La Chapelle

新疆拉夏貝爾服飾股份有限公司
Xinjiang La Chapelle Fashion Co., Ltd.

(formerly known as "Shanghai La Chapelle Fashion Co., Ltd. (上海拉夏貝爾服飾股份有限公司)")

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

(Stock code: 06116)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The audited annual results announcement of Xinjiang La Chapelle Fashion Co., Ltd. (the "**Company**", together with its subsidiaries, the "**Group**") was originally scheduled to be published by the end of March 2021. However, due to a delay in commencing the pre-audit work for the year ended 31 December 2020 and the change in the Company's operating conditions which have caused delays in various aspects including obtaining external confirmations from such third parties as shopping mall operators and suppliers, the Company and Da Hua Certified Public Accountants (Special General Partnership) ("**Da Hua**") are still working towards the completion of the audit procedures for the year ended 31 December 2020. Based on the current audit progress of the Company's financial report for the year ended 31 December 2020 and so far as reasonably practicable, the Company publishes this unaudited annual results announcement in order to keep the Company's shareholders informed. The Company will endeavor to complete the financial report and audit work as soon as possible, and plans to publish the audited results for the year ended 31 December 2020 as agreed by the Company's auditors, the material differences (if any) as compared with the unaudited annual results contained herein, and the annual report for the year ended 31 December 2020 on or around 23 April 2021. Further announcement(s) will be made in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as and when appropriate.

In order to keep the shareholders (the "**Shareholders**") and prospective investors of the Company informed of the Group's business operations and financial positions, the board (the "**Board**") of directors (the "**Director(s)**") of the Company is pleased to announce the unaudited consolidated results of the Group for the year ended 31 December 2020 (the "**Reporting Period**") with comparative figures for the year ended 31 December 2019. For the reasons explained in the paragraph headed "Review of Unaudited Annual Results", the audit process for the annual results of the Group for the year ended 31 December 2020 has not been completed.

	Year ended 31 December		**Increase/**
	2020	2019	**(decrease)**
	RMB'000	*RMB'000*	
	(Unaudited)	(Audited)	%
Financial highlights			
Revenue	**1,819,317**	7,666,229	(76.27)
Gross profit	**885,596**	4,423,450	(79.98)
Operating loss	**(1,446,612)**	(2,266,447)	36.17
Loss before income tax	**(1,461,578)**	(2,265,006)	35.47
Income tax expenses	**(84,646)**	(12,727)	(565.09)
Loss for the period	**(1,376,932)**	(2,252,279)	38.86
Basic and diluted losses per share *(RMB)*	**(2.48)**	(3.96)	37.46
Total equity attributable to shareholders of the Company	**(117,460)**	1,240,434	(109.42)
Financial Ratios			
Gross profit margin	**48.68%**	57.70%	
Operating loss margin	**(79.51)%**	(29.56)%	
Loss margin for the period	**(75.68)%**	(29.38)%	

UNAUDITED CONSOLIDATED INCOME STATEMENTS

For the year ended 31 December 2020

Item	*Notes*	Year ended 31 December 2020 *RMB'000* (Unaudited)	2019 *RMB'000* (Audited)
Revenue	*6*	**1,819,317**	7,666,229
Less: Cost of sales	*6*	**933,721**	3,242,779
Taxes and surcharges		**25,892**	47,938
Selling and distribution expenses		**1,643,394**	5,174,636
General and administrative expenses		**264,580**	483,183
Financial expenses		**152,518**	241,713
Including: interest expenses		**137,944**	234,312
Interest income		**8,645**	8,915
Add: Other income		**23,606**	103,257
Investment income		**(39,201)**	60,267
Including: investment income of joint ventures and associates		**(5,619)**	99,618
Changes in fair value		**(3,727)**	4,577
Credit impairment losses		**(98,334)**	(151,925)
Asset impairment losses		**(342,502)**	(778,479)
Gains/(loss) on disposals of assets		**214,334**	19,876
Operating loss		**(1,446,612)**	(2,266,447)
Add: Non-operating income		**2,034**	21,798
Less: Non-operating expenses		**17,000**	20,357
Loss before income taxes		**(1,461,578)**	(2,265,006)
Less: Income tax expenses	*7*	**(84,646)**	(12,727)
Net loss		**(1,376,932)**	(2,252,279)

Item	*Notes*	Year ended 31 December **2020** ***RMB'000*** **(Unaudited)**	2019 *RMB'000* (Audited)
Classified by continuity of operations			
– Net loss from continuing operations		**(1,322,080)**	(2,252,279)
– Net loss from discontinued operations		**(54,852)**	
Classified by ownership of the equity			
– Attributable to shareholders of the Company		**(1,347,593)**	(2,166,306)
– Attributable to minority interests		**(29,339)**	(85,973)
Other comprehensive (loss)/income/after tax		**(462)**	(26,771)
Attributable to shareholders of the Company/after tax		**(462)**	(26,771)
– Other comprehensive losses that cannot be reclassified into profit or loss			
– Changes in fair value of other equity instrument investments		**17,628**	(32,531)
– Other comprehensive income that can be reclassified into profit or loss			
– Translation differences on translation of foreign currency financial statements		**(18,090)**	5,760
Total comprehensive (loss)/income		**(1,377,394)**	(2,279,050)
– Attributable to shareholders of the Company		**(1,348,055)**	(2,193,077)
– Attributable to minority interests		**(29,339)**	(85,973)
(Losses)/earnings per share			
– Basic losses per share *(RMB)*	*8*	**(2.48)**	(3.96)
– Diluted losses per share *(RMB)*	*8*	**(2.48)**	(3.96)

UNAUDITED CONSOLIDATED BALANCE SHEET

As at 31 December 2020

		As at 31 December	
ASSETS	*Notes*	**2020**	2019
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Current assets			
Cash at bank and on hand	*9*	**206,477**	357,684
Financial assets held for trading			
Notes receivable			
Accounts receivable	*10*	**270,637**	587,123
Advances to suppliers		**131,033**	101,679
Other receivables		**168,512**	174,643
Inventories	*11*	**438,716**	1,728,645
Non-current assets due within one year		**25,844**	25,588
Other current assets		**88,952**	224,559
Total current assets		**1,330,171**	3,199,921
Non-current assets			
Long-term receivables		**4,447**	189,020
Long-term equity investments		**180,825**	193,216
Other equity instruments		**3,187**	11,646
Other non-current financial assets		**94,051**	97,777
Fixed assets		**1,624,902**	1,678,939
Construction in progress		**69,054**	141,787
Right-of-use assets		**47,846**	1,609,398
Intangible assets		**166,856**	183,554
Goodwill		**78,231**	78,231
Long-term prepaid expenses		**22,984**	274,241
Deferred tax assets		**448,579**	335,914
Equity investment			
Other non-current assets		**23,205**	17,879
Total non-current assets		**2,764,167**	4,811,602
TOTAL ASSETS		**4,094,338**	8,011,523

LIABILITIES AND EQUITY	*Notes*	As at 31 December **2020**	2019
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Current liabilities			
Short-term borrowings		**1,167,400**	1,481,107
Notes payable			255,476
Accounts payable	*13*	**1,168,081**	1,721,205
Advance from customers		**1,428**	2,489
Contract liabilities		**7,330**	52,268
Employee benefits payable		**65,636**	190,991
Taxes payable		**163,916**	227,208
Other payables		**931,165**	754,676
Current portion of non-current liabilities		**368,670**	799,667
Total current liabilities		**3,873,626**	5,485,087
Non-current liabilities			
Long-term borrowings			
Lease obligations		**36,263**	1,300,452
Accrued liabilities		**350,585**	35,299
Deferred tax liabilities		**13,911**	37,517
Other non-current liabilities		**8,151**	26,972
Total non-current liabilities		**408,910**	1,400,240
Total liabilities		**4,282,536**	6,885,327
Equity			
Share capital	*12*	**547,672**	547,672
Capital surplus		**1,910,806**	1,910,800
Less: treasury share		**20,010**	10,165
Other comprehensive income		**(40,420)**	(39,958)
Surplus reserve		**246,788**	246,788
Undistributed profits		**(2,762,296)**	(1,414,703)
Total equity attributable to shareholders of the Company		**(117,460)**	1,240,434
Minority interests		**(70,738)**	(114,238)
Total equity		**(188,198)**	1,126,196
TOTAL LIABILITIES AND EQUITY		**4,094,338**	8,011,523

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

(All amounts in RMB'000 unless otherwise stated)

1. GENERAL INFORMATION

Xinjiang La Chapelle Fashion Co., Ltd. (the "**Company**"), initially known as Shanghai Xuhui La Chapelle Fashion Limited (上海徐匯拉夏貝爾服飾有限公司), was incorporated in the People's Republic of China ("**PRC**") on 14 March 2001 as a limited liability company. On 26 February 2004, the Company changed its name to Shanghai La Chapelle Fashion Limited (上海拉夏貝爾服飾有限公司). On 23 May 2011, the Company was converted into a joint stock company with limited liabilities under the Company Law of the PRC and changed its name to Shanghai La Chapelle Fashion Co., Ltd. (上海拉夏貝爾服飾股份有限公司). The A-shares of RMB-denominated shares and H-shares of overseas-listed shares issued by the Company were listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**"). On 8 July 2020, the Company changed its name to "Xinjiang La Chapelle Fashion Co., Ltd. (新疆拉夏貝爾服飾股份有限公司)".

