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La Chapelle

上海拉夏貝爾服飾股份有限公司

Shanghai La Chapelle Fashion Co., Ltd.

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

(Stock code: 06116)

AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

INTRODUCTION

Reference is made to the announcement of the Shanghai La Chapelle Fashion Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 March 2020 in relation to the unaudited annual results of the Group for the year ended 31 December 2019 (the “**2019 Unaudited Results Announcement**”) and (ii) the announcements of the Company dated 20 April 2020 and 14 May 2020 in relation to the delay of disclosure of the 2019 annual report of the Company until a date no later than 30 June 2020 (together with the 2019 Unaudited Results Announcement, the “**Announcements**”). Capitalised terms used herein shall have the same meanings as those defined in the Announcements, unless otherwise specified.

As stated in the 2019 Unaudited Results Announcement, the unaudited results contained therein had not been agreed by the Auditor as required under Rule 13.49(2) of the Listing Rules as at 30 March 2020.

The Board is pleased to announce that the Auditor has completed its audit of the annual results of the Group for the year ended 31 December 2019 in accordance with the Accounting Standards for Business Enterprises on Auditing issued by the Ministry of Finance of the PRC and the Company has obtained the agreement from the Auditor on the audited consolidated results of the Group for the year ended 31 December 2019 (including the figures contained in the Group's consolidated income statements, consolidated balance sheets, the consolidated cash flow statements, and the related notes thereto) (the “**2019 Audited Annual Results**”).

Save as disclosed in the paragraph headed “Certain differences between the 2019 Unaudited Results Announcement and the 2019 Audited Annual Results” in this announcement, the annual results contained in the 2019 Unaudited Results Announcement are substantially the same as the 2019 Audited Annual Results.

AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

This announcement sets out the full text of the 2019 annual report of the Company and complies with the relevant requirements of the Listing Rules in relation to information to accompany preliminary announcement of annual results. The audit committee of the Company has reviewed the audited annual results of the Group for the year ended 31 December 2019.

CERTAIN DIFFERENCES BETWEEN THE 2019 UNAUDITED RESULTS ANNOUNCEMENT AND THE 2019 AUDITED ANNUAL RESULTS

Shareholders and potential investors of the Company should pay attention to certain differences between the 2019 Unaudited Annual Announcement and the 2019 Audited Annual Results in this announcement. Set forth below are the principal details and reasons for such differences in such financial information:

Relevant item	Disclosure in this announcement (RMB'000)	Disclosure Unaudited Annual Results Announcement (RMB'000)	Difference (RMB'000)	Notes
Consolidated Balance Sheet				
Current assets:	—	—	—	
Cash at bank and on hand	357,684	357,684	—	
Financial assets held for trading	—	—	—	
Accounts receivable	587,123	595,409	-8,286	(5)
Advance payment	101,679	106,923	-5,244	(8)
Other accounts receivable	174,643	206,393	-31,750	(1)(8)
Including: Interests receivable	—	—	—	
Inventories	1,728,645	1,732,776	-4,131	(9)
Non-current assets due within one year	25,588	25,588	—	
Other current assets	224,559	205,685	18,874	(8)
Total current assets	3,199,921	3,230,458	-30,537	
Non-current assets:	—	—	—	
Debt investments	—	—	—	
Long-term receivables	189,020	189,021	-1	
Long-term equity investment	193,216	210,839	-17,623	(2)
Other equity instruments	11,646	11,646	—	
Other non-current financial assets	97,777	93,200	4,577	(2)
Fixed assets	1,678,939	1,689,331	-10,392	(8)
Construction in progress	141,787	212,278	-70,491	(3)
Right-of-use assets	1,609,398	1,611,476	-2,078	(4)
Intangible assets	183,554	183,554	—	
Goodwill	78,231	78,231	—	
Long-term prepaid expenses	274,241	274,241	—	
Deferred tax assets	335,914	338,787	-2,873	(10)
Other non-current assets	17,879	17,880	-1	
Total non-current assets	4,811,602	4,910,484	-98,882	
Total assets	8,011,523	8,140,942	-129,419	

