杉杉品牌運營股份有限公司
Shanshan Brand Management Co., Ltd.

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 1749

2019
INTERIM REPORT

Contents

Corporate Information

CORPORATE NAME

Shanshan Brand Management Co., Ltd.

LISTING INFORMATION

Place of listing: Main Board of The Stock Exchange of Hong Kong Limited (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 *(Retired on 5 June 2019)*
Ms. Yang Yi
Mr. Wang Yijun *(Appointed on 5 June 2019)*

JOINT COMPANY SECRETARIES

Ms. Yan Jingfen
Ms. Cheng Lucy *(Appointed on 5 June 2019)*
Mr. Kwok Siu Man, *FCIS, FCS*
(Resigned on 5 June 2019)

AUTHORIZED REPRESENTATIVES

Ms. Yan Jingfen
Ms. Cheng Lucy *(Appointed on 5 June 2019)*
Mr. Kwok Siu Man, *FCIS, FCS*
(Resigned on 5 June 2019)

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

REGISTERED OFFICE AND HEADQUARTERS IN THE PEOPLE'S REPUBLIC OF CHINA (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

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
1st Floor, Hebang Building
No. 933 Tiantong North Road
Ningbo
Zhejiang Province
The PRC

China Construction Bank
Ningbo Branch
No. 225 Baohua Street
Yinzhou District
Ningbo
Zhejiang Province
The PRC

China Everbright Bank
Ningbo Sub-branch
No. 1050 Baizhang Road
Yinzhou District
Ningbo
Zhejiang Province
The PRC

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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

Management Discussion and Analysis

BUSINESS REVIEW

For the first half of 2019, the external environment was still complicated and challenging, with the domestic economy facing increasing downward pressure. The apparel industry has undergone increasing transformation and adjustments. In order to adapt to the changes in market environment and the consumption logic of end customers, Shanshan Brand Management Co., Ltd. (the "**Company**") and its subsidiaries (collectively, the "**Group**") continued to focus on its two core own brands (i.e. FIRS and SHANSHAN) to capture the market share and consumers through differentiated competition with its core advantages, so as to drive the steady growth of results. During the six months ended 30 June 2019 (the "**Period**"), the Group followed its established strategy to further optimise the sales channel and diversify its layout, further elevating its brand influence by increasing its brand promotion, communication and marketing efforts. Meanwhile, the Company's logistics efficiency and adaptability to the market had been improved through the establishment of a warehousing and logistics center in Suqian, Jiangsu Province, the PRC.

In response to the sluggish market, the decreased orders from FIRS distributors and the weak terminal sales, the Group made adjustments to the terminal channel based on the operational performance of retail outlets, eased the pace of store openings and closed down certain unprofitable or inefficient retail stores. During the Period, the Group's retail network increased to 1,241 retail outlets from 1,226 retail outlets as at 31 December 2018, with 699 retail outlets under FIRS, 527 retail outlets under SHANSHAN and 15 retail outlets under LUBIAM respectively, representing an increase of approximately 1.2% in the total number of retail outlets under such three brands.

FINANCIAL REVIEW

Revenue

The Group generates revenue primarily from sales to distributors, direct sales and franchisee sales. For the Period, the Group's total revenue increased by approximately 6.8% to RMB533.8 million from RMB499.7 million for the six months ended 30 June 2018, which was primarily attributable to the increase in revenue from the SHANSHAN brand. Please see the sections headed "Revenue by sales channels" and "Revenue by brands" below for details.

Revenue by sales channels

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

	Six months ended 30 June			
	2019		2018	
	RMB'000	**%**	RMB'000	%
	(unaudited)		(unaudited)	
Sales to distributors	**56,284**	**10.5**	89,365	17.9
Direct sales				
E-commerce platforms	**52,482**	**9.8**	64,844	13.0
Self-operated retail outlets	**86,201**	**16.2**	84,018	16.8
Franchisee sales				
Cooperative arrangements	**275,515**	**51.6**	227,099	45.4
Franchising arrangements in relation to MARCO AZZALI (Note) and LUBIAM	**3,356**	**0.6**	7,453	1.5
Work uniforms	**53,156**	**10.0**	18,055	3.6
Trademark franchise income	**6,764**	**1.3**	8,868	1.8
Total	**533,758**	**100**	499,702	100

Note: JIC Garments (Ningbo) Co., Ltd. ("**JIC Garments**"), a subsidiary of the Company engaged in the business related to MARCO AZZALI, was disposed in March 2018.

