accounting policies applied from 1 January 2018)

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. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Revenue recognition (Continued)

Revenue recognition (accounting policies applied from 1 January 2018) (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. In the comparative period, revenue from sale of goods is recognised on transfer of risks and rewards of ownership, which was taken as at the time of delivery and the title is passed to customer.

Some of the Group's contracts with customers from the trading of garment products provides customers a volume rebate if the customer purchase more than certain volume of garment product in a calendar year. The volume rebates give rise to variable consideration. The Group apply the expected value method to estimate the variable consideration. A refund liability would be recognised based on the estimate of the expected to be paid to customer's volume-based rebated. In the comparative period, the Group estimated the expected volume rebates using the probability-weighted amount of rebates approach and recognised as a reduction of revenue as the sales are recognised. A provision of rebate will be recognised in trade and other payable. As a result of the change in accounting policy for the garment production, adjustments have been made to opening balances at 1 January 2018 (see note 2(a)B).

(ii) Trademark sub-licensing income

Trademark sub-licensing income is recognised over time in accordance with the terms of the relevant agreements.

(iii) Other income

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

Service income is recognised over time when the service is provided.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Revenue recognition (Continued)

Revenue recognition (accounting policies applied until 31 December 2017)

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable of goods sold, stated at net of discounts, returns and value-added taxes.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities. The Group bases its estimates of returns on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

Trademark sub-licensing income is recognised in the income statement on a straight-line basis over the terms of the relevant agreements.

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

Service income is recognised when the service is provided.

Contract liabilities (accounting policies applied from 1 January 2018)

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.

(k) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Income taxes (Continued)

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

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

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

(l) Foreign currency

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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.

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

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

- property, plant and equipment/investment property under cost model;
- interests in leasehold land held for own use under operating leases; and
- investments in subsidiaries, associates and joint ventures (except for those classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 4(h))

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment of assets (other than financial assets) (Continued)

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.

(o) 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.

(p) 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)

(p) 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 lives, it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

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

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

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 and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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

6. SEGMENT INFORMATION AND REVENUE

(a) Reportable segment

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

6. SEGMENT INFORMATION AND REVENUE (CONTINUED)

(a) Reportable segment (Continued)

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

Revenue from contracts with customer within the scope of HKFRS 15:	2018 RMB	2017 RMB
Trading of garments	1,012,140,760	783,171,237
Trademark sub-licensing income	13,145,047	14,716,980
	1,025,285,807	797,888,217

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11.

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

Disaggregation of revenue from contracts with customers

	Trading of garments	
	2018 RMB	2017 RMB
Primary geographical market		
PRC	1,025,285,807	797,888,217
Major product/Services		
Standard garment products	1,012,140,760	783,171,237
Trademark sub-licensing income	13,145,047	14,716,980
	1,025,285,807	797,888,217
Revenue by brands		
FIRS	453,387,303	494,947,855
Shanshan	521,916,435	234,890,041
Marco Azzali	8,563,529	22,574,825
Lubiam	28,273,493	30,758,516
Others	13,145,047	14,716,980
	1,025,285,807	797,888,217
Timing of revenue recognition		
At a point in time	1,012,140,760	783,171,237
Transferred over time	13,145,047	14,716,980
	1,025,285,807	797,888,217

6. SEGMENT INFORMATION AND REVENUE (CONTINUED)

(b) Geographic information

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

(c) Information about major customer

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

(d) Revenue

	2018 RMB	2017 RMB
Sale of goods	**1,012,140,760**	783,171,237
Trademark of sub-licensing income	**13,145,047**	14,716,980
	1,025,285,807	797,888,217

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

	31 December 2018 RMB	1 January 2018 RMB
Trade and bills receivables (note 21)	**183,246,509**	163,328,060
Contract liabilities (note 25)	**19,276,709**	17,980,376

The contract liabilities mainly relate to the advance consideration received from customers. RMB14,982,516 of the contract liabilities as at 1 January 2018 has been recognised as revenue for the year ended 31 December 2018.

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

7. OTHER REVENUE

	2018 RMB	2017 RMB
Interest income	**1,529,429**	995,056
Sundry income	**2,526,206**	4,263,408
	4,055,635	5,258,464

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

8. OTHER GAINS AND LOSSES

	2018 RMB	2017 RMB
Donation	**(456,531)**	—
Exchange gain/(losses), net	**4,815,134**	(67,994)
Government grant	**359,486**	254,300
Impairment loss on trade receivables, net	**(2,500,774)**	(1,030,443)
Impairment loss on other receivables, net	**—**	(157,328)
Loss on disposal/written off of property, plant and equipment	**—**	(128)
Written down of inventories, net	**(7,478,652)**	(3,795,249)
Gain on disposal of a subsidiary (Note 34)	**612,591**	—
Loss on reclassification in respect of property, plant and equipment and intangible assets as held for sale	**—**	(7,021,290)
Others	**1,680,629**	1,432,877
	(2,968,117)	(10,385,255)

9. FINANCE COSTS

	2018 RMB	2017 RMB
Imputed interest on amount due to a non-controlling shareholder of a subsidiary	**72,385**	289,538
Interest expenses on bank borrowing wholly repayable within one year	**15,168,622**	13,811,329
	15,241,007	14,100,867

10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2018 RMB	2017 RMB
Auditor's remuneration	**975,329**	—
Advertising and promotional expenses	**42,510,373**	24,451,747
Amortisation on intangible assets	**305,405**	1,393,777
Depreciation on property, plant and equipment	**29,085,652**	15,380,714
Cost of inventories sold	**429,526,121**	366,627,910
Lease payments under operating leases:		
— minimum lease payments	**48,186,152**	27,513,184
— contingent rents	**12,166,837**	20,121,179
Trademark payments	**903,313**	1,069,789
Staff costs (Note 14)	**96,316,714**	86,388,988

11. INCOME TAX EXPENSE

Enterprise income tax ("EIT") has been provided at the rate of 25% for the years ended 31 December 2018 and 2017 on the estimated assessable profit for the years arising from the PRC.