The registered office of the Group is at Room 2008, 20/F, Tower D, Chuangxin Square, Si Ping Road, Xin Shi District, Urumqi, Xinjiang, RPC.

The company and its subsidiaries ("**the Group**") are principally engaged in designing, marketing and selling apparel products in the PRC and Europe.

Industry: the Company is a diversified Group including apparel products and property leasing during the Reporting Period.

During the Reporting Period, the major activities of the Group include apparel selling, brand licensing and property leasing.

2. BASIS OF PREPARATION

The financial statements of the Company were prepared according to the transactions and matters actually occurred, and recognitions and measurements were made in accordance with the Accounting Standards for Enterprises – Basic Standards published by the Ministry of Finance and specific accounting standards, guidance on application of accounting standards for enterprises, interpretations to accounting standards for enterprises and other relevant regulations (the "Accounting Standards for Enterprises"). On this basis, the financial statements were prepared in conjunction with the provisions of the "Regulations on Information Disclosure and Compilation of Companies Offering Securities to the Public No. 15-General Provisions on Financial Reporting" (revised in 2014) issued by the China Securities Regulatory Commission.

3. SIGNIFICANT ACCOUNTING POLICIES

I Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease, including: the amount of lease liabilities initially recognised; lease payments made at or before the commencement date less any lease incentives received; the amount of the lease payment, if there is a lease incentive, deducting the relevant amount of the lease incentives already enjoyed; initial direct costs incurred by the lessee; the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. The Group calculate the depreciation of the right-of-use asset by adopting straight-line method in the subsequent years. If it is reasonable to determine the ownership of the leased asset at the expiration of the lease term, the Group will depreciate the leased asset in remaining useful life. If it is not reasonable to determine that the leasehold asset can be acquired at the expiration of the lease term, the Group depreciates during the shorter period between the lease term and the remaining useful life of the leased asset.

The Group re-measured the lease liability based on the present value of the changed lease payments and adjusted the carrying amounts of the right-of-use asset accordingly. If the carrying amount of the right-of-use asset has been reduced to zero and the lease liability still needs to be further reduced, the Group accounts for the remaining amount in the current profit and loss.

II Lease liabilities

On the commencement date of the lease term, the Group recognises the present value of the lease payments that have not been paid as lease liabilities, except for short-term leases and low-value asset leases. In calculating the present value of the lease payments, the Group uses the leased interest rate as the discount rate; if the interest rate of the lease cannot be determined, the lessee's incremental borrowing rate is used as the discount rate. The Group calculates the interest expense of the lease liability for each period of the lease term based on the fixed periodic interest rate and recognises it in profit or loss for the current period. The variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss when incurred.

After the commencement date of the lease term, when the actual fixed payment amount changes, the expected amount of the guarantee residual value changes, the index or ratio used to determine the lease payment amount changes, or the assessment results or actual exercise rights of the purchase option, the renewal option or the termination option change, the Group re-measures the lease liability based on the present value of the changed lease payments.

III Leases

Identification of lease

On the commencement date of the contract, the Group assesses whether the contract is a lease or includes a lease, and if a party in the contract transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is a lease or includes a lease. In order to determine whether the contract has transferred the right to control the use of the identified assets within a certain period of time, the Group assesses whether the customers in the contract are entitled to substantially all the economic benefits arising from the use of the identified assets during the period of use and have the right to lead the use of identified assets during this period of use.

Separate leases identification

When the contract contains multiple separate leases, the Group will split the contract and separate the leases for accounting treatment. The right to use the identified assets constitutes a separate lease in the contract if the following conditions are met:

(1) The lessee may benefit from using the asset alone or in conjunction with other resources that are readily available;

(2) The asset is not highly dependent or highly correlated with other assets in the contract.

The split of the leased and non-leased parts

If the contract contains both the leased and non-leased parts, the Group, as the lessor, shall conduct accounting treatment after splitting the leased and non-leased parts; while the Group will not divide the lease assets as the lessee, and the leased parts and related non-leased parts will be treated into leases as a whole.

Assessment of lease term

The lease term is the irrevocable period during which the Group has the right to use the lease asset. The Group has the option to renew the lease, that is, it has the right to choose to renew the lease of the asset, and it is reasonable to determine that the option will be exercised. The lease term also includes the period covered by the option to renew the lease. The Group has the right to terminate the lease of the asset, but it is reasonable to determine that the option will not be exercised. The lease term includes the period covered by the termination of the lease option. In the event of a major event or change within the Group's controllable range, and affecting whether the Group reasonably determines that the corresponding option will be exercised, the Group reassesses whether it is reasonable to determine to exercise the option to renew the lease, purchase option or terminate the lease option.

As lessee

For the general accounting treatment of the Group as a lessee, please refer to the annual report.

Lease modification

The lease modifications refer to the change of lease scope, lease consideration, and lease term outside the original contract terms, including the addition or termination of the use right of one or more lease assets. It also includes the extension or shortening of the lease term stipulated in the contract.

If the lease modifications have met the following conditions simultaneously, the Group will account for the lease modifications as a separate lease:

(1) The lease modifications expand the scope of the lease by adding the rights of use of one or more leased assets;

(2) The increased consideration and the individual price of the enlarged portion of the lease are equivalent to the amount adjusted for the contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability on the effective date of the lease modification by discounting the revised lease payments using a revised discount rate. When calculating the present value of the lease payment after the modification, revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

The Group distinguishes between the following cases for accounting treatment in view of the above effects of the adjustment of lease liabilities:

(1) If the lease modifications result in a narrower lease scope or a shorter lease term, the Group reduces the book value of the right-of-use asset to reflect the partial termination or full termination of the lease. The Group recognizes the related gains or losses that partially terminate or completely terminate the leases into the current profits and losses.

(2) Making a corresponding adjustment to the book value of right-of-use asset for all other lease modifications.

Short-term lease and low-value asset lease

The Group recognizes the lease whose lease term is not more than 12 months and the lease does not include the purchase option on the commencement date of the lease term as a short-term lease. The Group recognizes the lease, that with a value of not more than RMB35,000 while the single leased asset is a new, as a low value lease. If the Group subleases or expects to sublease the leased assets, the original lease is not recognized as a low-value asset lease. The Group does not recognize the right-of-use assets and lease liabilities for short-term leases and low-value asset leases. During each period of the lease term, the related asset costs or profit or loss for the current period are included by using the straight-line method.

As lessor

On the commencement date of the lease term, all leases with risks and rewards incident to the ownership of the leased assets are substantially transferred into finance leases, and all other leases are operating leases. When the Group is an intermediate lessor, the sublease is classified with reference to the right-of-use assets arising from the head lease.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The financial statements have been prepared by the Group in conformity with the Accounting Standards for Business Enterprises; truly and completely reflect the financial position, operation results, and cash flow, etc. of the Group.

I Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

1 Net realizable value of inventories

When a comprehensive count of inventories is done at the end of the period, provision for inventory impairment is allocated or adjusted using the lower of the cost of inventory and the net realizable value. The net realizable value of stock in inventory (including finished products, inventory merchandize and materials for sale) that can be sold directly is determined using the estimated saleable price of such inventory deducted by the cost of sales and relevant taxation over the course of ordinary production and operation. The net realizable value of material in inventory that requires processing is determined using the estimated saleable price of the finished product deducted by the cost to completion, estimated cost of sales and relevant taxation over the course of ordinary production and operation. The net realizable value of inventory held for performance of sales contract or labor service contract is determined based on the contractual price; in case the amount of inventory held exceeds the contractual amount, the net realizable value of the excess portion of inventory is calculated using the normal saleable price.