Revenue by brands

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

	Six months ended 30 June			
	2019		2018	
	RMB'000 (unaudited)	**%**	RMB'000 (unaudited)	%
FIRS	**221,341**	**41.5**	215,790	43.2
SHANSHAN	**294,175**	**55.1**	250,975	50.2
MARCO AZZALI (Note)	**—**	**—**	7,241	1.4
LUBIAM	**11,478**	**2.1**	16,828	3.4
Others	**6,764**	**1.3**	8,868	1.8
Total	**533,758**	**100**	499,702	100

Note: Representing the cumulative sales revenue of MARCO AZZALI as of March 2018 from JIC Garments, a subsidiary of the Company which was disposed in March 2018.

Gross profit

For the Period, the Group's gross profit increased by approximately 1.9% to RMB299.7 million from RMB294.0 million for the six months ended 30 June 2018, which was primarily attributable to an increase in the total revenue of the Group.

Other revenue

Other revenue mainly includes sundry income derived from the sale of raw materials and received from the franchisees by the Group as well as interest income from banks. For the Period, the Group's other revenue decreased by approximately 33.3% to RMB0.8 million from RMB1.2 million for the six months ended 30 June 2018, primarily attributable to a decrease in the sundry income received from the franchisee.

Other gains and losses

Other gains and losses mainly include the Group's impairment loss on trade receivables and written-down of inventories. For the Period, the Group's other gains and losses changed to other gains of RMB0.1 million from other losses of RMB2.9 million for the six months ended 30 June 2018, primarily attributable to the receipt of government subsidies.

Selling and distribution expenses

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

For the Period, the Group's selling and distribution expenses increased by approximately 9.2% to RMB266.6 million from RMB244.2 million for the six months ended 30 June 2018, mainly attributable to the increases in (i) the revenue sharing fee paid to the franchisees as a result of the increased sales of SHANSHAN branded products; and (ii) the renovation costs and depreciation of equipment.

Administrative expenses

Administrative expenses mainly include staff costs attributable to administrative expenses, traveling expenses and trademark payments of the Group.

For the Period, the Group's administrative expenses increased by approximately 3.5% to RMB20.6 million from RMB19.9 million for the six months ended 30 June 2018, remaining relatively stable.

Finance costs

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

For the Period, the Group's finance costs increased by approximately 13.5% to RMB8.4 million from RMB7.4 million for the six months ended 30 June 2018, primarily due to the impact resulting from the adoption of the Hong Kong Financial Reporting Standard ("**HKFRS**") 16 "Lease" effective from 1 January 2019.

Income tax expense

Income tax expense mainly represents the income tax payable by the Group according to the relevant PRC tax rules. For the Period, the Group's income tax expense decreased by approximately 82.4% to RMB0.6 million from RMB3.4 million for the six months ended 30 June 2018, primarily due to the income tax expense which cannot be offset by the listing expense for the corresponding period last year.

Profit attributable to the owners of the Company

As a result of the foregoing, the Group's profit attributable to the owners of the Company for the Period decreased by approximately 5.5% to RMB8.6 million from RMB9.1 million for the six months ended 30 June 2018.

WORKING CAPITAL MANAGEMENT

	Six months ended 30 June 2019	Year ended 31 December 2018
Average inventory turnover days	**366**	339
Average trade receivables turnover days	**68**	62
Average trade payables turnover days	**167**	171

The Group's average inventory turnover days increased from 339 days for the year ended 31 December 2018 to 366 days for the Period. Such an increase was mainly due to the purchase of SHANSHAN branded products from OEM suppliers according to the purchase agreement to support the expansion of retail outlets under SHANSHAN and to meet the demand for SHANSHAN branded products.

The Group's average trade receivables turnover days increased from 62 days for the year ended 31 December 2018 to 68 days for the Period, remaining relatively stable.

The Group's average trade payables turnover days remained relatively stable, decreasing from 171 days for the year ended 31 December 2018 to 167 days for the Period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a solid statement of financial position. As at 30 June 2019, the Group's cash and cash equivalents decreased to RMB102.1 million from RMB145.4 million as at 31 December 2018, and the pledged deposits decreased to RMB26.4 million from RMB31.5 million as at 31 December 2018. Cash and cash equivalents were denominated in Renminbi ("**RMB**").

As at 30 June 2019 and 31 December 2018, the Group's total bank borrowings amounted to approximately RMB285.0 million and RMB260.0 million, respectively. All bank borrowings were denominated in RMB. Details of the bank borrowings of the Group are set out in note 16 to the condensed consolidated interim financial statements. The Group's gearing ratio (total borrowings over total assets of the Group) was approximately 25.5% and 24.6% as at 30 June 2019 and 31 December 2018, respectively.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Period. The board of directors of the Company (the "**Directors**" and the "**Board**", respectively) 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's cash requirements for the Group's strategy or direction from time to time can be met.