The amounts of income tax expense in the consolidated statements of comprehensive income represent:

	2018 RMB	2017 RMB
Provision of tax for current year	**14,781,152**	18,681,317
Deferred tax (Note 19)	**(2,787,049)**	164,436
	11,994,103	18,845,753

11. INCOME TAX EXPENSE (CONTINUED)

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

	2018 **RMB**	2017 RMB
Profit before income tax	**47,661,948**	55,806,908
Tax charges calculated at the domestic income tax rate of 25% (Note)	**11,915,487**	13,951,727
Tax effect of revenue not subject to tax	**(147,415)**	(8,886)
Tax effect of expenses not deductible for tax purposes	**1,153,409**	4,643,298
Tax effect of tax losses not recognised	**310,243**	2,327,438
Tax effect of share of results of associates	**(1,237,621)**	(2,067,824)
Income tax expense	**11,994,103**	18,845,753

At 31 December 2018, the Group had estimated unused tax losses of approximately RMB56,271,148 (2017: RMB80,013,665) available for offset against future profits which were arising from operation. Included in 31 December 2018 was RMB53,110,741 (2017: RMB63,943,871) arising from the disposal of non-consolidated subsidiaries upon Reorganisation. 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 due to unpredictability of future profit streams. The tax losses are losses which may be carried forward for a period of five years from their respective year of origination.

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

12. DIVIDEND

No dividend has been paid nor declared by the Company during the year (2017: nil).

The Board recommended the payment of a final dividend of RMB0.06 per share, absorbing a total amount of RMB8,004,000 in respect of the year ended 31 December 2018, which is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company. The proposed dividends are not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2019.

13. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity owners of the Company for the year of RMB36,210,435 (2017: RMB44,970,288) and the weighted average of 117,111,781 shares (2017: 100,000,000 shares) in issue during the year ended 31 December 2018.

Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the year ended 31 December 2018 and 2017, and hence the diluted earnings per share is the same as basic earnings per share.

14. STAFF COSTS

	2018 **RMB**	2017 RMB
Staff costs (including directors) comprise:		
— Salaries and allowances	**82,930,868**	74,913,669
— Contributions to defined contribution retirement plan	**13,385,846**	11,475,319
	96,316,714	86,388,988

15. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emolument for each of the directors for the years ended 31 December 2018 and 2017 is set out below:

Year ended 31 December 2018

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

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

(a) Directors' emoluments (Continued)

Year ended 31 December 2017

	Fee RMB	Salaries and allowance RMB	Discretionary bonus RMB	Contribution to defined contribution retirement plan RMB	Total RMB
Executive Directors					
Cao Yang	–	425,010	–	49,068	474,078
Luo Ye Fei	–	486,612	–	28,200	514,812
Yan Jing Fen	–	231,281	–	19,116	250,397
Zhu Zhi Lin (Note i)	–	525,800	–	26,347	552,147
Non-Executive Directors					
Weng Hui Ping (Note ii)	–	–	–	–	–
Zhuang Wei	–	–	–	–	–
	–	1,668,703	–	122,731	1,791,434

Note:

(i) Mr. Zhu Zhi Lin was appointed as executive director on 18 May 2016 and resigned on 3 January 2018.

(ii) Mr. Weng Hui Ping, executive director, resigned on 18 May 2016, re-appointed on 4 August 2016 and resigned on 25 May 2017.

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

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

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

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

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

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

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2017: two) were directors of the Company whose emoluments are included in the disclosures in Note 15(a) above. The emoluments of the remaining two (2017: three) individuals were as follows:

	2018 **RMB**	2017 RMB
Wages, salaries and allowances	**1,257,748**	1,234,008
Discretionary bonus	**—**	—
Contributions to defined contribution retirement plan	**45,704**	30,694
	1,303,452	1,264,702

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

	2018 **No. of** **individuals**	2017 No. of individuals
Nil to HK$1,000,000	**2**	3

During the years ended 31 December 2018 and 2017, no emoluments were paid by the Group to the directors or non-director highest paid individual as an inducement to join or upon joining the Group or as compensation for loss of office.