Provision for impairment is made according to individual items of inventories at the end of the period; however, for inventories with large quantity and low unit price, the provision is made by categories; inventories of products that are produced and sold in the same region or with the same or similar purpose or usage and are difficult to be measured separately are combined for provision for impairment.

If the factors causing a previous write-off of inventory value has disappeared, the amount written-off is reversed and the amount provided for inventory impairment is reversed and recognised in profit or loss for the period.

2 ***Estimated useful lives and net residual values of fixed assets, intangible assets and long-term deferred expenses (leasehold improvements)***

The depreciation method, year of depreciation and annual depreciation ratio of different categories of fixed assets are as follows:

Classification	**Depreciation method**	**Year of depreciation (year)**	**Net of estimated residual value rate (%)**	**Annual depreciation rate (%)**
Properties and plants	Straight-line method	10 to 20 years	0%	5% or 10%
Machinery and equipment	Straight-line method	5 to 10 years	5%	9.5% or 19%
Motor vehicles	Straight-line method	4 to 5 years	5%	19% or 23.75%
Office electronic equipment	Straight-line method	3 to 5 years	5%	19% or 31.67%

Intangible asset with a limited life is depreciated using straight-line method over the term which it brings economic benefit to the Group. The estimated useful life and basis for the intangible assets with a limited life are as follows:

Item	**Estimated useful life**	**Basis**
Land use rights	50 years	Land Transfer Agreement of the Ministry of Land and Resources
Trademark	8-10 years	Benefit period
Purchased software	2-10 years	Benefit period
Brands	8-12 years	Benefit period
Favorable contracts	8 years	Benefit period

Long-term prepaid expenses of the Group refer to expenses that already been spent and the benefit period is one year or more. Long-term prepaid expenses are amortized using the straight-line method in its benefit period.

Categories	**Amortization periods**	**Notes**
Leasehold improvements of fixed assets	2 to 5 years	Benefit period

3 Long-term impairment losses

The Group makes a judgment on whether there is any sign of possible long-term assets impairment on the balance sheet date. Where there is any evidence indicating a possible impairment of assets, the Group shall estimate the recoverable amount on the individual asset basis. Where it is difficult to do so, it shall determine the recoverable amount of the group assets based on the asset group to which the asset belongs.

The estimate of the recoverable amount of the assets are determined at the higher of the net amount of the fair value less the disposal expenses and the present value of the estimated future cash flows.

Where the measurement result of the recoverable amount indicates that the recoverable amount of the long-term asset is lower than its carrying value, the carrying value of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognised as the loss of asset impairment and be recorded as the profit or loss for the current period. Simultaneously, a provision for the asset impairment shall be made accordingly. Once the asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

After the loss of asset impairment has been recognised, the depreciation or amortization expenses of the impaired asset shall be adjusted accordingly in the future periods so as to amortize the post-adjustment carrying value of the asset systematically (deducting the expected net salvage value) within the residual service life of the asset.

No matter whether there is any sign of possible assets impairment, the goodwill formed by enterprises combination and intangible assets with uncertain service lives shall be tested for impairment annually.

In conducting the test, the carrying amount of goodwill is allocated to the related asset group or groups of asset groups which are expected to benefit from the synergies of the business combination. When conducting an impairment test on the relevant asset groups or combination of asset groups containing goodwill, if any evidence shows that the impairment of asset groups or combinations of asset groups is possible, the Group shall first conduct an impairment test on the asset groups or combinations of asset groups not containing the goodwill, calculate the recoverable amount, compare it with the relevant carrying value and recognise the corresponding impairment loss. Then the Group shall conduct an impairment test of the asset groups or combinations of asset groups containing goodwill, and compare the carrying value of these asset groups or combinations of asset groups (including the carrying value of the goodwill apportioned thereto) with the recoverable amount. Impairment loss of the goodwill shall be recognised where the recoverable amount of the relevant assets or combinations of the asset groups is lower than the carrying amount.

II Critical judgements in applying accounting policies

1 Classification of financial instruments

The Group classifies financial assets into the following 3 categories based on the business model of the financial assets under management and the contractual cash flow characteristics of financial assets:

(1) Financial assets measured at amortized cost.

(2) Financial assets measured at fair value through other comprehensive income.

(3) Financial assets measured at fair value through profit or loss.

Financial assets are measured at fair value at initial recognition, but if the accounts receivable or notes receivable due to the sale of goods or the provision of services do not contain a significant financing component or do not consider financing components not exceeding one year, the transaction price will be used for initial measurement.

For financial assets that are measured at fair value through current profit or loss, the related transaction costs are directly included in the current profit or loss, and other types of financial assets related transaction costs are included in the initial recognition amount.

The subsequent measurement of financial assets depends on their classification, and all affected financial assets are reclassified if and only if the Group changes the management of business model of financial assets.

2 Impairment of financial instruments

Based on the expected credit losses, the Group conducts impairment accounting treatment and recognizes loss provisions for financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial guaranteed contracts.

The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Group at the original actual interest rate (i.e., the present value of all cash shortfalls). Among them, the financial assets purchased or originated by the Group that have suffered credit impairment should be discounted at the credit adjusted actual interest rate of the financial asset.

For the account receivable formed by the transactions regulated by the income standards, the Group uses a simplified measurement method to measure the loss provision based on the amount equivalent to the expected credit loss throughout the entire period.

For financial assets purchased or originated that have suffered credit impairment, on the balance sheet date, only the cumulative changes in expected credit losses throughout the useful life since initial recognition are recognized as loss provisions. On each balance sheet date, the amount of change in expected credit losses throughout the useful life is included in the current profit and loss as an impairment loss or gain. Even if the expected credit loss throughout the useful life determined on the balance sheet date is less than the amount of expected credit loss reflected in the estimated cash flow at initial recognition, the favorable change in expected credit loss is recognized as an impairment gain.

In addition to the above-mentioned simplified measurement methods and other financial assets purchased or originated that suffered from credit impairment, on each balance sheet date, the Group assesses whether the credit risk of relevant financial instruments has increased significantly since initial recognition, and measure their loss provisions and recognize expected credit losses and their changes according to the following circumstances:

(1) If the credit risk of the financial instrument has not increased significantly since the initial recognition, it is in the first stage, the loss provision is measured at the amount equivalent to the expected credit loss of the financial instrument in the next 12 months, and the interest income is calculated according to the book balance and the actual interest rate.

(2) If the credit risk of the financial instrument has increased significantly since the initial recognition, however, if credit impairment has not occurred, it is in the second stage, the loss provision is measured at the amount equivalent to the expected credit loss throughout the useful life of the financial instrument, and the interest income is calculated according to the book balance and the actual interest rate.

(3) If the financial instrument has suffered credit impairment since its initial recognition, it is in the third stage. The Group measures its loss provisions at an amount equivalent to the expected credit loss throughout the useful life of the financial instrument, and the interest income is calculated at amortized cost and actual interest rate.

The increase or reversal of the credit loss provision for financial instruments is included in the current profit and loss as an impairment loss or gain. Except for financial assets that are classified as measured at fair value through other comprehensive income, credit losses are provided to offset the book balance of financial assets. For financial assets classified as measured at fair value though other comprehensive income, the Group recognizes its credit loss provisions in other comprehensive income and does not reduce the book value of the financial asset listed in the balance sheet.

In the previous accounting period, the Group has measured the loss provisions according to the amount of expected credit losses throughout the useful life of the financial instrument, but on the balance sheet date of the current period, for the financial instrument no longer has a significant increase in credit risk since initial recognition, the Group measures the loss provisions of the financial instrument at the current balance sheet date according to the amount of expected credit losses in the next 12 months, and the resulting reversal amount of the loss provisions is included in the current profit and loss as an impairment gain.

(1) Credit risk increased significantly

The Group uses the available, reasonable and evidence-based forward-looking information to compare the default risk of the financial instruments on the balance sheet date and the default risk of the financial instruments on the initial recognition date to determine whether the credit risk of the financial instrument has significantly increased since initial recognition. For financial guarantee contracts, when the Group applies provisions of impairment of financial instrument, the day when the Group becomes the party making the irrevocable commitment is used as the initial recognition date.