FOREIGN EXCHANGE RISK AND HEDGING

The currency risk exposed to our Group is minimal as most of the Group's transactions are carried out in RMB. Thus, the Group did not implement any foreign currency hedging policy.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

On 27 June 2018 (the "**Listing Date**"), the Company's overseas-listed foreign shares (the "**H Shares**") were listed on the Main Board of the Stock Exchange (the "**Listing**"). The total net proceeds from the Listing amounted to approximately HK$66.4 million (equivalent to approximately RMB55.2 million).

As at 30 June 2019, a total of RMB39.0 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 use of proceeds	Planned amount RMB (million)	Actual utilised amount as at 30 June 2019 RMB (million)	Actual utilised amount during the Period RMB (million)	Actual unutilised amount as at 30 June 2019 RMB (million)
Retail network	20.9	18.5	14.6	2.4
Brand promotion and marketing efforts	13.6	9.3	3.4	4.3
Information technology system	10.7	1.2	0.9	9.5
Warehouses and logistics center	4.5	4.5	1.1	0
General working capital	5.5	5.5	0	0
Total	55.2	39.0	20.0	16.2

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2018: nil).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2019, the Group had 658 employees (31 December 2018: 701 employees). Employee costs, including Directors' emoluments, amounted to approximately RMB47.7 million for the Period (six months ended 30 June 2018: RMB47.3 million). The remuneration policy for the Directors and senior management is based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other performance bonus are linked to the profit performance of the Group and the individual performances of the Directors and senior management. The Group provides and arranges on-the-job training for the employees.

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

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

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

There was no plan for material investments or capital assets as at 30 June 2019. The Company's expected source of funding for the coming year will tentatively come from the Group's existing internal resources and from bank borrowings.

CAPITAL STRUCTURE

There was no change in the capital structure of the Company as at 30 June 2019 as compared with that as at 31 December 2018.

PLEDGE OF ASSET

As at 30 June 2019, the Group pledged deposits of RMB26,400,000 (31 December 2018: RMB31,540,000) to secure outstanding bank acceptance bills. Save for the pledged deposits, the Group did not pledge any of its assets as securities for outstanding bank acceptance bills.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group had no material contingent liabilities (31 December 2018: nil).

EVENT AFTER THE PERIOD

Reference is made to the announcement of the Company dated 31 July 2019 (the "**Announcement**") and the section headed "Connected Transactions" in the Prospectus.

In contemplation of the coming expiry of the Expiring Lease Agreements (as defined in the Announcement) and to ensure the continuous use of the Properties (as defined in the Announcement), the Company and Ningbo Shanshan Co., Ltd.* (寧波杉杉股份有限公司) ("**Shanshan**"), a controlling shareholder of the Company, entered into the New Lease Agreement I and the New Lease Agreement III (as defined in the Announcement), and Lubiam (Ningbo) Apparel Co., Ltd.* (寧波魯彼昂姆服飾有限公司) ("**Lubiam Apparel**"), a non-wholly-owned subsidiary of the Company, and Shanshan entered into the New Lease Agreement II (as defined in the Announcement) (the New Lease Agreement I, the New Lease Agreement II and the New Lease Agreement III, collectively, the "**New Lease Agreements**") to renew the terms of the respective leases for the Properties for one year.

The transactions contemplated under the New Lease Agreements between the Company and Shanshan, and between Lubiam Apparel and Shanshan constitute connected transactions for the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). For further details, please refer to the Announcement.

Save as disclosed in this report, there were no other significant events that might affect the Group after the Period as at the date of this report.

OUTLOOK AND PLANS

In the second half of 2019, despite the complicated and changing micro environment and the challenges in the development of the industry, the Group will continue to optimise itself, adapt to the new trends of the apparel industry, and accelerate the Group's transformation, adjustment and innovation. The Group will endeavor to meet the needs of target consumers, strive to improve its management model and product quality, so as to ensure effective enhancement and improvement of its operational efficiency and quality.

The Group will continue to focus on its own brands, skillfully utilise its sales channels and diversify its layout, refine its retail operation based on available data, and strengthen its brand promotion and marketing efforts. The Group will also push forward the innovation and application of its supply chain, so as to enhance the response of its supply chain. Meanwhile, the Group will also continue to optimise its operation procedure, improve its risk management process, and further implement cost reduction and enhance its efficiency and aim to strengthen the Company's core competitiveness and operational efficiency.