In addition, none of the directors waived or agreed to waive any emoluments for each of the years ended 31 December 2018 and 2017.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB	Plant and machinery RMB	Furniture, fixture and equipment RMB	Motor vehicles RMB	Total RMB
Cost					
At 1 January 2017	8,949,319	4,072,877	21,339,560	2,422,356	36,784,112
Additions	1,353,136	1,153,475	34,568,869	—	37,075,480
Disposals/written-off	—	—	(92,296)	—	(92,296)
Classified as held for sale	—	—	(705,652)	(12,266)	(717,918)
At 31 December 2017 and 1 January 2018	10,302,455	5,226,352	55,110,481	2,410,090	73,049,378
Additions	349,883	1,709,181	48,815,533	—	50,874,597
At 31 December 2018	10,652,338	6,935,533	103,926,014	2,410,090	123,923,975
Depreciation and amortisation					
At 1 January 2017	7,391,039	3,623,281	6,000,739	2,061,936	19,076,995
Charge for the year	766,541	165,794	14,295,611	152,768	15,380,714
Eliminated on disposal/written-off	—	—	(89,038)	—	(89,038)
Loss on reclassification as held for sale	—	—	103,004	418	103,422
Classified as held for sale	—	—	(689,918)	(2,796)	(692,714)
At 31 December 2017 and 1 January 2018	8,157,580	3,789,075	19,620,398	2,212,326	33,779,379
Charged for the year	957,477	380,017	27,720,166	27,992	29,085,652
At 31 December 2018	9,115,057	4,169,092	47,340,564	2,240,318	62,865,031
Carrying values					
At 31 December 2018	1,537,281	2,766,441	56,585,450	169,772	61,058,944
At 31 December 2017	2,144,875	1,437,277	35,490,083	197,764	39,269,999

17. INTANGIBLE ASSETS

	Trademark RMB	Software RMB	Total RMB
Cost			
At 1 January 2017	25,016,800	2,043,282	27,060,082
Addition	—	1,063,022	1,063,022
Classified as held for sale	(12,000,000)	(159,350)	(12,159,350)
At 31 December 2017 and 1 January 2018	13,016,800	2,946,954	15,963,754
Addition	—	430,531	430,531
At 31 December 2018	13,016,800	3,377,485	16,394,285
Amortisation and impairment			
At 1 January 2017	15,280,952	240,036	15,520,988
Charge for the year	1,132,075	261,702	1,393,777
Loss on reclassification as held for sale	6,917,868	—	6,917,868
Classified as held for sale	(10,314,095)	(159,349)	(10,473,444)
At 31 December 2017 and 1 January 2018	13,016,800	342,389	13,359,189
Charge for the year	—	305,405	305,405
At 31 December 2018	13,016,800	647,794	13,664,594
Carrying values			
At 31 December 2018	—	2,729,691	2,729,691
At 31 December 2017	—	2,604,565	2,604,565

18. INTERESTS IN ASSOCIATES

	2018 RMB	2017 RMB
Share of net assets of associates	**54,781,061**	66,370,459
Amount due to an associate	**(91,188)**	(4,216,683)

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

18. INTERESTS IN ASSOCIATES (CONTINUED)

Details of the Group's associates are as follows.

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

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

	2018 **RMB**	2017 RMB
Ningbo Shanjing		
Current assets	**31,388,609**	64,338,272
Non-current assets	**18,659,955**	20,259,783
Current liabilities	**(7,615,515)**	(13,852,652)
Le Coq Sportif		
Current assets	**357,304,590**	365,312,329
Non-current assets	**63,439,728**	3,819,796
Current liabilities	**(215,715,028)**	(199,994,264)
Non-current liabilities	**(28,720,000)**	—

18. INTERESTS IN ASSOCIATES (CONTINUED)

	2018 RMB	2017 RMB
Ningbo Shanjing		
Revenue	**102,034,665**	75,585,866
Profit for the year and total comprehensive income	**3,469,547**	1,417,999
Dividend received	**(460,000)**	—
Le Coq Sportif		
Revenue	**578,129,154**	538,610,898
Profit for the year and total comprehensive income	**16,772,453**	38,095,075
Dividend received	**(1,920,205)**	(1,826,040)

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

	2018 RMB	2017 RMB
Ningbo Shanjing		
Net assets	**42,433,049**	70,745,403
Proportion of the Group's ownership interest	**46%**	46%
Carrying amount of the Group's interest in an associate	**19,519,203**	32,542,886
Le Coq Sportif		
Net assets	**176,309,290**	169,137,861
Proportion of the Group's ownership interest	**20%**	20%
Carrying amount of the Group's interest in an associate	**35,261,858**	33,827,573

19. DEFERRED TAX ASSETS

	Impairment of assets and allowance for expected credit loss RMB	Refund liabilities RMB	Total RMB
At 1 January 2017	9,726,918	3,116,136	12,843,054
Credit/(charge) to profit or loss	984,324	(1,148,760)	(164,436)
As 31 December 2017 and 1 January 2018	10,711,242	1,967,376	12,678,618
Credit/(charge) to profit or loss	2,309,617	477,432	2,787,049
At 31 December 2018	13,020,859	2,444,808	15,465,667

20. INVENTORIES

	2018 **RMB**	2017 RMB
Raw materials	**7,164,935**	8,097,986
Work-in-progress	**13,657,240**	18,133,453
Finished goods	**440,956,192**	310,192,495
	461,778,367	336,423,934

21. TRADE AND BILLS RECEIVABLES

	2018 **RMB**	2017 RMB
Trade receivables	**234,510,988**	206,877,027
Bills receivable	**4,818,246**	11,809,173
Less: Provision for impairment	**(56,082,725)**	(55,358,140)
	183,246,509	163,328,060

21. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	2018	2017
	RMB	RMB
Within 3 months	**113,428,898**	96,868,762
Over 3 months but within 6 months	**33,900,577**	39,222,650
Over 6 months but within 1 year	**31,615,880**	25,123,210
Over 1 year	**4,301,154**	2,113,438
	183,246,509	163,328,060

The other classes within trade and other receivables do not contain impaired assets.