The Group will consider the following factors when assessing whether the credit risk has increased significantly:

1) Whether the actual or expected operating results of the debtor have changed significantly;

2) Whether the debtor's regulatory, economic or technological environment has undergone significant adverse changes;

3) Whether there has been a significant change in the value of the collateral used as debt collateral or the guarantee provided by a third party or the quality of credit enhancement, and these changes are expected to reduce the economic motivation of the debtor to repay the loan within the time limit specified in the contract or affect the probability of default;

4) Whether the debtor's expected performance and repayment behavior have changed significantly;

5) Whether the Group's credit management methods for financial instruments have changed, etc.

On the balance sheet date, if the Group determines that a financial instrument has a relatively low credit risk, the Group assumes that the credit risk of the financial instrument has not increased significantly since initial recognition. If the default risk of the financial instruments is low, the borrower has a strong ability to fulfil its contractual cash flow obligations in the short term, and even if there are adverse changes in the economic situation and operating environment in a longer period of time, it may not necessarily reduce the borrower's ability to fulfil the contractual cash flow obligation, the financial instrument is considered to have lower credit risk.

(2) Financial assets with credit impairment

When one or more events that adversely affect the expected future cash flows of a financial asset occur, the financial asset becomes a financial asset that has suffered a credit impairment. Evidence that credit losses have occurred in financial assets includes the following observable information:

1) significant financial difficulty of the issuer or debtor;

2) breach of contract by the debtor: such as delinquency or default in interest and principal payments;

3) the creditor(s), for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the creditor(s) would not otherwise consider;

4) it becomes probable that the debtor will enter bankruptcy or financial reorganization;

5) the disappearance of active markets for that financial asset because of financial difficulties of the issuer or debtor;

6) a substantial discount during acquisition or sourcing of a financial asset reflects the fact the occurrence of credit losses.

The credit impairment of financial assets may be caused by the joint impacts of multiple events, which may not be necessarily caused by separate identifiable events.

(3) Determination of expected credit losses

The Group assesses the expected credit losses based on an individual and a collective basis. The Group considers reasonable and supportable information about past events, current conditions and forecasts of future economic conditions when assessing the expected credit losses.

The Group divides financial instruments into different portfolio based on common credit risk characteristics. The common credit risk characteristics adopted by the Group include: types of financial instruments, credit risk ratings, aging portfolios, overdue aging portfolios, contract settlement cycles, and the debtor's industry. For the individual evaluation criteria of the related financial instruments and the characteristics of the credit risk of portfolio, please refer to the accounting policies of the relevant financial instruments.

The Group determines the expected credit losses of relevant financial instruments according to the following methods:

1) For financial assets, the credit loss is the present value of the difference between the contractual cash flow that the Group should receive and the expected cash flow.

2) For a financial guarantee contract, the credit loss is the present value of the difference between the estimated payment to the contract holder by the Group for the credit loss less the expected amount received by the Group from the contract holder, debtor or any other party.

3) For a financial asset that is credit-impaired at the balance sheet date, but that is not a purchased or originated credit-impaired financial asset, the credit loss is the present value of the difference between the financial asset's book balance and the estimated future cash flow discounted at the original effective interest rate.

The Group's method of measuring the expected credit loss of financial instruments reflects the following factors: the unbiased probability weighted average amount determined by evaluating a series of possible results; the time value of currency; the availability of reasonable and evidence-based information on the balance sheet date about past events, current conditions, and future economic conditions without spending unnecessary additional costs or efforts.

(4) Written-off of financial assets

When the Group no longer reasonably expects that the contractual cash flow of financial assets can be fully or partially recovered, the book value of the financial asset is directly written off. Such write-off constitutes the derecognition of related financial assets.

5 SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their internal organizational structure, management requirements and internal reporting system.

6 REVENUE AND COST OF SALES

	Year ended 31 December			
Items	**2020**		2019	
	(Unaudited)		(Audited)	
	Revenue	**Cost**	Revenue	Cost
Main business	**1,787,061**	**931,005**	7,648,352	3,242,779
Other business	**32,256**	**2,716**	17,877	–
Total	**1,819,317**	**933,721**	7,666,229	3,242,779

Income derived from contracts:

Contract classifications	Total
1. Category of products	
Apparel	1,767,882
Brand authorization	19,179
Others	32,256
2. Classified by business areas	
Domestic	1,538,641
Overseas	280,676
3. Classified by the timing of commodity transfer	
Transferred at a point in time	1,767,882
Transferred at a point over time	51,435
Total	1,819,317

7 INCOME TAX EXPENSES

Items	**Year ended 31 December** **2020** **(Unaudited)**	2019 (Audited)
Income tax for the current period	**16,036**	8,981
Deferred income tax	**(100,682)**	(21,708)
Total	**(84,646)**	(12,727)

8 (LOSSES)/EARNINGS PER SHARE

Basic losses per share is calculated by dividing the loss attributable to the shareholders of the Company by the weighted average number of ordinary shares outstanding. The Group has no dilutive potential ordinary shares.

Basic losses per share and diluted losses per share are calculated below:

Items	**Year ended 31 December** **2020** **(Unaudited)**	2019 (Audited)
Total loss attributable to shareholders of the Company	**(1,348,055)**	(2,166,306)
Weighted average number of ordinary shares outstanding *(thousands of shares)*	**544,098**	547,632
Basic losses per share *(RMB per share)*	**(2.48)**	(3.96)

As of December 31, 2020, the Company has repurchased total A-shares of 3,573,200 through centralized bidding transactions, accounting for 0.65% of the Company's total share capital and 1.07% of the Company's A shares. The highest transaction price was 6.15 RMB per share, the lowest transaction price was 4.14 RMB per share, and the amount used for repurchase was RMB 20,009,946 (excluding transaction costs).

9 CASH AT BANK AND ON HAND

Items	As at 31 December 2020 (Unaudited)	2019 (Audited)
Cash on hand	**321**	6,763
Bank deposits	**24,308**	168,786
Other monetary funds	**181,848**	182,135
Total	**206,477**	357,684

10 ACCOUNTS RECEIVABLE

Items	As at 31 December 2020 (Unaudited)	2019 (Audited)
Accounts receivable	**361,514**	666,125
Less: Provision for bad debts	**90,877**	79,002
Total	**270,637**	587,123

Classified disclosure on aging:

Aging	As at 31 December December 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Within 90 days	**221,448**	528,954
90 days to 1 year	**60,324**	77,813
1 to 2 years	**21,136**	14,016
2 to 3 years	**14,098**	15,121
3 years above	**44,508**	30,221
Total	**361,514**	666,125

11 INVENTORIES

(a) Classification of inventories is as follows:

Items	**As at 31 December**					
	2020 (Unaudited)			2019 (Audited)		
	Carrying amount before provision	**Impairment provision**	**Carrying amount**	Carrying amount before provision	Impairment provision	Carrying amount
Raw materials	**32,716**	**–**	**32,716**	8,025	–	8,025
Finished goods	**760,409**	**427,346**	**333,063**	2,054,011	342,606	1,711,405
Goods in transit	**116,403**	**51,274**	**65,129**	–	–	–
Low value consumables	**7,808**	**–**	**7,808**	9,215	–	9,215
Total	**917,336**	**478,620**	**438,716**	2,071,251	342,606	1,728,645

(b) Provision for decline in the value of inventories is analysed as follows:

	(Unaudited)						
	As at December 31, 2019 (Audited)	**Increase in the current period**		**Decrease in the current period**			**As at December 31, 2020 (Unaudited)**
Items		**Provision**	**Others**	**Reversal**	**Write off**	**Others**	
Finished goods	342,606	289,910	–	–	178,944	26,226	427,346
Goods in transit	–	51,274	–	–	–	–	51,274
Total	342,606	341,184	–	–	178,944	26,226	478,620

12 SHARE CAPITAL

Item	**As at 31 December**	
	2020 (Unaudited)	2019 (Audited)
A Shares	**332,882**	332,882
H Shares	**214,790**	214,790
Total	**547,672**	547,672

13 ACCOUNTS PAYABLE

Item	As at 31 December	
	2020	2019
	(Unaudited)	(Audited)
Payable for purchase	**1,168,081**	1,721,205
Total	**1,168,081**	1,721,205

The aging of accounts payable is analysed below:

	As at 31 December	
	2020	2019
	(Unaudited)	(Audited)
Within one year	**841,259**	1,581,122
Above one year	**326,822**	140,083
	1,168,081	1,721,205

14 DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2020.

No payment of cash dividends or stock dividends and no transfer from capital surplus to share capital for the year ended 31 December 2019 was approved at the 2019 annual general meeting of the Company held on 30 July 2020.