* *For identification purpose only*

Corporate Governance and Other Information

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

As at 30 June 2019, the interests of the Directors, supervisors (the "**Supervisors**") and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") were as follows:

Long Positions

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

Name of Director	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 Gongmao Co., Ltd.* ("**Shaanxi Maoye**") (陝西茂葉工貿有限公司) 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.

* *For identification purpose only*

(b) Shares in associated corporations of the Company

Name of Directors	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 Co., Ltd. ("**Shanshan Holding**")	Domestic Shares	Interest of a controlled corporation/ Corporate interest	22,000,000	2.200%
Mr. Cao Yang ("**Mr. Cao**") (Note 2)	Shanshan Holding	Domestic Shares	Interest of a controlled corporation/ Corporate interest	7,300,000	0.730%
Ms. Hui Ying	Shanshan	Domestic Shares	Beneficial owner/ Personal interest	17,200	0.002%

Notes:

(1) Ningbo Meishan Bonded Port Area Longhe Investment Partnership (L.P.)* ("**Longhe Investment**") (寧波梅山保稅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**") (寧波梅山保稅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 30 June 2019, none of the Directors, Supervisors 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.

* *For identification purpose only*

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

As at 30 June 2019, so far as was known to or otherwise notified to any Directors, Supervisors or chief executive of the Company, the particulars of the corporations or persons which had 5% or more interests or short positions in the shares and the underlying shares as recorded in the register kept under section 336 of the SFO were as follows:

LONG POSITIONS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

Name of Substantial 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 Co., Ltd. ("**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 controlled corporations/ 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 30 June 2019, so far as it was known to or otherwise notified to the Directors, the Supervisors 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 or short positions in the shares and the underlying shares as recorded in the register required to be kept under section 336 of the SFO.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board and the Company's management are committed to maintaining high standards of corporate governance. The Board firmly believes that conducting the Group's business in a transparent and responsible manner and following good corporate governance practices serve its long-term interests and the shareholders' interests. The Board considers that the Company has complied with all the code provisions of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "**CG Code**") during the Period except for the following deviations:

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

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

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") comprises all three independent non-executive Directors, namely Mr. Au Yeung Po Fung (committee chairman), Mr. Wang Yashan and Mr. Wu Xuekai. The Audit Committee has reviewed with the Company's management team the Company's unaudited condensed consolidated interim results for the Period and this report.

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

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

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors and the Supervisors. In response to specific enquiries made by the Company to each of the Directors and the Supervisors, all Directors and Supervisors confirmed that they had complied with the Model Code during the Period.

COMPETING INTERESTS

As at 30 June 2019, none of the Directors, the Supervisors, the controlling shareholders of the Company or their respective close associates had any interests in any business which competed or might compete, either directly or indirectly, with the business of the Group or had any other conflicts of interest with the Group, which must be disclosed in this report.

CHANGES IN INFORMATION OF DIRECTORS

The changes in Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the Period and up to the date of this report are set out below:

Mr. Luo Yefei's remuneration increased from RMB450,000 per annum to RMB600,000 per annum with effect from 1 April 2019.

Mr. Au Yeung Po Fung was appointed as an independent non-executive director of Zhongliang Holdings Group Company Limited (stock code: 2772), a company listed on the Main Board of the Stock Exchange on 19 June 2019.

By Order of the Board
Shanshan Brand Management Co., Ltd.
Zhuang Wei
Chairman

Ningbo, the PRC, 22 August 2019

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Notes	For the six months ended of 30 June 2019 RMB (unaudited)	 2018 RMB (unaudited)
Revenue	5	**533,757,730**	499,702,257
Cost of sales		**(234,056,017)**	(205,749,941)
Gross profit		**299,701,713**	293,952,316
Other revenue		**788,401**	1,223,781
Other gains and losses		**74,368**	(2,912,820)
Selling and distribution expenses		**(266,552,964)**	(244,201,101)
Administrative expenses		**(20,622,806)**	(19,880,421)
Finance costs	7	**(8,367,478)**	(7,406,607)
Share of results of associates		**3,030,970**	3,370,457
Listing expenses		**—**	(11,965,961)
Profit before income tax	6	**8,052,204**	12,179,644
Income tax expense	9	**(565,543)**	(3,418,761)
Profit and total comprehensive income for the period		**7,486,661**	8,760,883
Profit and total comprehensive income for the period attributable to:			
— Owners of the Company		**8,643,075**	9,116,503
— Non-controlling interests		**(1,156,414)**	(355,620)
		7,486,661	8,760,883
Earnings per share attributable to owners of the Company			
— Basic and diluted	10	**0.06**	0.09