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

The Group offers a general credit period from 30 to 240 days on sale of goods to customers while, business partners with strong financial background may be offered longer credit terms. Further details on the Group's credit policy and credit risk arising from trade debtors and bills receivables are set out in note 40(a).

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

As at 31 December 2018, bills receivable amounting to RMB4,818,246 were measured at financial asset at FVOCI after the adoption of HKFRS 9 as defined in note 2(a)A(i).

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

21. TRADE AND BILLS RECEIVABLES (CONTINUED)

At 31 December 2018, the Group endorsed bank acceptance bills (the "Endorsed Bills") issued by several banks in the PRC (the "Issuing Banks") with aggregate carrying amount of RMB46,432,075 (2017: RMB77,451,092), with maturity within one year (2017: within one year) 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 RMB19,072,443 (2017: RMB41,206,224) were not yet matured as at 31 December 2018. 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 2018 and 2017, the Group has not recognised any gain or loss arising from of the Endorsed Bills. No gain or loss was recognised from the Continuing Involvement, both during the years or cumulative years. The Endorsement has been made evenly throughout the years.

22. PREPAYMENT AND OTHER RECEIVABLES

	2018 **RMB**	2017 RMB
Prepayments	**64,833,190**	67,606,880
Other receivables	**29,972,821**	26,027,659
Less: Provision for impairment	**(663,286)**	(663,286)
	94,142,725	92,971,253

22. PREPAYMENT AND OTHER RECEIVABLES (CONTINUED)

Movements in provision for impairment are as follows:

	2018 RMB	2017 RMB
At beginning of year	**663,286**	627,494
(Reversal)/charge for the year, net	**–**	157,328
Classified as held for sale	**–**	(121,536)
At end of year	**663,286**	663,286

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2018 RMB	2017 RMB
Cash and bank balance	**145,398,494**	102,072,916
Pledged deposits (Note b)	**31,540,000**	13,800,000
Total	**176,938,494**	115,872,916

(a) As at 31 December 2018, the Group has cash and cash equivalents denominated in RMB amounted to approximately RMB31,540,000 (2017: RMB13,800,000), which are deposited with banks in PRC.

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

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

(b) As at 31 December 2018 and 2017, the pledged deposits were placed to secure the outstanding bank acceptance bills disclosed in Note 24 below.

24. TRADE AND BILLS PAYABLES

	2018 RMB	2017 RMB
Bank acceptance bills	**78,850,000**	37,000,000
Trade payables	**139,270,737**	147,153,651
Total	**218,120,737**	184,153,651

As at 31 December 2018 and 2017, the ageing of the Group's bank acceptance bills were all within six months, and there were no overdue bills. The bank acceptance bills were secured by pledged deposits of RMB31,540,000 and RMB13,800,000 as at 31 December 2018 and 2017 respectively as disclosed in Note 23.

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

	2018 RMB	2017 RMB
Within 3 months	**135,144,803**	109,023,694
Over 3 months but within 6 months	**2,432,881**	17,794,544
Over 6 months but within 1 year	**611,585**	10,832,045
Over 1 year	**1,081,468**	9,503,368
	139,270,737	147,153,651

25. CONTRACT LIABILITIES

	31 December 2018 RMB	1 January 2018 RMB	31 December 2017 RMB
Contract liabilities arising from:			
Sale of goods	**19,276,709**	**17,980,376**	—

25. CONTRACT LIABILITIES (CONTINUED)

Movements in contract liabilities

	2018 RMB
Balance as at 1 January	**17,980,376**
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year	**(14,982,516)**
Increase in contract liabilities as a result of receipt in advance of sale of goods	**16,278,849**
	19,276,709

Note: The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018. Upon the adoption of HKFRS 15, amounts previously included as "Receipt in advance" (note 26) have been reclassified to "Contract liabilities".

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

26. OTHER PAYABLES AND ACCRUALS

	31 December 2018 RMB	1 January 2018 RMB	31 December 2017 RMB
Other payables and accruals	**226,059,499**	148,727,081	148,727,081
Other tax payables	**932,432**	3,197,153	3,197,153
Receipt in advance	**—**	—	17,980,376
Sales rebate	**—**	—	7,925,106
Refund liabilities (Note)	**9,834,834**	7,925,106	—
	236,826,765	159,849,340	177,829,716

Note: Refund liabilities are recognised for volume rebate payable to customer. Note 4(j) has further explanation about refund liabilities.

27. INTEREST-BEARING BANK BORROWINGS

	2018 RMB	2017 RMB
Interest-bearing bank borrowings due for repayment within one year	**260,000,000**	285,000,000

At 31 December 2018, bank borrowings were unsecured, arranged at fixed interest rate ranges from 4.79% to 5.66% per annum and repayable within one year.

At 31 December 2017, bank borrowings were unsecured, arranged at fixed interest rate ranges from 4.79% to 5.44% per annum and repayable within one year.

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

Amount being unsecured, interest-free and repayable on demand.

29. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In October 2017, the management of the Company identified an independent third party to acquire JIC Garments, a 55% owned subsidiary of the Company which were mainly engaged in design, develop and sales of men's apparel under MARCO AZZALI brand and anticipants that the sales will complete within 2018. The following major classes of assets and liabilities relating to this operation have been classified as held for sale in the consolidated statement of financial position as at 31 December 2017.