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2019.

No payment of cash dividends or stock dividends and no transfer from capital surplus to share capital for the year ended 31 December 2018, and the accumulated profit rolled over to the next year was approved at the 2018 annual general meeting of the Company held on 28 May 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2020, the sudden outbreak of the COVID-19 pandemic had brought unprecedented impacts on the industry. According to the data from the National Bureau of Statistics, total retail sales of consumer goods in 2020 reached RMB39,198.1 billion, down 3.9% year on year; retail sales of consumer goods above the designated size were RMB14,332.3 billion, down 1.9% year on year, among which, the retail sales of garments, footwear, hats and knitwear reached RMB1,236.5 billion, down 6.6% year on year, and the retail sales of supermarkets in the retail enterprises above the designated size increased by 3.1% year on year, while department stores, professional stores and specialty stores decreased by 9.8%, 5.4% and 1.4% respectively. As affected by the pandemic, consumer activities involving crowds and physical contact were restricted. Due to the spread of the COVID-19 pandemic in 2020, the Company's overall operations, especially its offline physical business, were significantly impacted, and the Company's implementation of adjustment measures was constrained to a certain extent. During the Reporting Period, the Company faced various difficulties such as a significant decline in operating income, high liquidity pressure and low profitability.

The main reasons for the estimated loss during the Reporting Period are as follows: (1) as affected by factors such as the COVID-19 pandemic, the Company's revenue from its offline network dropped significantly, whilst at the same time the Company still had to bear fixed expenses such as shopping mall rentals and salaries. As a result, the decrease in selling expenses and administrative expenses was significantly lower than the decline in revenue, which led to a loss of approximately RMB900 million. (2) the Company further closed down ineffective offline stores, with the number of offline outlets within Mainland China having decreased from 4,878 at the beginning of the year to 959 at the end of the year. The operating loss of the closed stores and expenses such as those arising from paying off renovation fees in one go together accounted for a loss of RMB250 million. (3) Due to factors such as the external industry environment, internal inventory clearance efforts and cash flow pressure, the Company's sales of past-season products increased significantly during the Reporting Period, resulting in a corresponding decrease in gross profit margin, which led to a decrease in gross profit of approximately RMB200 million during the Reporting Period as compared with the same period of the previous year. At the same time, the aging of the Company's inventories at the end of the Reporting Period resulted in a loss of approximately RMB340 million due to the decline in value of inventories. (4) During the Reporting Period, the Company determined to dispose of projects that materially and adversely affected the Company's financial performance and cash flow. Further, Jack Walk (Shanghai) Fashion Limited* (傑克沃克(上海)服飾有限公司) and Naf Naf SAS, which were former subsidiaries of the Company, entered into judicial liquidation due to their inability to continue operation. The operating losses of investment projects and the disposal of loss-making investment projects by the Company together accounted for a loss of RMB50 million for the Reporting Period.

FINANCIAL REVIEW

For the year ended 31 December 2020, the Group's revenue and operating loss were RMB1,819.3 million and RMB1,446.6 million respectively, representing a decrease of 76.3% and 36.2% respectively, as compared with the corresponding period of last year. The loss for the year ended 31 December 2020 amounted to RMB1,376.9 million, representing a decrease of 38.9% as compared with the corresponding period of last year.

Revenue

The revenue of the Group in 2020 decreased from RMB7,666.2 million in 2019 to RMB1,819.3 million, representing a decrease of 76.3% year on year. The decrease in revenue was mainly attributable to the following reasons: (1) the Company proactively implemented a strategic contraction strategy. During the Reporting Period, it continued to optimize channels for direct offline sales and closed directly-operated stores that were not efficient and loss-making. As at the end of 2020, the number of domestic outlets of the Company was 959, with a net decrease of 3,919 from 4,878 as at the end of the year 2019, representing a drop of 80.3% in the number of domestic outlets; (2) as affected by COVID-19 and the resulting decline in customer flow in physical stores, the Company's direct offline sales during the Reporting Period were lower than expected, and the same store sales ratio decreased by 58.5%; (3) due to the pressure on the Company's cash flow during the Reporting Period, the quantity of goods purchased was reduced, and accordingly sales revenue also recorded a decrease.

Revenue by distribution channel

The following table sets out the revenue breakdown by type of retail points for the Reporting Period and the corresponding period of last year:

	Year ended 31 December			
	2020 (Unaudited)		2019 (Audited)	
	Revenue *(RMB'000)*	**Percentage of total *(%)***	Revenue *(RMB'000)*	Percentage of total *(%)*
Concessionaire counters	**677,480**	**37.2**	3,225,305	42.1
Standalone retail outlets	**625,528**	**34.4**	3,097,356	40.4
Online platform	**295,775**	**16.2**	816,164	10.7
Franchise/Associates	**169,099**	**9.3**	509,527	6.6
Licensing	**19,179**	**1.1**	–	–
Others *Note 1*	**32,256**	**1.8**	17,877	0.2
Total	**1,819,317**	**100**	7,666,229	100

The revenue from concessionaire counters decreased from RMB3,225.3 million in 2019 to RMB677.5 million in 2020, representing a decrease of 79.0% year on year. The revenue from standalone retail outlets decreased from RMB3,097.4 million in 2019 to RMB625.5 million in 2020, representing a decrease of 79.8% year on year. The decreases in revenue from concessionaire counters and standalone retail outlets were mainly due to the decrease in the number of retail outlets caused by the active contraction strategy implemented by the Group. The number of retail outlets for concessionaire counters and standalone retail outlets decreased by approximately 78.3% and 84.4% respectively, as compared with the number of retail outlets at the end of the year 2019. In addition, the impact of COVID-19 home and abroad caused the decrease of same-store sales. The revenue from standalone retail outlets accounted for 34.4% of the total revenue of the Group in 2020, representing a period-on-period decrease of 6.0 percentage points. The revenue from online platform reached RMB295.8 million, which accounted for 16.3% of the total revenue, representing a period-on-period increase of 5.7 percentage point.

Note 1: "Others" mainly refers to the revenue from the Company's leasing business and labour services.

Revenue by brand

The following table sets out the revenue breakdown by brand for the Reporting Period and the corresponding period of last year:

	Year ended 31 December			
	2020 (Unaudited)		2019 (Audited)	
	Revenue *(RMB'000)*	**Percentage of total *(%)***	Revenue *(RMB'000)*	Percentage of total *(%)*
La Chapelle	**388,101**	**21.4**	1,617,394	21.2
Puella	**287,612**	**15.8**	1,282,699	16.7
7 Modifier	**266,274**	**14.6**	1,162,231	15.2
La Babité	**234,720**	**12.9**	980,862	12.8
Candie's	**187,228**	**10.3**	683,109	8.9
Men's wear brands	**72,586**	**4.0**	346,820	4.5
8ém	**37,081**	**2.0**	152,780	2.0
Naf Naf	**280,676**	**15.4**	996,983	13.0
Other brands	**32,783**	**1.8**	425,474	5.5
Others	**32,256**	**1.8**	17,877	0.2
Total	**1,819,317**	**100.0**	7,666,229	100.0

Note: 1. Menswear brands comprise JACK WALK, Pote and MARC ECKŌ brands.

2. Other brands comprise GARTINE, Siastella and UlifeStyle brands.

3. Naf Naf SAS, a former wholly-owned subsidiary of the Company, was no longer included in the consolidated financial statements. From January 2020 to February 2020, Naf Naf SAS recorded an operating income of RMB280,676 thousand.

As affected by the decrease in the number of retail outlets and the decrease in same store revenue, the revenue of the Group for the year ended 31 December 2020 had an overall decrease of 76.3%. The revenue from each of the major brands recorded decreases: revenue from women's wear brands decreased by 76.2%, and revenue from men's wear brands decreased by 79.1%. At the same time, as the proportion of off-season products to total products increased, the overall gross profit margins of the Group also decreased: gross profit margin of women's wear decreased by 9.7%, and gross profit margin of men's wear decreased by 19.4%.