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	As at 30 June 2019 RMB (unaudited)	As at 31 December 2018 RMB (audited)
Non-current assets			
Property, plant and equipment	11	**63,185,086**	61,058,944
Right-of-use assets		**42,468,789**	—
Intangible assets		**3,489,951**	2,729,691
Interests in associates		**53,051,445**	54,781,061
Deferred tax assets		**17,019,302**	15,465,667
		179,214,573	134,035,363
Current assets			
Inventories		**477,081,337**	461,778,367
Trade and bills receivables	12	**214,557,507**	183,246,509
Prepayments and other receivables	13	**112,388,268**	94,142,725
Amount due from immediate holding company	18	**2,833,422**	2,870,187
Amounts due from fellow subsidiaries	18	**1,378,717**	2,514,500
Income tax recoverable		**3,374,550**	—
Pledged deposits		**26,400,000**	31,540,000
Cash and cash equivalents		**102,108,862**	145,398,494
		940,122,663	921,490,782
Current liabilities			
Trade and bills payables	14	**209,772,417**	218,120,737
Contract liabilities		**25,488,270**	19,276,709
Other payables and accruals	15	**246,649,860**	236,826,765
Interest-bearing bank borrowings	16	**285,000,000**	260,000,000
Amount due to an associate		**47,787**	91,188
Amount due to a fellow subsidiary		**—**	500,000
Amounts due to non-controlling shareholders of a subsidiary		**3,200,000**	3,200,000
Lease liabilities		**16,619,402**	—
Income tax payables		**—**	7,238,341
		786,777,736	745,253,740
Net current assets		**153,344,927**	176,237,042
Total assets less current liabilities		**332,559,500**	310,272,405
Non-current liabilities			
Lease liabilities		**22,804,434**	—
Net assets		**309,755,066**	310,272,405

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	As at 30 June 2019 RMB (unaudited)	As at 31 December 2018 RMB (audited)
Capital and reserves			
Share capital	17	**133,400,000**	133,400,000
Reserves		**155,463,210**	154,824,135
		288,863,210	288,224,135
Non-controlling interests		**20,891,856**	22,048,270
Total equity		**309,755,066**	310,272,405

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Share capital RMB	Capital reserve RMB	Statutory surplus reserve RMB	Merger reserve RMB	Accumulated profits RMB	Attributable to ordinary equity holders of the Company RMB	Non-controlling interests RMB	Total equity RMB
At 31 December 2018 (audited)	133,400,000	73,109,956	10,434,068	(44,755,847)	116,035,958	288,224,135	22,048,270	310,272,405
Profit/(loss) and total comprehensive income for the period	–	–	–	–	8,643,075	8,643,075	(1,156,414)	7,486,661
Final 2018 dividend declared and paid (Note 8)	–	–	–	–	(8,004,000)	(8,004,000)	–	(8,004,000)
At 30 June 2019 (unaudited)	133,400,000	73,109,956	10,434,068	(44,755,847)	116,675,033	288,863,210	20,891,856	309,755,066
At 31 December 2017 (audited)	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 period	–	–	–	–	9,116,503	9,116,503	(355,620)	8,760,883
Share issue under public offer (Note 17)	33,400,000	61,303,061	–	–	–	94,703,061	–	94,703,061
At 30 June 2018 (unaudited)	133,400,000	76,607,986	8,307,705	(44,755,847)	91,068,389	264,628,233	22,235,240	286,863,473

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	For the six months ended of 30 June	
	2019	2018
	RMB	RMB
	(unaudited)	(unaudited)
Cash flows from operating activities		
Cash (used in)/generated from operations	**(7,541,860)**	12,831,134
Income taxes paid	**(12,732,069)**	(17,292,824)
Net cash used in operating activities	**(20,273,929)**	(4,461,690)
Cash flows from investing activities		
Decrease/(increase) in pledged deposits	**5,140,000**	(3,100,000)
Interest received	**538,723**	312,827
Net cash outflow arising from disposal of a subsidiary	**—**	(1,691,533)
Purchase of property, plant and equipment	**(25,317,387)**	(24,753,201)
Purchase of intangible assets	**(948,001)**	(192,171)
Decrease in amounts due from fellow subsidiaries	**635,783**	—
Net cash used in investing activities	**(19,950,882)**	(29,424,078)
Cash flows from financing activities		
Payment of lease liabilities	**(12,764,573)**	—
Interest paid	**(7,296,248)**	(7,406,607)
Dividend paid	**(8,004,000)**	—
Proceeds from borrowings	**215,000,000**	—
Proceeds from issuance of H Shares	**—**	104,911,780
Repayment of borrowings	**(190,000,000)**	(20,000,000)
Share issues expenses	**—**	(10,208,719)
Net cash (used in)/generated from financing activities	**(3,064,821)**	67,296,454
Net (decrease)/increase in cash and cash equivalents	**(43,289,632)**	33,410,686
Cash and cash equivalents at beginning of period	**145,398,494**	102,696,012
Cash and cash equivalents at the end of period	**102,108,862**	136,106,698