Relevant item	Disclosure in this announcement (RMB'000)	Disclosure in the 2019 Unaudited Annual Results Announcement (RMB'000)	Difference (RMB'000)	Notes
Current liabilities:	—	—	—	
Short-term borrowings	1,481,107	1,481,107	—	
Notes payable	255,476	255,476	—	
Accounts payable	1,721,205	1,721,205	—	
Advances from customers	2,489	2,489	—	
Contract liabilities	52,268	54,605	-2,337	(8)
Payroll payable	190,991	190,991	—	
Tax payable	227,208	220,280	6,928	(8)
Other accounts payable	754,676	842,832	-88,156	(3)(8)
Including: Interest payable	6,774	6,774	—	
Dividend payable	—	—	—	
Non-current liabilities due within one year	799,667	107,574	692,093	(8)
Total current liabilities	5,485,087	4,876,559	608,528	
Non-current liabilities:	—	—	—	
Long-term borrowings	—	324,420	-324,420	(8)
Rental liabilities	1,300,452	1,670,249	-369,797	(8)
Accrued liabilities	35,299	28,517	6,782	(9)
Deferred tax liabilities	37,517	41,923	-4,406	
Other non-current liabilities	26,972	26,420	552	(8)
Total non-current liabilities	1,400,240	2,091,529	-691,289	
Total liabilities	6,885,327	6,968,088	-82,761	
Owners' equity (or shareholders' equity):	—	—	—	
Paid in capital (or share capital)	547,672	547,672	—	
Capital surplus	1,910,800	1,911,059	-259	
Less: treasury stock	10,165	10,165	—	
Other comprehensive income	-39,958	-39,959	1	
Surplus reserve	246,788	246,885	-97	
Undistributed profit	-1,414,703	-1,368,387	-46,316	(4)
Equity attributable to owners (or shareholders' equity) of the parent company	1,240,434	1,287,105	-46,671	
Minority interest	-114,238	-114,251	13	
Total owners' equity (or shareholders' equity)	1,126,196	1,172,854	-46,658	
Total liabilities and owners' equity (or shareholders' equity)	8,011,523	8,140,942	-129,419	

Relevant item	Disclosure in this announcement (RMB'000)	Disclosure in the 2019 Unaudited Annual Results Announcement (RMB'000)	Difference (RMB'000)	Notes
CONSOLIDATED INCOME STATEMENTS				
I. Total operating income	7,666,229	7,666,229	—	
Including: Operating revenue	7,666,229	7,666,229	—	
II. Total operating costs	-9,190,249	-9,150,028	-40,221	
Including: Cost of sales	-3,242,779	-3,242,128	-651	(9)
Interest expenses	—	—	—	
Taxes and surcharges	-47,938	-46,252	-1,686	
Selling and distribution expenses	-5,174,636	-5,135,876	-38,760	(5)(8)
General and administrative expenses	-483,183	-484,318	1,135	
Financial expenses	-241,713	-241,454	-259	
including: interest expenses	-234,312	-105,874	-128,438	(6)
interest income	8,915	8,915	—	
Add: Other income	103,257	117,463	-14,206	(8)
Investment income (loss stated with “-”)	60,267	79,179	-18,912	(2)
Including: Investment income from associates and joint ventures	99,618	117,242	-17,624	(2)
Profit arising from changes in fair value (loss stated with “-”)	4,577	—	4,577	(2)
Credit impairment losses (loss stated with “-”)	-151,925	-132,200	-19,725	(1)
Asset impairment losses (loss stated with “-”)	-778,479	-832,268	53,789	(4)(8)
Gains on disposals of assets (loss stated with “-”)	19,876	19,878	-2	
III. Operating profit (loss expressed with “-”)	-2,266,447	-2,231,747	-34,700	
Add: Non-operating income	21,798	7,846	13,952	(8)
Less: Non-operating expenses	20,357	20,357	—	
IV. Total profit (total loss expressed with “-”)	-2,265,006	-2,244,258	-20,748	
Less: Income tax expenses	-12,727	-15,782	3,055	(10)
V. Net profit (net loss expressed with “-”)	-2,252,279	-2,228,476	-23,803	
(I) Classified by continuity of operations	—	—	—	
1. Net profit from continuing operations (loss expressed with “-”)	-2,252,279	-2,228,476	-23,803	
2. Net profit from discontinued operations (loss expressed with “-”)	—	—	—	
(II) Classified by ownership of equity	—	—	—	
1. Attributable to shareholders of the parent company (loss expressed with “-”)	-2,166,306	-2,139,093	-27,213	
2. Minority interest (loss expressed with “-”)	-85,973	-89,383	3,410	