Revenue by tier of cities

The following table sets out the revenue breakdown by tier of cities (including revenue from online platform) for the Reporting Period and the corresponding period of last year:

	Year ended 31 December			
	2020 (Unaudited)		2019 (Audited)	
	Revenue *(RMB'000)*	**Percentage of total** *(%)*	Revenue *(RMB'000)*	Percentage of total *(%)*
First-tier cities	**150,388**	**8.3**	1,103,569	14.4
Second-tier cities	**678,740**	**37.3**	2,782,798	36.3
Third-tier cities	**374,030**	**20.6**	1,484,055	19.4
Other cities	**335,483**	**18.4**	1,298,824	16.9
Overseas region	**280,676**	**15.4**	996,983	13.0
Total	**1,819,317**	**100**	7,666,229	100

Note: 1. For the classification of domestic cities in various tiers, please refer to the prospectus of the Company dated 24 September 2014 (the "**Prospectus**").

2. Operating income in overseas regions was realized by the Company's former wholly-owned subsidiary Naf Naf SAS, which was no longer included in the consolidated financial statements of the Company at the end of the reporting period.

In 2020, the Group's revenue decreased in all cities, mainly due to the decrease in the number of retail outlets, the decrease in the quantity of the goods purchased and the impact of the COVID-19 pandemic.

Revenue by product type

The following table sets out the revenue breakdown by product type (including revenue from online platform) for the Reporting Period and the corresponding period of last year:

	Year ended 31 December			
	2020		2019	
	(Unaudited)		(Audited)	
	Revenue	**Percentage of total**	Revenue	Percentage of total
	(RMB'000)	***(%)***	*(RMB'000)*	*(%)*
Tops	**1,181,143**	**64.9**	5,186,003	67.7
Bottoms	**174,546**	**9.6**	842,148	11.0
Dresses	**410,737**	**22.6**	1,604,675	20.9
Accessories and others	**52,891**	**2.9**	33,403	0.4
Total	**1,819,317**	**100**	7,666,229	100

In 2020, revenue from sales of different products of the Group recorded a decrease, which was attributed to the decrease in purchase volume and sales volume period-on-period. Revenue contribution from sales of different products as compared with last year: revenue contribution from sales of tops increased by 2.8%, revenue contribution from sales of bottoms decreased by 1.4% and revenue contribution from sales of dresses increased by 1.7%.

Cost of Sales

The cost of sales of the Group decreased by 71.2% from RMB3,242.8 million in 2019 to RMB933.7 million in 2020. The decrease in cost of sales was mainly due to the year-on-year decrease in revenue.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased from RMB4,423.5 million in 2019 to RMB885.6 million in 2020, representing a decrease of 80.0%. The overall gross profit margin of the Group decreased to 57.7% in 2020 from 48.7% in 2019, mainly due to an increase in proportion of sales of off-season products in 2020, resulting in a period-on-period decrease in actual comprehensive average gross profit margin.

Selling and Distribution Expenses and General and Administrative Expenses

Selling and distribution expenses in 2020 amounted to RMB1,643.4 million (2019: RMB5,174.6 million), consisting primarily of salaries and benefits for sales staff, concession and rental expenses relating to retail points and online stores, amortisation of store decoration expenses and rental expenses. Expressed in percentage points, selling and distribution expenses as a percentage of total revenue in 2020 were 90.3% (2019: 67.5%). Compared to 2019, due to the strategic contraction strategy and impact of the COVID-19 pandemic, the significant decrease of sales volume resulted in the increase in the ratio of fixed selling expenses (such as salaries and benefits for sales staff, amortisation of store decoration expenses and shopping mall rental expenses) to revenue. General and administrative expenses in 2020 amounted to RMB264.6 million (2019: RMB483.2 million), consisting primarily of administrative employee salaries and benefit expenses, amortization of intangible assets, and consulting service fees. Expressed in percentage points, general and administrative expenses as a percentage of total revenue in 2020 were 14.5% (2019: 6.3%). The contribution of administrative staff salaries and benefits and depreciation of fixed assets to our revenue for the Reporting Period has increased from the corresponding period of last year.

Asset Impairment Loss

The asset impairment loss for the year ended 31 December 2020 was RMB342.5 million (2019: RMB778.5 million), which was mainly provision for impairment of inventories. Compared with 2019, the further asset impairment loss this year was mainly due to the further depreciation of right-of-use assets and intangible assets of the Company. Further details on the asset impairment loss will be disclosed by the Company upon completion of the audit as and when necessary.

Other Income – Net

The Group's other income amounted to RMB23.6 million in 2020 (2019: RMB103.3 million), mainly due to the receipt of financial subsidies of RMB14.6 million in 2020 (2019: RMB102.2 million).

Finance Expenses/Income – Net

The Group's net finance expenses were RMB152.5 million in 2020 (2019: RMB241.7 million). The decrease in the net financial expenses was mainly due to the year-on-year decrease in interest expenses on lease liabilities resulting from further closure of stores under the new lease standard.

Loss before Income Tax

Loss before income tax of the Group decreased from RMB2,265.0 million in 2019 to a loss before income tax of RMB1,461.6 million in 2020, representing a decrease of 35.5 % from the corresponding period of last year. The decrease in total loss was mainly due to the business contraction implemented by the Company and the decrease in fixed costs and expenses.

Income Tax Expense

Income tax expense amounted to RMB(84.6) million in 2020 (2019: RMB(12.7) million).

The effective income tax rate in 2020 was -3.12% (2019: -0.56%).

Net Loss

As a result of the foregoing, net loss for the year ended 31 December 2020 amounted to RMB1,376.9 million, representing a decrease by 38.9 % from the net loss of RMB2,252.3 million in 2019. In particular, net loss for the period attributable to the owner of the Group was RMB1,347.6 million, representing a decrease by 37.8% from the net loss for the period attributable to the owner of the Group of RMB2,166.3 million in 2019.

Total equity attributable to shareholders of the Company

As at 31 December 2020, total equity attributable to shareholders of the Company was RMB(117.5) million (as at 31 December 2019: RMB1,240.4 million).

Contingent liabilities

In May 2019, the Company pledged 100% of its equity interest in a former wholly-owned subsidiary LaCha Fashion I Limited ("**LaCha Fashion I**"), 100% of its equity interest in LaCha Apparel II Sàrl ("**LaCha Apparel II**"), and 100% of its equity interest in Naf Naf SAS to HTI Advisory Company Limited for a loan of EUR37.4million to fund the consideration for acquiring 60% equity interest in Naf Naf SAS. The Company accepted joint and several liability for the loan. Subsequently, due to the Company's liquidity difficulties and the deterioration of Naf Naf SAS's operating conditions, the Company failed to repay the loan on time.

On 25 February 2020, HTI Advisory Company Limited took over LaCha Fashion I. As a result, the Company was unable to control or exert any influence on it, and therefore lost actual control of it, thereby also losing control over LaCha Fashion I's subsidiaries, i.e. APPAREL I, APPAREL II and Naf Naf SAS. As at the date of this announcement, HTI Advisory Company Limited has commenced proceedings in order that the Company and its subsidiaries be ordered to be jointly and severally liable for the repayment of the loan. This dispute is still under legal proceedings. For details, please refer to the Company's announcement dated 25 September 2020.

As the Company may be jointly and severally liable for repayment of the loan, an estimated liability of RMB345.6 million was accrued.

BUSINESS REVIEW

Retail Network

For the year ended 31 December 2020, the number of domestic retail outlets of the Group was 959, decreasing from 4,878 as at 31 December 2019, which were situated at approximately 339 physical locations. In addition, as Naf Naf SAS was no longer included in the consolidated financial statements, as at the end of the Reporting Period, the number of overseas retail outlets decreased by 586. The number of retail points was counted on the basis used for that as at 31 December 2015.

The table below sets out the distribution of the Group's retail points as at 31 December 2020 and as at 31 December 2019 by tier of cities in the PRC and in overseas region:

	As at 31 December			
	2020		2019	
	Number of retail points	**Percentage of total** *(%)*	Number of retail points	Percentage of total *(%)*
First-tier cities	**50**	**5.2**	443	8.1
Second-tier cities	**408**	**42.5**	1,909	34.9
Third-tier cities	**204**	**21.3**	1,296	23.8
Other cities	**297**	**31**	1,230	22.5
Overseas region	**0**	**0**	586	10.7
Total	**959**	**100**	5,464	100

Note:

1. In respect of the classification of the tier of cities, please refer to the Prospectus.

2. Overseas region refers to the stores of Naf Naf SAS, a former wholly-owned subsidiary of the Group, which has no longer been included in the Group's consolidated financial statements.