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

1. CORPORATE INFORMATION

Ningbo Shanshan Garment Brand Management Co., Ltd.* (寧波杉杉服裝品牌經營有限公司) ("**Shanshan Garment Brand**"), the predecessor of the Company, was established as a limited liability company in 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.* (杉杉品牌運營股份有限公司). The address of its registered office and principal place of business is No. 238, Yunlin Middle Road, Wangchun Industrial Park, Ningbo, Zhejiang Province, the PRC. The Company's H Shares have been listed on the Stock Exchange since the Listing Date.

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 Shanshan and 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.

2. BASIS OF PREPARATION AND PRESENTATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**"), issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure provisions of the Listing Rules.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the financial statements of the Group for the year ended 31 December 2018 (the "**2018 annual financial statements**"), except for those that relate to new standards or interpretations effective for the first time for period beginning on or after 1 January 2019. This is the first set of the Group's financial statements in which HKFRS 16 has been adopted. Details of any changes in accounting policies are set out in note 3. Except for the adoption of HKFRS 16, the adoption of the new and revised HKFRSs have no material effect on these condensed consolidated interim financial statements. The Group has not early adopted any new and revised HKFRSs that has been issued but not yet effective in the current accounting period.

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 4 below.

2. BASIS OF PREPARATION AND PRESENTATION (CONTINUED)

These condensed consolidated interim financial statements are presented in RMB, unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2018 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the 2018 annual financial statements.

3. CHANGES IN HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

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

The impact of the adoption of HKFRS 16 Leases ("**HKFRS 16**") has been summarised below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any material impact on the Group's accounting policies.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("**HKAS 17**"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases.

From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

3. CHANGES IN HKFRSs (CONTINUED)

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

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

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

Statement of financial position as at 1 January 2019

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

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

3. CHANGES IN HKFRSs (CONTINUED)

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

Reconciliation of operating lease commitment to lease liabilities

	RMB
Operating lease commitment as of 31 December 2018	64,118,520
Less: short-term lease	(13,745,019)
Less: future interest expenses	(3,561,462)
Less: leases of low-value assets	(2,993,410)
Less: rental prepayments	(5,901,670)
Total lease liabilities as of 1 January 2019	37,916,959

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

(ii) The new definition of a lease

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

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

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases in which the Group is a lessee.

3. CHANGES IN HKFRSs (CONTINUED)

(iii) Accounting as a lessee

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

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

The Group recognised a right-of-use asset and a lease liability at the date of adoption of HKFRS 16, i.e. 1 January 2019.

Right-of-use asset

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

3. CHANGES IN HKFRSs (CONTINUED)

(iii) Accounting as a lessee (Continued)

Lease liability

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

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

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

(iv) Transition

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

3. CHANGES IN HKFRSs (CONTINUED)

(iv) Transition (Continued)

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

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) exclude the initial direct costs from the measurement of the right-of-use assets at 1 January 2019; and (iii) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

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

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2018 annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 16 as described in note 3 above.

5. SEGMENT INFORMATION AND REVENUE

(a) Reportable segment

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

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

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

	Six months ended 30 June	
	2019	2018
	RMB	RMB
	(unaudited)	(unaudited)
Trading of garments	**526,993,579**	490,834,332
Trademark sub-licensing income	**6,764,151**	8,867,925
	533,757,730	499,702,257

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

5. SEGMENT INFORMATION AND REVENUE (CONTINUED)

(a) Reportable segment (Continued)

Disaggregation of revenue from contracts with customers

	Six months ended 30 June 2019 RMB (unaudited)	2018 RMB (unaudited)
Primary geographical market		
The PRC	**533,757,730**	499,702,257
Major product/Services		
Standard garment products	**526,993,579**	490,834,332
Trademark sub-licensing income	**6,764,151**	8,867,925
	533,757,730	499,702,257
Revenue by brands		
FIRS	**221,340,708**	215,789,443
Shanshan	**294,175,424**	250,975,260
Marco Azzali (Note)	**–**	7,241,040
Lubiam	**11,477,447**	16,828,590
Others	**6,764,151**	8,867,924
	533,757,730	499,702,257
Timing of revenue recognition		
At a point in time	**526,993,579**	490,834,332
Transferred over time	**6,764,151**	8,867,925
	533,757,730	499,702,257