Relevant item	Disclosure in this announcement (RMB'000)	Disclosure in the 2019 Unaudited Annual Results Announcement (RMB'000)	Difference (RMB'000)	Notes
VI. Other comprehensive income, net of tax	-26,771	-26,771	—	
(I) Attributable to owners' of the parent company	-26,771	-26,771	—	
1. Other comprehensive income not to be reclassified into profit or loss	-32,531	-32,531	—	
(1) Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans	—	—	—	
(2) Other comprehensive income of investees that cannot be reclassified to profit and loss under equity method	—	—	—	
(3) Fair value change gains of other equity instrument investments	-32,531	-32,531	—	
(4) Changes in fair value of enterprise's credit risk	—	—	—	
2. Other comprehensive income that will be reclassified to profit and loss	5,760	5,760	—	
(1) Other comprehensive income of investees that will be reclassified to profit and loss under equity method	—	—	—	
(2) Gains and losses from changes in fair value of other debt investment	—	—	—	
(3) Gains and losses from financial assets that will be reclassified to other comprehensive income	—	—	—	
(4) Other impairment provision of debt investment credit	—	—	—	
(5) Cash flow hedges reserve	—	—	—	
(6) Exchange differences on foreign currency financial statements translation	5,760	5,760	—	
(7) Others	—	—	—	
(II) Net other comprehensive income attributable to minority shareholders after tax	—	—	—	
VII. Total comprehensive income	-2,279,050	-2,255,247	-23,803	
(I) Attributable to owners' of the Company	-2,193,077	-2,165,864	-27,213	
(II) Attributable to minority shareholders	-85,973	-89,383	3,410	
VIII. Earnings per share:	—	—	—	
(1) Basic earnings per share (RMB/share)	-3.96	-3.91	-0.05	
(2) Diluted earnings per share (RMB/share)	-3.96	-3.91	-0.05	

Relevant item	Disclosure in this announcement (RMB'000)	Disclosure Unaudited Annual Results Announcement (RMB'000)	Difference (RMB'000)	Notes
Consolidated Statement of Cash Flow				
I. Cash flow from operating activities:	–	–	–	
Cash received from sale of goods or rendering of services	8,524,829	8,509,390	15,439	(5)(8)
Cash received from refunds of taxes	–	117,462	-117,462	(8)
Cash received relating to other operating activities	288,089	192,675	95,414	(5)(8)
Subtotal of cash inflows	8,812,918	8,819,527	-6,609	
Cash paid for goods and services	-4,133,597	-4,121,266	-12,331	(8)
Cash paid to and on behalf of employee	-2,084,805	-2,101,509	16,704	(8)
Cash paid for payments of taxes and surcharges	-231,590	-219,146	-12,444	(8)
Cash paid relating to other operating activities	-764,912	-801,117	36,250	(8)
Subtotal of cash outflows	-7,214,904	-7,243,038	28,134	
Net cash flow from operating activities	1,598,014	1,576,489	21,525	
II. Cash flow from investing activities:	–	–	–	
Cash received from return on investments	25,475	–	25,475	(8)
Cash received from investments income	6,199	6,199	–	
Net cash received from disposal of fixed assets, intangible assets and other long-term equity investments	31,179	55,297	-24,118	(8)
Net cash received from disposal of subsidiaries and other business units	154,695	300,476	-145,781	(8)
Cash received relating to other investing activities	1,769	–	1,769	(8)
Subtotal of cash inflows	219,317	361,972	-142,655	
Cash paid to purchase fixed assets, intangible assets and other long-term equity investments	-477,594	-483,001	5,407	(8)
Cash paid for investment	-65,000	–	-65,000	(8)
Net cash paid to acquire subsidiaries and other business units	-251,595	-440,015	188,420	(8)
Cash paid relating to other investing activities	-33,705	-28,838	-4,867	(7)
Subtotal of cash outflows	-827,894	-951,854	123,960	
Net cash flow from investing activities	-608,577	-589,882	-18,695	