The table below sets out the distribution of the Group's retail points in the PRC as at 31 December 2020 and as at 31 December 2019 by type of the retail points:

	As at 31 December			
	2020		2019	
	Number of retail points	**Percentage of total** *(%)*	Number of retail points	Percentage of total *(%)*
Concessionaire counters	**561**	**58.5**	2,584	47.3
Standalone retail outlets	**331**	**34.5**	2,123	38.8
Franchise/Associate	**67**	**7.0**	757	13.9
Total	**959**	**100**	5,464	100

The table below sets out the distribution of the Group's retail points in the PRC as at 31 December 2020 and as at 31 December 2019 by brands:

	As at 31 December			
	2020		2019	
	Number of retail points	**Percentage of total** *(%)*	Number of retail points	Percentage of total *(%)*
La Chapelle	**253**	**26.3**	1,204	22.1
Puella	**202**	**21.1**	1,033	18.9
7 Modifier	**176**	**18.4**	958	17.5
La Babité	**154**	**16.1**	767	14.0
Candie's	**142**	**14.8**	593	10.9
Menswear	**21**	**2.2**	216	4.0
8ém	**5**	**0.5**	94	1.7
Naf Naf SAS	**0**	**0**	586	10.7
Other brands	**6**	**0.6**	13	0.2
Total	**959**	**100**	5,464	100

Note: 1. The number of stores of the Company is calculated based on the number of outlets, that is, if multiple brands are included in the same collection store, the collection store is counted as multiple terminal outlets. During the Reporting Period, the Company continued conducting a comprehensive evaluation of stores in the terminal channel and further closed some loss-making and inefficient stores.

2. Other brands refer to those invested by the Company.

The table below sets out the distribution of the Group's net additional retail points in the PRC in as at 31 December 2020 and as at 31 December 2019 by brands:

	For the year ended 31 December			
	2020		2019	
	Number of Net retail points closure	**Percentage of total** *(%)*	Number of retail points points closure	Percentage of total *(%)*
La Chapelle	**951**	**24.2**	762	17.4
Puella	**831**	**21.2**	874	19.9
7 Modifier	**782**	**20.0**	772	17.6
La Babité	**613**	**15.6**	773	17.6
Candie's	**451**	**11.5**	334	7.6
Menswear	**195**	**5.0**	499	11.4
8ém	**89**	**2.3**	180	4.1
Other brands	**7**	**0.2**	197	4.5
Total	**3,919**	**100**	4,391	100

The above figures only represent the Group's total number of retail points in the PRC and do not include retail points overseas because Naf Naf SAS is no longer included in the Group's consolidated financial statements, resulting in a decrease in retail points.

SAME STORE SALES

Same store sales of retail shops in 2020 decreased by 58.5%, compared to that of 2019, mainly due to the adverse impact on the fashion industry, particularly retail outlets, caused by the COVID-19 pandemic, and the Company's policy to increase sales of inventories.

FUTURE OUTLOOK

Affected by factors such as the lack of a strategic focus and overly rapid expansion in the early stage, an unbalanced cost structure and changes in the industry environment, the Company is currently suffering operating losses and has a tight cash flow. The Company will mainly adopt the following countermeasures in response to the present problems:

1. The Company will adjust its current business strategy and development direction. On the one hand, the Company will focus on enhancing the management of its high-quality stores, adhere to the policy of "direct store management from the headquarters and management responsibility towards every employee", and strive to improve store efficiency, personnel efficiency and single store profitability. On the other hand, the Company will continue to make efforts in expanding the promotion of its licensing business, and to realize the transition of the Company to a business model featuring light assets, high gross profit and quick turnover. In the fourth quarter of 2020, the Company realized revenue of approximately RMB19.18 million through its online (non-main-brand) licensing business. In the future, the Company will further explore its online licensing business's coverage of brands, categories and platform channels, and utilize the advantages of an "asset-light" business model to improve the asset turnover and profitability of the Company.

2. The Company will "remove its heavy burden and move forward with light gear" as soon as possible. The Company will seek to lease or sell its existing low-efficiency property assets (including park properties at the headquarters and warehousing and logistics assets), and strive to sell them at the maximum premium. Through disposing assets not suitable to its strategy, the Company aims to recover funds to improve its liquidity and asset structure, in order to provide financial support for the development of its core business.

3. The Company will inspect its existing inventories and adopt measures such as identification by price, quality screening, bundling and matching channels, to encourage all regions and partners to facilitate the disposal of the inventories of the Company in accordance with a unified policy, which can effectively reduce the inventory level of old products and accelerate the return of funds to the Company. Meanwhile, the Company will also actively develop new products to enhance its performance and image.

4. The Company will further adjust and optimize its management system, improve overall budget management and cost control, and strictly adopt measures that "reduce costs and enhance efficiency". In 2021, the Company will attach greater importance to the preparation, control and implementation of its overall budgets, strengthen cost control from the source, strictly control various costs and expenditures, conduct input-output analyses on major costs, perform closed-loop management of key expenses, and conduct dynamic monitoring and process supervision on overall budgets, in order to maximize the profitability of its primary business.

5. Regarding the debt problems faced by the Company at this stage, the Company, being responsible to all shareholders and creditors, will actively negotiate with the relevant courts, creditors and financial institutions to seek a centralized solution to debt settlement, including but not limited to debt extensions, exemptions, discounts and settlements as soon as possible, in order to alleviate the debt pressure of the Company and help the Company return to a positive development track. As of the date of this announcement, the Company still has frozen cash at banks in the amount of approximately RMB200 million (nominal value). The Company will propose a feasible plan for debt repayment, in order to combine the benefits of the reduction in operating burden and debt reorganization, thus further optimizing the asset-liability structure of the Company.

6. Apart from taking measures to overcome difficulties, the Company also aims to restore and improve its credit and financing capabilities through actively seeking new investors, obtaining external financing, leveraging the resources and advantages of substantial shareholders in various aspects such as entrusted financing, financial strength, and professional capabilities, optimizing and reorganizing its overall business as well as seeking further funds.

DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 December 2020 (year ended 31 December 2019: Nil).

According to the articles of association of the Company, before making up the losses and allocating the statutory common reserve fund, the Company shall not distribute dividends or carry out other distributions by way of bonus. If the audited distributable profit of the Company for 2020 is still negative, the Company intends not to make profit distribution in any form for 2020.

CLOSURE OF REGISTER OF MEMBERS FOR H SHARES FOR 2020 AGM

Please refer to the section “FURTHER ANNOUNCEMENT(S)” below.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2020, the Company repurchased 1,691,400 A shares of the Company on the Shanghai Stock Exchange for a total consideration of RMB9,844,599 (before transaction cost).

Details of the repurchase of A shares by the Company are as follows:

Month of repurchase	Number of shares repurchased	Highest price per share *(RMB)*	Lowest price per share *(RMB)*	Total amount of repurchase *(RMB)*
January 2020	1,691,400 A shares	5.99	5.70	9,844,599

None of such shares was cancelled during the year ended 31 December 2020.

According to the A share repurchase mandate of the Company, the repurchase of shares shall be for the purpose of providing safeguard to the value of the Company and the rights and interests of the Shareholders and for the purpose of equity incentive granted to specified persons and employee shareholding scheme. Please refer to the circulars dated 30 August 2019 and 3 April 2020 of the Company for details of the A share repurchase mandate.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2020.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to safeguarding the interests of its shareholders and enhancing corporate value. In the opinion of the Board, the Company has been in compliance with the code provisions (the "**Code Provision(s)**") of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules during the year ended 31 December 2020, save as to the deviation from the Code Provision A.1.8, paragraph A.2 and paragraph A.3.

Under Code Provision A.1.8, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. Currently, the Company does not have insurance cover for legal action against its Directors as the Board considers that no director liability insurance on the market can provide sufficient protection for its directors at a reasonable insurance premium. Therefore, benefits to be derived from taking out insurance may not outweigh the costs.

Under paragraph A.2 of the Corporate Governance Code, the chairman and chief executive officer in the Company should have a balanced power and authority. On 3 February 2020, Mr. Xing Jiaxing resigned as director, chairman and all positions within the Group. On 25 February 2020, Mr. Yu Qiang resigned as director, president, acting chairman and all positions within the Group. Following the resignation of Mr. Xing Jiaxing, the Company did not have a chairman of the Board during the period from 3 February 2020 to 7 May 2020. On 14 August 2020, Mr. Yin Xinzai resigned as president and was re-designated from an executive director to a non-executive Director. Following the resignation of Mr. Yin Xinzai, the Company did not have a president from 14 August 2020 to 3 November 2020.