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

(b) Geographic information

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

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2019	2018
	RMB	RMB
	(unaudited)	(unaudited)
Advertising and promotional expenses	**14,067,693**	12,433,238
Amortisation on intangible assets	**187,741**	145,732
Depreciation on property, plant and equipment	**23,191,245**	12,731,598
Amortisation of right-of-use assets	**12,979,845**	—
Cost of inventories sold	**234,056,017**	205,749,941
Lease payments under operating leases:		
— minimum lease payments	**9,131,822**	18,770,680
— contingent rents	**1,287,363**	6,086,541
Trademark payments	**326,242**	563,905
Staff costs	**47,736,285**	47,298,654

7. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB	RMB
	(unaudited)	(unaudited)
Imputed interest on amount due to a non-controlling shareholder of a subsidiary	**—**	72,385
Interest expenses on bank borrowings wholly repayable within one year	**7,296,249**	7,334,222
Interest expenses on lease liabilities	**1,071,229**	—
	8,367,478	7,406,607

8. DIVIDENDS

	Six months ended 30 June	
	2019	2018
	RMB	RMB
	(unaudited)	(unaudited)
Final dividend paid in respect of prior year RMB0.06 per share (2018: nil)	**8,004,000**	–

The Directors do not recommend the payment of any interim dividend for the Period (six months ended 30 June 2018: nil).

9. INCOME TAX EXPENSE

Enterprise income tax has been provided at the rate of 25% for each of the six months period ended 30 June 2019 and 2018 on the estimated assessable profit for the periods arising from the PRC.

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

	Six months ended 30 June	
	2019	2018
	RMB	RMB
	(unaudited)	(unaudited)
Provision of income tax for current period	**2,119,178**	5,710,028
Deferred tax	**(1,553,635)**	(2,291,267)
Income tax expense	**565,543**	3,418,761

10. EARNINGS PER SHARE

Basic earnings per share is calculated based on the profit attributable to owners of the Company and the weighted average number of shares in issue during the respective periods.

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
Profit for the period attributable to owners of the Company (RMB)	**8,643,075**	9,116,503
Weighted average number of shares in issue during the period	**133,400,000**	100,553,591
Basic earnings per share (RMB)	**0.06**	0.09

Diluted earnings per share is the same as the basic earnings per share as there are no dilutive potential shares in existence during the current and prior periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment of approximately RMB25,317,387 (six months ended 30 June 2018: RMB24,753,201).

12. TRADE AND BILLS RECEIVABLES

	As at 30 June 2019 RMB (unaudited)	As at 31 December 2018 RMB (audited)
Trade receivables	**267,249,795**	234,510,988
Bills receivables	**5,047,565**	4,818,246
Less: provision for impairment	**(57,739,853)**	(56,082,725)
	214,557,507	183,246,509

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

	As at 30 June 2019 RMB (unaudited)	As at 31 December 2018 RMB (audited)
Within 3 months	**113,330,728**	113,428,898
Over 3 months but within 6 months	**36,289,366**	33,900,577
Over 6 months but within 1 year	**53,513,983**	31,615,880
Over 1 year	**11,423,430**	4,301,154
	214,557,507	183,246,509

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

13. PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2019 RMB (unaudited)	As at 31 December 2018 RMB (audited)
Prepayments	**75,078,492**	64,833,190
Other receivables	**37,973,062**	29,972,821
Less: provision for impairment	**(663,286)**	(663,286)
	112,388,268	94,142,725

14. TRADE AND BILLS PAYABLES

	As at 30 June 2019 RMB (unaudited)	As at 31 December 2018 RMB (audited)
Bank acceptance bills	**66,000,000**	78,850,000
Trade payables	**143,772,417**	139,270,737
	209,772,417	218,120,737

Included in trade and bills payables are trade creditors with the following ageing analysis, based on invoice dates, as at the end of reporting period:

	As at 30 June 2019 RMB (unaudited)	As at 31 December 2018 RMB (audited)
Within 3 months	**104,174,847**	135,144,803
Over 3 months but within 6 months	**29,982,113**	2,432,881
Over 6 months but within 1 year	**7,395,478**	611,585
Over 1 year	**2,219,979**	1,081,468
	143,772,417	139,270,737

15. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2019 RMB (unaudited)	As at 31 December 2018 RMB (audited)
Other payables and accruals	**229,608,001**	226,059,499
Other tax payables	**6,252,161**	932,432
Sales rebate	**10,789,698**	9,834,834
	246,649,860	236,826,765

16. INTEREST-BEARING BANK BORROWINGS

	As at 30 June 2019 RMB (unaudited)	As at 31 December 2018 RMB (audited)
Interest-bearing bank borrowings due for repayment within one year	**285,000,000**	260,000,000

As at 30 June 2019, bank borrowings were unsecured, arranged at fixed interest rates ranging from 5.00% to 5.44% per annum and repayable within one year.