	RMB
Property, plant and equipment	25,204
Intangible assets	1,685,906
Inventories	14,457,161
Trade receivables	1,533,010
Prepayment and other receivables	3,424,148
Cash and cash equivalents	623,096
Other current assets	150,378
	21,898,903
Trade payables	(5,412,798)
Other payables and accruals	(7,934,195)
Amount due to non-controlling shareholder	(6,398,191)
Other current liabilities	(1,955)
	(19,747,139)

29. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

In accordance with HKFRS 5 the assets and liabilities of the disposal group have been written down to their fair values less costs to sell of RMB8. This is a non-recurring fair value measurement.

A loss of RMB7,021,290 has been recognised in other gains and losses on the measurement of the disposal group to fair value less costs to sell during the year ended 31 December 2017. Accordingly, losses of RMB103,422 and RMB6,917,868 have been allocated to the property, plant and equipment and intangible assets of the disposal group respectively as at 31 December 2017.

In addition, JIC Garments contributed loss of RMB9,362,737 to the Group's profit in 2017. Together with the impairment loss detailed above the cumulative expense related to the disposal group held for sale was RMB16,384,027 during the year ended 31 December 2017.

JIC Garments does not constitute a discontinued operation as it does not represent a major line of business or geographical area of operation.

The fair value less costs to sell of the disposal group was determined by the quoted consideration of this transaction.

As at 31 December 2017, there was an amount of RMB2,151,756 due to group companies by JIC Garments which had been eliminated in the Group's consolidated financial statements.

The transaction was completed in March 2018. A gain on disposal of subsidiary of RMB612,591 has been recognised during the year ended 31 December 2018.

30. SHARE CAPITAL

(a) The Company's issued and fully paid-up capital comprises:

	2018		2017	
	Number	**RMB**	Number	RMB
Ordinary shares of RMB1 each:				
Domestic shares				
At 1 January and 31 December	100,000,000	100,000,000	100,000,000	100,000,000
H shares				
At 1 January	—	—	—	—
Issue of new shares (i)	33,400,000	33,400,000	—	—
At 31 December	133,400,000	133,400,000	100,000,000	100,000,000
Total at 31 December	133,400,000	133,400,000	100,000,000	100,000,000

(i) On the Listing Date, an aggregate of 33,400,000 H shares of RMB1 each were issued at a price of HK$3.78 per share (the "Share Offer"). The Group raised approximately RMB101,511,897 before any related listing expenses arising from the Share Offer, resulting in an increase in the issued share capital of the Company by RMB33,400,000 and the capital reserve of the Company by RMB57,805,031, which was net off by the related share issue expense of RMB10,306,866.

(ii) Domestic shares and H shares are both ordinary shares in the share capital of the Company. However, H shares may only be subscribed for by, and traded in Hong Kong dollars between legal or natural persons of Hong Kong, Macau, Taiwan or any country other than the PRC. Domestic shares on the other hand, may only be subscribed for by, and traded between legal or natural persons of the PRC (other than Hong Kong, Macau and Taiwan) and must be subscribed for and traded in RMB. All dividends in respect of H shares are to be paid by the Company in Hong Kong dollars whereas all dividends in respect of domestic shares are to be paid by the Company in RMB. Other than the above, all domestic shares and H shares rank *pari passu* with each other in all respects and rank equally for all dividends or distributions declared, paid or made.

(b) Movements in the Group's reserves are set out in the consolidated statement of changes in equity.

(c) No share options had been granted by the Company under its share option scheme (the "Scheme") since its adoption. At 31 December 2018, none of the directors or supervisors, employees or other participants of the Scheme had any rights to acquire the H Shares in the Company (2017: nil).

31. PURPOSE OF RESERVES

(a) The statutory surplus reserve is required by the relevant laws and regulations in the PRC which required the Company and its subsidiaries, which established in the PRC to appropriate 10% of its net profit after tax, as determined under the PRC accounting regulation, to a statutory surplus reserve until the reserve fund reaches 50% of these companies' registered capital. It may be utilised by the Company for restricted purposes including offsetting against prior years' losses or increase the capital of the Company. The transfer of this reserve must be made before the distribution of dividend to the equity owners of these companies.

(b) At the preparation of the consolidated financial statements of the Group, certain entities under the control of the Group were not consolidated to the consolidated financial statements. 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 included the amount of issued capital and premium of consolidated entities under the Group's Reorganisation completed on 26 May 2016.

(c) 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 profit 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. RELATED PARTY DISCLOSURES

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

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

The amounts due from immediate holding company/fellow subsidiaries may be categorised as follows:

	2018 **RMB**	2017 RMB
Amount due from immediate holding company:		
— Trade nature (Note)	**1,970,998**	13,998,196
— Non-trade nature	**899,189**	919,189
	2,870,187	14,917,385
Amount due from fellow subsidiaries		
— Trade nature	**2,282,653**	1,353,428
— Non-trade nature	**231,847**	148,416
	2,514,500	1,501,844

Note: The amount due from immediate holding company which is trade nature mainly arose from the sales arrangement as described in note 32(b)(ii).

32. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Transactions with related parties

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

	2018 RMB	2017 RMB
Product inspection expenses recharged on markup to:		
— associate	**69,042**	36,396
Sale of goods to:		
— immediate holding company	**–**	2,051
— associate	**5,718**	5,643
— fellow subsidiaries	**3,804,370**	69,644
Purchase from:		
— an associate	**(13,761)**	(1,172,333)
Sub-contracting expenses charged by:		
— associate	**(998,320)**	(7,100,646)
Rental expenses charged by:		
— immediate holding company	**(4,981,335)**	(4,437,977)
— a fellow subsidiary	**(1,032,358)**	–
Water and electricity expenses charged by:		
— immediate holding company	**(1,586,937)**	(1,540,189)
Sales commission charged by:		
— fellow subsidiaries	**(1,516,180)**	(1,489,719)
Shopping mall expenses charged by:		
— fellow subsidiaries	**(501,428)**	(527,539)

32. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Transactions with related parties (Continued)

(ii) During the year, the Group occasionally participated in the tendering and bidding of uniform of large-scale enterprises through Shanshan. After winning such bids, Shanshan would then designate the Group to fulfill its obligation under the relevant bid contracts entered into between the project customers and Shanshan. Following delivery of goods by the Group to the project customers in connection with such bids, the Group would issue invoices to Shanshan in accordance with the contractual price in respect of such delivered goods (net of certain tender costs and relevant tax on actual incurred basis), and Shanshan would then, in return, issue invoices to such relevant customers at the same contractual price. The amount of invoices being issued by the Group to Shanshan under this arrangement for the year ended 31 December 2018 was RMB3,637,316 (2017: RMB15,669,190).

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2018 **RMB**	2017 RMB
— Short-term benefits	**3,436,511**	3,112,537
— Contributions to defined contribution retirement plan	**198,570**	201,031
	3,635,081	3,313,568

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

	2018 **No. of individuals**	2017 No. of individuals
Nil to HK$1,000,000	**3**	3

33. FAIR VALUE MEASUREMENT

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilised market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable inputs used in the valuation technique utilised are (the "Fair Value Hierarchy")

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

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 2018				
Financial asset at FVOCI				
— Bills receivable	**–**	**4,818,246**	**–**	**4,818,246**

The fair value of the bills receivable has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

During the year ended 31 December 2018, there was no transfer between level 1 and level 2 fair value hierarchy or transfer into or out of level 3.

34. DISPOSAL OF SUBSIDIARIES

As set out in note 29 to the consolidated financial statements, the Group completed the disposal of the entire equity interest in JIC Garments in March 2018. The net assets of JIC Garments at the date of disposal were as follows:

	RMB
Property, plant and equipment	25,205
Intangible assets	1,685,906
Inventories	13,373,095
Trade and bills receivables	1,528,786
Prepayment and other receivables	2,913,491
Cash and cash equivalents	1,691,548
Trade and bills payables	(10,854,598)
Other payables and accruals	(10,976,016)
Net liability disposed of	(612,583)
Gain on disposal of subsidiaries included in profit or loss	612,591
Total consideration	8
Net cash outflow arising on disposal	
Cash consideration	8
Bank balance and cash disposed of	(1,691,548)
	(1,691,540)

35. COMMITMENTS

(a) Operating lease commitments

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

	2018 RMB	2017 RMB
Not later than one year	**34,554,743**	29,244,466
Later than one year but not later than 5 years	**29,563,777**	26,273,744
	64,118,520	55,518,210

The Group leases various offices, retail shops and warehouses under non-cancellable lease agreements. The lease terms are between one to twelve years.

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

(b) Capital commitments

As at 31 December 2018 and 2017, the Group had no significant capital commitments.

36. CONTINGENT LIABILITIES

As at 31 December 2018 and 2017, the Group had no significant contingent liabilities.

37. NOTES SUPPORTING CASH FLOW STATEMENT

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 statements of cash flows as cash flows from financing activities.

	As at 31 December 2017 RMB	Financing cash flows RMB	Non-cash changes RMB	As at 31 December 2018 RMB
Interest-bearing bank borrowings	**285,000,000**	**(25,000,000)**	**–**	**260,000,000**

	As at 31 December 2016 RMB	Financing cash flows RMB	Non-cash changes RMB	As at 31 December 2017 RMB
Interest-bearing bank borrowings	245,000,000	40,000,000	–	285,000,000

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 27, cash and cash equivalents and equity of the Company, comprising share capital, reserves and accumulated profits. The Group's risk management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

Based on the management's recommendations, the Group will balance its overall capital structure through the issue of new debts and the payment of dividends.

38. CAPITAL RISK MANAGEMENT (CONTINUED)

The gearing ratio at end of the year was as follows:

	2018 RMB	2017 RMB
Debts	**260,000,000**	285,000,000
Cash and cash equivalents	**(145,398,494)**	(102,072,916)
Net debts	**114,601,506**	182,927,084
Equity	**310,272,405**	183,399,529
Net debts to equity ratio	**37%**	99%

39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2018 RMB	2017 RMB
Financial assets at FVOCI:		
Bills receivable	**4,818,246**	—
Financial assets at amortised cost:		
Trade receivables	**178,428,263**	151,518,887
Bills receivable	**—**	11,809,173
Other receivables	**29,309,535**	25,353,773
Amount due from immediate holding company	**2,870,187**	14,917,385
Amount due from fellow subsidiaries	**2,514,500**	1,501,844
Pledged deposits	**31,540,000**	13,800,000
Cash and cash equivalents	**145,398,494**	102,072,916
	390,060,979	320,973,978
Financial liabilities measured at amortised cost:		
Trade and bills payables	**218,120,737**	184,153,651
Other payables and accruals	**226,059,499**	148,727,081
Interest-bearing bank borrowings	**260,000,000**	285,000,000
Amount due to an associate	**91,188**	4,216,683
Amounts due to fellow subsidiaries	**500,000**	—
Amount due to non-controlling shareholders of subsidiaries	**3,200,000**	3,200,000
	707,971,424	625,297,415