Relevant item	Disclosure in the 2019 Annual Results		Difference (RMB'000)	Notes
	Disclosure in this announcement (RMB'000)	Unaudited Announcement (RMB'000)		
III. Cash flow from financing activities:	—	—	—	
Cash received from capital contribution	—	—	—	
Including: cash received from capital contribution by minority shareholders of subsidiaries	—	—	—	
Cash received from borrowings	1,277,311	1,562,440	285,129	(8)
Subtotal of cash inflows	1,277,311	1,562,440	285,129	
Cash paid for repayment of borrowings	-1,721,964	-2,007,689	285,725	(8)
Cash paid for distribution of dividends, and profits or payment of interests	-128,993	-128,992	—	
Including: dividends and profit paid to minority shareholders by subsidiaries	—	—	—	
Cash paid relating to other financing activities	-675,986	-667,129	-8,857	(8)
Subtotal of cash outflows	-2,526,943	-2,803,810	-276,867	
Net cash flow from financing activities	-1,249,632	-1,241,370	-8,262	
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-14,119	-14,684	565	
V. Net increase in cash and cash equivalents	-274,314	-269,447	-4,867	
Add: cash and cash equivalents at beginning of period	449,863	449,863	—	
VI. Cash and cash equivalents at end of period	175,549	180,416	-4,867	

Notes:

- (1) Supplementary bad debt provision for store deposit.
- (2) Audit reports of associates and other investment fund companies in the later period have been obtained, and equity method accounting and fair value adjustments for the audit reports have been conducted.
- (3) Adjustment of the over-provisional balance of the construction in progress of Tianjin infrastructure projects.
- (4) Reclassification of the opening impairment of the right-of-use asset from the current period to the beginning of the period.
- (5) The post-period settlement data of shopping mall fees was updated to June 2020, and the difference between the final estimate of the end of shopping mall expenses and the actual settlement after the period was adjusted.
- (6) Financial expenses increased the amount of interest expense on capitalization of lease liabilities.

- (7) The amount of restricted funds was updated based on the results of the bank letter and reply, resulting in a change in “payment of other cash related to investment activities”.
- (8) The reclassification adjustment between the balance sheet and income statement items and the different types of items in the cash flow statement have been split and integrated.
- (9) The data of cross-period returns of offline stores after the period has been updated.
- (10) According to the update of income estimate data, the deferred income tax asset impairment data was adjusted.

EXTRACT OF THE INDEPENDENT AUDITOR’S REPORT

The following is an extract of the independent Auditor’s report on the consolidated financial statements of the Group for the year ended 31 December 2019.

I. Qualified Opinion

We have audited the accompanying consolidated financial statements of SHANGHAI LA CHAPELLE FASHION CO., LTD., which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, the consolidated statement of changes in shareholders’ equity and the consolidated cash flow statement for the year then ended, and the separate financial statements of SHANGHAI LA CHAPELLE FASHION CO., LTD which comprise the company statement of financial position as at 31 December 2019, the company income statement, the company statement of changes in shareholders’ equity and the company cash flow statements for the year then ended, and notes to the consolidated and separate financial statements.

In our opinion, except for the possible financial impact of the matters as set out in the section “Basis for qualified opinion”, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and the company’s financial position as at 31 December 2019, and the consolidated and the company’s financial performance and cash flows for the year then ended, and are prepared in accordance with Accounting Standards for Business Enterprises (“ASBEs”).

II. Basis for qualified opinion

On June 4, 2019, SHANGHAI LA CHAPELLE FASHION CO., LTD., completed the acquisition of 60% equity interest of LaCha Apparel II Sàrl, which resulted in an indirect holding through LaCha Apparel II Sàrl of 100% equity interest in Naf Naf SAS in France. As at 31 December, 2019, Naf Naf SAS sustained significant financial difficulties and shortage of funds. As stated in the Note XII to the financial statements, through the submission by the management of Naf Naf SAS of an application to the local court subsequent to 31 December 2019, on 19 June 2019, the court ruled that certain assets and liabilities of Naf Naf SAS as of that date were arranged to be transferred and Naf Naf SAS were to enter into formal judicial liquidation procedure, and the proceeds of the transfer will be used to repay certain of its debts.