As at 30 June 2018, bank borrowings were unsecured, arranged at fixed interest rates ranging from 5.20% to 5.44% per annum and repayable within one year.

17. SHARE CAPITAL

	Number of shares	RMB
Registered domestic share capital and H Shares		
At 1 January 2018	100,000,000	100,000,000
Issuance of H shares (note)	33,400,000	33,400,000
At 31 December 2018, 1 January 2019 and 30 June 2019	133,400,000	133,400,000

Note: 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 RMB104,911,782 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 RMB61,303,063, which was net off by the related share issue expense of RMB10,208,719.

18. RELATED PARTY DISCLOSURES

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

Amounts due from 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:

	As at 30 June 2019 RMB (unaudited)	As at 31 December 2018 RMB (audited)
Amount due from immediate holding company:		
— Trade nature (Note)	**1,934,233**	1,970,998
— Non-trade nature	**899,189**	899,189
	2,833,422	2,870,187
Amounts due from fellow subsidiaries:		
— Trade nature	**1,146,863**	2,282,653
— Non-trade nature	**231,854**	231,847
	1,378,717	2,514,500

Note: The amount due from immediate holding company which is trade nature mainly arose from the sales arrangement as described in note 18(b)(ii).

18. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Transactions with related parties

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

	For the period of 30 June	
	2019	2018
	RMB	RMB
	(unaudited)	(unaudited)
Product inspection expenses recharged on markup to:		
— associates	**6,126**	58,489
Sales of goods to:		
— associates	**–**	690
— fellow subsidiaries	**2,478,912**	91,999
Purchases from:		
— non-controlling shareholder of a subsidiary	**(539,382)**	(371,898)
— an associate	**(341)**	—
Sub-contracting expenses charged by:		
— associates	**(74,563)**	(1,017,060)
Rental expenses charged by:		
— immediate holding company	**(2,017,574)**	(2,556,726)
Water and electricity expenses charged by:		
— immediate holding company	**(765,703)**	(631,134)
Sales commission charged by:		
— fellow subsidiaries	**(991,402)**	(951,173)
Shopping mall expenses charged by:		
— fellow subsidiaries	**(248,927)**	(475,752)

18. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Transactions with related parties (Continued)

(ii) The Group has cooperated with Shanshan in respect of the uniform business, pursuant to which, Shanshan participated in the bidding of uniform business. After winning such bids, the Group would sell uniform products to Shanshan in accordance with its standard and requirement while Shanshan would then provide such products to customers as agreed under the relevant bid contracts. 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. Since June 2016, Shanshan has no longer participated in the bidding of uniform business. During the Period, Shanshan commenced cooperation with the Group in respect of the orders placed under the original bid contracts. The amount of invoices being issued by the Group to Shanshan under this arrangement for each of the period ended 30 June 2018 and 2019 were RMB2,634,347 and RMB5,717 respectively.

(c) Compensation of key management personnel

Total emoluments of the Group's directors and senior managements during the period are as follows:

	For the period of 30 June	
	2019	2018
	RMB	RMB
	(unaudited)	(unaudited)
— Short-term benefits	**1,592,861**	1,345,795
— Contributions to defined contribution retirement plan	**102,198**	85,364
	1,695,059	1,431,159

19. COMMITMENTS

(a) Operating lease commitments

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

	As at 30 June 2019 RMB (unaudited)	As at 31 December 2018 RMB (audited)
Not later than one year	**4,838,427**	34,554,743
Later than one year but not later than 5 years	**–**	29,563,777
	4,838,427	64,118,520

The Group leases various offices, retail shops and warehouses under non-cancellable lease agreements. The lease terms are between one to four 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 period, the relevant contingent rentals have not been included.

(b) Capital commitments

As at 30 June 2019 and 31 December 2018, the Group had no significant capital commitments.

20. CONTINGENT LIABILITIES

As at 30 June 2019 and 31 December 2018, the Group had no significant contingent liabilities.