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

(a) Credit risk

As at the end of the reporting period, the Group's maximum exposure to credit risk which may cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk in relation to trade receivables, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Trade receivables

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Expected loss rate (%)	Gross carrying amount RMB	Loss allowance RMB
Not past due	0.7%	160,304,067	1,050,768
Less than 1 month past due	5.3%	5,296,716	281,986
1 to 3 months past due	10.0%	10,042,053	1,004,205
Over 3 months past due	91.3%	58,868,152	53,745,766
		234,510,988	56,082,725

Expected loss rates are based on actual loss experience over the past 4 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 4(g)(B)(ii)). At 31 December 2017, trade receivables of RMB55,358,140 was determined to be impaired. The ageing analysis of trade debtors that were not considered to be impaired was as follows:

	2017 RMB
Neither past due nor impaired	146,501,630
Less than 1 month past due	3,946,262
1 to 3 months past due	7,686,510
Over 3 months past due	5,193,658
	163,328,060

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

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

	2018 RMB	2017 RMB
Balance at 1 January	**55,358,140**	55,807,776
Amounts written off during the year	**(1,776,189)**	—
Classified as held for sale	**—**	(1,480,079)
Impairment losses recognised during the year	**2,500,774**	1,030,443
Balance at 31 December	**56,082,725**	55,358,140

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance during 2018:

— Origination of new trade receivables net of those settled resulted in an increase in loss allowance of RMB2,500,774;

— A write-off of trade receivables with a gross carrying amount of RMB1,776,189 resulted in a decrease in loss allowance of RMB1,776,189.

Bills receivables

As at 1 January 2018 and 31 December 2018, bills receivable is classified as debt instruments at FVOCI, which are matured within 12 months. The measurement of loss allowance was therefore based on 12 months expected credit losses. Management considered its debt instruments have a low risk of default and limited impact of time value of money due to short maturity period, therefore no impairment loss is recognised during the year.

Other receivables

As at 31 December 2018, other receivables is classified as financial asset at amortised cost. The measurement of loss allowance was therefore based on 12 months expected credit losses. The Group has assessed that the expected loss rate for other receivables was immaterial. Thus no loss allowance for other receivables was recognised. As at 31 December 2018, no collateral was held by the group, the maximum exposure to loss of other receivables was RMB29,309,535 (2017: RMB25,353,773).

Amount due from immediate holding company and fellow subsidiaries

As at 31 December 2018, amount due from immediate holding company and fellow subsidiaries are classified as financial asset at amortised cost. The measurement of loss allowance was therefore based on 12 months expected credit losses. The Group has assessed that the expected loss rate for amount due from immediate holding company and fellow subsidiaries was immaterial. Thus no loss allowance for other receivables was recognised.

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.

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

The Group's concentration of credit risk on the trade and bills receivables as at 31 December 2018 and 2017 included five major counterparties accounting for 31% and 32% of the trade and bills receivables respectively. The Group has closely monitored the recoverability of the advances to these counterparties and taken effective measures to ensure timely collection of outstanding balances. The Group has not obtained collateral from customers.

The Group is exposed to the concentration of geographic risk on revenue which is generated mostly from customers located in the PRC. The Group has closely monitored the business performance of these customers in the PRC.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. The management of the Company is satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future in the normal course of business.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Carrying amount RMB	Total contractual undiscounted cash flow RMB	Within 1 year or on demand RMB	More than 1 year but less than 2 years RMB	More than 2 years but less than 5 years RMB
31 December 2018					
Trade and bills payables	218,120,737	218,120,737	218,120,737	–	–
Other payables and accruals	226,059,499	226,059,499	226,059,499	–	–
Interest-bearing bank borrowings	260,000,000	265,364,205	265,364,205	–	–
Amount due to an associate	91,188	91,188	91,188	–	–
Amount due to a fellow subsidiary	500,000	500,000	500,000	–	–
Amount due to a non-controlling shareholder of a subsidiary	3,200,000	3,200,000	3,200,000	–	–
	707,971,424	713,335,629	713,335,629	–	–

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

	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 2017					
Trade and bills payables	184,153,651	184,153,651	184,153,651	–	–
Other payables and accruals	148,727,081	148,727,081	148,727,081	–	–
Interest-bearing bank borrowings	285,000,000	290,471,111	290,471,111	–	–
Amount due to an associate	4,216,683	4,216,683	4,216,683	–	–
Amount due to a non-controlling shareholder of a subsidiary	3,200,000	3,200,000	3,200,000	–	–
	625,297,415	630,768,526	630,768,526	–	–

(c) Interest rate risk

The Group is not exposed to fair value interest rate risk in relation to its fixed-rate borrowings (see Note 27 for details) as they are carried at amortised costs. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is not exposed to cash flow interest rate risk as the interest rates of its borrowings are fixed (see Note 27 for details).

(d) Currency risk

Currency risk to the Group is minimal as most of the Group's transactions are carried out in functional currency.