Under paragraph A.3 of the Corporate Governance Code, the Board should have a balanced composition of executive and non-executive directors (including independent non-executive directors). Following the resignation of Mr. Yu Qiang with effect from 25 February 2020, the Board did not have any executive Director during the period from 25 February 2020 to 7 May 2020. With effect from 14 August 2020, Mr. Yin Xinzai was re-designated from an executive Director to a non-executive Director. Therefore, from 14 August 2020 until 31 December 2020, the Board comprised one executive Director, three non-executive Directors and three independent non-executive Directors. The Board, in concurrence with the nomination committee of the Board, was of the view that the Company had in place a senior management team (including Mr. Xing Jiaxing, who was re-appointed as president of the Company from 25 February 2020 to 20 April 2020 and Mr. Yin Xinzai, who was appointed as president of the Company on 20 April 2020) to continue leading the day-to-day management of the Company. Given that the Company had sufficient senior management members who are knowledgeable and experienced in different fields, the Board and the Nomination Committee believed that the senior management team would be able to provide sufficient information to the Board so as to make informed decisions and the Board could thereby function effectively. The Board will be responsible for formulating high-level strategy and management guidelines and monitoring the Company's general performance, in order to ensure the proper and efficient administration and management of the Group.

Save as disclosed above, there was no deviation from the Code Provisions of the Corporate Governance Code as set forth in the Appendix 14 to the Listing Rules for the year ended 31 December 2020.

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted its own policies for securities transactions (the "**Company Code**") by Directors, supervisors (the "**Supervisor(s)**") and relevant employees on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the Directors and the Supervisors by the Company and all Directors and Supervisors have confirmed that they have complied with the Model Code and the Company Code for the year ended 31 December 2020.

AUDIT COMMITTEE

The Audit Committee currently comprises one executive Director, namely Ms. Zhang Ying, and two independent non-executive Directors, namely Mr. Xing Jiangze and Ms. Wong Sze Wing.

REVIEW OF UNAUDITED ANNUAL RESULTS

The audit process for the annual results for the year ended 31 December 2020 has not been completed primarily due to a delay in commencing the pre-audit work for the year ended 31 December 2020 and the delays in various aspects of the audit process (including, in obtaining external confirmations from third parties). Consequently, more time is required for Da Hua, the Company's auditor, to follow-up and complete the relevant audit procedures.

There was a delay in the commencement of the pre-audit process because Da Hua was appointed as the Company's auditor in December 2020, and only commenced pre-audit work upon its appointment. Taking into account the experience from previous years, the pre-audit work of the Company would generally commence in October or November of the relevant financial year; however, since Da Hua was only appointed in December 2020 and could only commence its audit work then, there was a delay in commencing pre-audit work for one to two months.

Further, the Company also experienced difficulties in obtaining third party confirmations from its business stake holders, including suppliers and shopping mall operators. As a result, Da Hua required more time to implement alternative procedures in addition to the audit confirmations and, with the Company's coordination and cooperation, re-issue the confirmation letters to such third parties as suppliers and shopping mall operators, taking into account the actual circumstances.

Finally, Da Hua was unable to implement the inventory audit procedure and conduct site visits at various stores of the Company in various areas of the PRC, including Beijing and Hebei in late December 2020 as a result of the outbreak of COVID-19 and the corresponding restriction measures at that time, and could only perform these procedures on 23 and 24 March 2021, causing a delay in the audit process.

As a result of a combination of the aforementioned factual circumstances, Da Hua could not complete the audit process by 31 March 2021, and the Company could not publish its audited annual results announcement by even date.

The unaudited results contained herein have not been agreed by the Company's auditor. An announcement relating to the audited results will be made when the audit process has been completed in accordance with the Accounting Standards for Business Enterprises on Auditing issued by the Ministry of Finance of the People's Republic of China.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Since Mr. Xing Jiaxing ("**Mr. Xing**") did not perform certain obligations under certain Notarised Documents of Creditor's Rights arising from share pledge repurchase transactions in relation to the A shares of the Company, the Shanghai Financial Court issued the Notice of Judicial Disposal of Shares (2020) Hu Zhi No. 425 (《司法處置股票公告》(2020)滬74執425號), pursuant to which the Shanghai Financial Court made a ruling for the compulsory auction of the 141,600,000 A shares held by Mr. Xing.

Since Shanghai Hexia Investment Co., Ltd. ("**Shanghai Hexia**"), the party acting in concert with Mr. Xing, did not perform certain obligations under certain Notarised Documents of Creditor's Rights arising from share pledge repurchase transactions in relation to the A shares of the Company, the Shanghai Financial Court issued the Notice of Judicial Disposal of Shares (2020) Hu Zhi No.216 (《司法處置股票公告》(2020)滬74執216號), pursuant to which the Shanghai Financial Court made a ruling for the compulsory auction of the 45,200,000 A shares held by Shanghai Hexia.

The Shanghai Financial Court auctioned the 141,600,000 A shares held by Mr. Xing successfully on the judicial assistance execution platform (the "**Judicial Execution Platform**") on 5 March 2021; the Company received execution rulings from Shanghai Wensheng Asset Management Co., Ltd. (上海文盛資產管理股份有限公司) ("**Shanghai Wensheng**") and Shanghai Qijin Enterprise Management Partnership LLP (上海其錦企業管理合夥企業(有限合夥)) ("**Shanghai Qinjin**") in respect of 61,600,000 of the A shares bid by them; the Company received another execution ruling from Mr. Xing in respect of 80,000,000 of the A shares bid by three other successful bidders who failed to complete their corresponding transaction; the transfers in respect of 61,600,000 of the A shares held by Mr. Xing was completed. Since some of the successful bidders failed to pay their corresponding transaction balance in full within the specified period, 80,000,000 of the 141,600,000 A shares held by Mr. Xing have not been disposed of successfully. Therefore, the Court has re-commenced the disposal process in respect of these 80,000,000 A shares and will auction the same on 16 April 2021.

The Shanghai Financial Court auctioned the 45,200,000 A shares held by Shanghai Hexia successfully on the Judicial Execution Platform on 26 March 2021. This judicial auction has already delivered bidding results. However, since this share disposal process will still involve various aspects such as the payment of the difference between the relevant transaction price and the deposit, the court's issuance of execution rulings, and completion of share transfers through registration, the final results of this action remain uncertain. As at the date of this announcement, Shanghai Wensheng and its concert party, Shanghai Qijin, collectively hold 61,600,000 A shares of the Company, representing 11.25% of the total issued share capital of the Company. If all or a substantial portion of the auctioned 45,200,000 A shares are transferred to Shanghai Qijin, Shanghai Wensheng and Shanghai Qijin will collectively hold 106,800,000 A shares of the Company, representing 19.50% of the total issued share capital of the Company. As a result, Shanghai Wensheng and its concert party, Shanghai Qijin, will together become the Company's largest shareholders.

For details, please refer to the announcements of the Company dated 31 January 2021, 1 March 2021, 7 March 2021, 22 March 2021, 23 March 2021, 25 March 2021 and 28 March 2021.

FORWARD-LOOKING STATEMENT

This announcement contains, inter alia, certain forward-looking statements, such as statements of our intentions and forward-looking statements on the Chinese economy and the markets in which we operate. Such forward-looking statements are subject to some uncertainties and risks, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward looking statements. Accordingly, readers of this announcement are cautioned not to place undue reliance on any forward looking information.

FURTHER ANNOUNCEMENT(S)

Following the completion of the audit process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2020 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the proposed date on which the forthcoming annual general meeting will be held, and (iii) the period during which the register of members for H shares will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting. In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the audit process.

If the Company's audited net asset attributable to the shareholders of the Company for the year ended 31 December 2020 is negative, a delisting risk warning might be imposed on the A Shares of the Company under the Shanghai Stock Exchange Listing Rules.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Xinjiang La Chapelle Fashion Co., Ltd.
Mr. Wu Jinying
Chairman

Shanghai, the People's Republic of China
15 April 2021

As of the date of this announcement, the executive directors of the Company are Mr. Wu Jinying, Ms. Zhang Ying and Ms. Zhang Danling; the non-executive director of the Company is Mr. Yin Xinzai; the independent non-executive directors of the Company are Mr. Xing Jiangze, Ms. Wong Sze Wing and Mr. Zhu Xiaozhe.