The management of Naf Naf SAS has prepared the financial statements of Naf Naf SAS for the period since the Group's acquisition up to 31 December 2019 based on the assumption of going concern, which has been consolidated to the Group's consolidated financial statements for the year ended 31 December 2019. The total assets and net assets of Naf Naf SAS amounted to RMB1,422,639,000 and RMB99,785,000, which accounted for 17.76% and 8.04% of the Group's total assets and net assets respectively (Note II to the financial statements).

As the group auditor, we have obtained the audit report issued by the auditor of Naf Naf SAS for the purpose of the group audit. The audit report issued by the auditor of Naf Naf SAS was modified due to the existence of significant uncertainties which had given rise to significant doubts regarding the appropriate use of going concern assumption to prepare the respective financial statements. As set out in Note II to the financial statements, the management of SHANGHAI LA CHAPELLE FASHION CO., LTD. also considered that, the use of going concern assumption to prepare the financial statements of Naf Naf SAS for the consolidated of the group's consolidated financial statements may not be appropriate. However, due to the lack of relevant information, the management of SHANGHAI LA CHAPELLE FASHION CO., LTD. was not be able to determine an appropriate basis to prepare the financial statements of Naf Naf SAS as at 31 December 2019, and the amounts of adjustments as at 31 December 2019 to the relevant for the purpose of group consolidation. Consequently, the management of SHANGHAI LA CHAPELLE FASHION CO., LTD. has not made any adjustments to the financial statements items of Naf Naf SAS as stated in Note II to the financial statements prepared based on going concern assumption, which were included into the consolidated financial statements of SHANGHAI LA CHAPELLE FASHION CO., LTD. Based on the foregoing, we were not able to obtain sufficient and appropriate audit evidence to determine whether using the going concern assumption to prepare the financial statements of Naf Naf SAS is appropriate, and cannot determine the amount of adjustments to be made to the relevant assets and liabilities of Naf Naf SAS as stated in Note II to the financial statements, which were included into the consolidated financial statements of SHANGHAI LA CHAPELLE FASHION CO., LTD.

In addition, as the auditors of Naf Naf SAS did not provide to us the corresponding audit work papers, as set out in our group audit instruction, we were not able to obtain sufficient and appropriate audit evidence for the relevant assets and liabilities of Naf Naf SAS as stated in Note II to the financial statements, which was consolidated into the Group's consolidated financial statements, and determine whether adjustments are required to be made to the corresponding line item on the consolidated financial statements and the amount of adjustments required.

With respect to the provision of further guarantee or liability provided by SHANGHAI LA CHAPELLE FASHION CO., LTD. or its subsidiaries to Naf Naf SAS, due to the limitation of scope for the audit of Naf Naf SAS as stated in the foregoing, we were not able to obtain sufficient and appropriate audit evidence to ascertain whether the Group has completely recorded the guarantee or liability provided to Naf Naf SAS.

We conducted our audit work in accordance with Chinese Standards on Auditing (“CSAs”). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with China Code of Ethics for Certified Public 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.

III. Material uncertainties related to going concern

We draw attention to note II to the consolidated financial statements which indicates that the Group incurred a net loss attributable to the parent of RMB2,166,306,000 during the year ended 31 December 2019, and, as of that date, the Group’s current liabilities exceeded its current assets by approximately RMB2,285,166,000. These events and conditions, together with other matters as set out in note II to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the ability of SHANGHAI LA CHAPELLE FASHION CO., LTD. to continue as a going concern. Our opinion is not modified in respect of this matter.

Details of the qualified opinion have been included in the consolidated financial statements of the Group in its 2019 annual report.

The 2019 annual report and results announcement are published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at <http://group.lachapelle.cn/Investor/Announce>. The 2019 annual report will be despatched to holders of the Company’s H shares in due course.

By Order of the Board
Shanghai La Chapelle Fashion Co., Ltd.
Mr. Duan Xuefeng
Chairman

Shanghai, the People’s Republic of China
30 June 2020

As of the date of this announcement, the executive directors of the Company are Mr. Yin Xinzai and Ms. Zhang Danling; the non-executive directors of the Company are Mr. Duan Xuefeng and Ms. Zhang Yujing; the independent non-executive directors of the Company are Mr. Xing Jiangze, Ms. Xiao Yanming and Mr. Zhu Xiaozhe.

* For identification purpose only