41. NON-CONTROLLING INTEREST

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:

	2018 RMB	2017 RMB
JIC Garments		
Revenue	–	23,410,961
Loss for the year and total comprehensive income	–	(16,384,027)
Loss allocated to non-controlling interests	–	(7,372,812)
Cash used in operating activities	–	(497,796)
Cash used in investing activities	–	(2,550,800)
Cash used in financing activities	–	(144,769)
Net cash outflows	–	(3,193,365)
Lubiam Apparel		
Revenue	**28,373,493**	32,003,860
Loss for the year and total comprehensive income	**(1,356,475)**	(1,590,802)
Loss allocated to non-controlling interests	**(542,590)**	(636,321)
Cash used in operating activities	**(2,226,844)**	(992,964)
Cash used in investing activities	**(353,202)**	(1,261,723)
Net cash outflows	**(2,580,046)**	(2,254,687)
JIC Garments		
Current assets	–	20,182,994
Non-current assets	–	1,711,110
Current liabilities	–	(18,055,181)
Non-current liabilities	–	(3,838,915)
Net assets	–	8
Accumulated non-controlling interest	–	3,159,584
Lubiam Apparel		
Current assets	**61,056,966**	60,959,611
Non-current assets	**1,439,439**	1,818,987
Current liabilities	**(7,340,411)**	(6,266,129)
Net assets	**55,155,994**	56,512,469
Accumulated non-controlling interest	**22,062,398**	22,604,988

42. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	2018 RMB	2017 RMB
Non-current assets		
Investment in a subsidiary	**10**	10
Property, plant and equipment	**59,585,242**	37,414,858
Intangible assets	**2,729,691**	2,604,565
Deferred tax assets	**15,465,667**	12,678,618
Total non-current assets	**77,780,610**	52,698,051
Current assets		
Inventories	**437,726,673**	312,101,858
Trade and bills receivables	**172,284,082**	157,070,059
Prepayments and other receivables	**88,023,194**	90,929,356
Amount due from immediate holding company	**1,970,998**	14,018,196
Amount due from fellow subsidiaries	**1,788,111**	1,377,513
Amount due from a subsidiary	**80,000,000**	103,900,000
Pledged deposits	**31,540,000**	13,800,000
Cash and cash equivalents	**114,331,167**	68,103,358
Total current assets	**927,664,225**	761,300,340
Current liabilities		
Trade and bills payables	**214,430,645**	181,825,719
Contract liabilities	**19,203,877**	—
Other payables and accruals	**230,543,072**	171,195,726
Interest-bearing bank borrowings	**260,000,000**	285,000,000
Amount due to an associate	**91,188**	4,216,683
Income tax payables	**6,572,509**	9,625,386
Total current liabilities	**730,841,291**	651,863,514
Net current assets	**196,822,934**	109,436,826
Net assets	**274,603,544**	162,134,877
Capital and reserves		
Share capital	**133,400,000**	100,000,000
Reserves	**141,203,544**	62,134,877
Total equity	**274,603,544**	162,134,877

On behalf of the directors

Luo Yefei *Director*	**Yan Jingfen** *Director*

42. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)

Reserves of the Company

	Statutory surplus reserve RMB	Capital reserve RMB	Accumulated profit RMB	Total RMB
At 1 January 2017	2,426,602	15,304,925	5,126,888	22,858,415
Profit and total comprehensive income for the year	—	—	39,276,462	39,276,462
Transfer to statutory surplus reserve	3,927,646	—	(3,927,646)	—
At 31 December 2017 and 1 January 2018	6,354,248	15,304,925	40,475,704	62,134,877
Profit and total comprehensive income for the year	—	—	21,263,636	21,263,636
Transfer to statutory surplus reserve	2,126,363	—	(2,126,363)	—
Share issue under public offer	—	57,805,031	—	57,805,031
At 31 December 2018	8,480,611	73,109,956	59,612,977	141,203,544

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 19 March 2019.

Summary of Financial Information

A summary of the results and of the assets and liabilities of the Group for the last four 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			
	2018	2017	2016	2015
	RMB	RMB	RMB	RMB
RESULTS				
Revenue	**1,025,285,807**	797,888,217	592,082,843	526,081,752
Gross profit	**595,759,686**	431,260,307	288,109,394	252,403,973
Profit from operations	**47,661,948**	55,806,908	47,962,593	67,136,624
Profit before income tax	**47,661,948**	55,806,908	47,962,593	67,136,624
Income tax expenses	**(11,994,103)**	(18,845,753)	(14,148,111)	(14,233,167)
Profit for the year	**35,667,845**	36,961,155	33,814,482	52,903,457

	As at 31 December			
	2018	2017	2016	2015
	RMB	RMB	RMB	RMB
ASSETS AND LIABILITIES				
Non-current assets	**134,035,363**	120,923,641	102,014,469	85,892,799
Current assets	**921,490,782**	746,914,295	590,147,282	483,231,284
TOTAL ASSETS	**1,055,526,145**	867,837,936	692,161,751	569,124,083
Current liabilities	**745,253,740**	684,438,407	541,836,647	593,659,628
Non-current liabilities	**—**	—	6,353,017	8,935,023
TOTAL LIABILITIES	**745,253,740**	684,438,407	548,189,664	602,594,651
NET ASSETS/(LIABILITIES)	**310,272,405**	183,399,529	143,972,087	(33,470,568)